

CONSCIOUS

INVESTMENT MANAGEMENT

INVESTMENT POLICY

MARCH 2023

Investment Manager

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CONSCIOUS
INVESTMENT MANAGEMENT

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ACKNOWLEDGMENT OF COUNTRY

Conscious Investment Management acknowledges Traditional Custodians of Country throughout Australia. We pay our respects to Aboriginal and Torres Strait Islander Elders past and present.

We acknowledge that many of our investments exist on traditional lands where Aboriginal and Torres Strait Islander peoples have lived for many thousands of years. We honour their ongoing connection to these lands and strive to respect the Traditional Custodians in our work.

We accept the invitation in the Uluru Statement from the Heart to walk together with Aboriginal and Torres Strait Islander peoples in a movement of the Australian people for a better future.

Image: 'Where the Pathways Meet' by Dennis Golding from the front cover of CIM's Reflect Reconciliation Action Plan

CONSCIOUS INVESTMENT MANAGEMENT

OUR VISION

Our vision is for a fairer, more sustainable world where people and the planet thrive.

OUR MISSION

Our mission is to invest for positive impact and financial return. We deliver impact investments that are authentic, accessible, and scalable.

OUR INVESTMENT PHILOSOPHY

We believe assets that have fundamental social and environmental value can deliver stable and attractive risk-adjusted financial returns.

Image: View from a CIM financed social housing apartment in Melbourne.



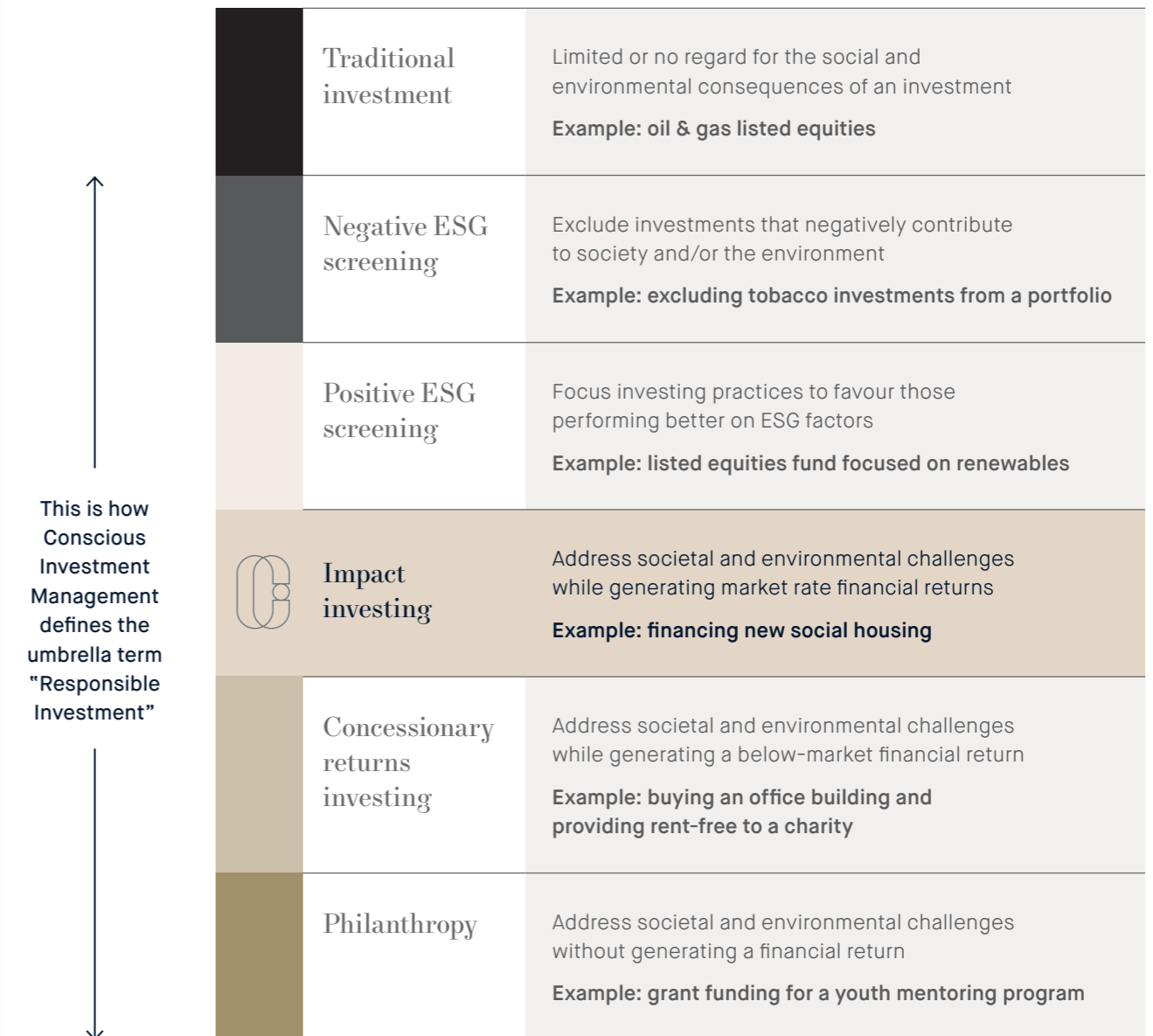
IMPACT INVESTMENT

CIM defines “impact investing” as investing to earn market rate financial returns, while at the same time, generating intentional and measurable positive social and/or environmental impact.

Impact investing requires the integrated consideration of impact opportunities and risks in both investment decision making and asset management. By considering impact alongside risk and return in our investment process, we believe we can:

- Create enduring, positive impact for our stakeholders, which includes investors, end beneficiaries, communities and the environment;
- Develop a deeper understanding of the broader range of risks and opportunities of the assets in which we invest, contributing to the creation of long-term value;
- Deliver market rate financial returns for our investors; and
- Accurately measure and report on the outputs, outcomes and ultimate impact of our investments.

The below image sets out a spectrum for responsible investment, ranging from negative to positive impact, and shows where our investment mandate sits on a relative basis.



WHY WE EXIST

CIM exists to make impact investing accessible.

Historically, impact investment opportunities have been challenging to access for many investors. Transaction costs can be steep, minimum investment sizes are often high, and investors face challenges associated with an immature market, such as difficulty finding investments that meet their desired return or liquidity profiles, or difficulty finding fund managers with a track record and institutional grade operations.

CIM manages funds that make impact investing both attractive and accessible by solving these various barriers to entry in the sector. These barriers exist for both asset owners and financiers seeking to raise capital, and investors looking to deploy their capital into impact investments. We have designed our funds to bridge this gap, connecting investors with impact investments, and consequentially channelling more capital into assets that have social and/or environmental benefit.

Investor challenge to deploying impact capital	Asset owner / financier barrier to raising impact capital	CIM solution
Difficulty finding acceptable investment opportunities	Difficulty finding aligned investors	<ul style="list-style-type: none"> – Dedicated investment team with sector expertise and the ability to structure and make unique investments – Deep networks and existing Impact Partner relationships drive referrals and investment pipeline growth
	Investment opportunities are too big or too small, and difficult to access	<ul style="list-style-type: none"> – Democratise larger investments, providing diversification – Aggregate smaller, attractive investments
	Asset management capability	<ul style="list-style-type: none"> – Our team is a unique mix of professionals with not-for-profit and finance experience – a team purpose built for impact – We can understand and manage the actual on-the-ground impact, and roll up our sleeves to maximise financial returns and impact
	Impact measurement – understanding the impact an investment is having	<ul style="list-style-type: none"> – Adoption of leading global impact measurement frameworks – Track record of transparent and clear communications to investors
	Risk associated with first-time or boutique fund managers	<ul style="list-style-type: none"> – A fund manager with institutional grade operations and service providers – Established from Day 1 to invest in impact – not transitioning a team or investor base from traditional investing to impact investing – No pressure to “get capital to work” to establish an impact funds management business

Image: Stock

INVESTMENT APPROACH

At CIM we believe assets that have fundamental social and environmental value can deliver stable and defensive financial returns.

OUR IMPACT THEMES

We recognise that not all areas of social and environmental need are amenable to profit-seeking capital, and have identified three broad sectors that we believe have actionable investment opportunities and can generate attractive financial returns – (i) Environment and Climate; (ii) Health and Education; and (iii) Social Infrastructure.





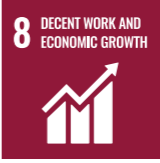


We have chosen these impact themes because we believe they have actionable investment opportunities, attractive investment economics, and the potential for measurable positive social and environmental impact.



Example investments by Impact Theme:

Impact Theme	Example Investments
Environment and Climate	<ul style="list-style-type: none"> – Solar power purchase agreements – Reforesting and deriving streams of carbon and/or biodiversity credits – Vertical farming
Health and Education	<ul style="list-style-type: none"> – Specialist Disability Accommodation (SDA) – Accessible housing (for people who require specialised housing who are not eligible for SDA)
Social Infrastructure	<ul style="list-style-type: none"> – Social and affordable housing – Other cohort specific housing such as mental health housing and youth housing – Social impact bonds, which finance high impact social service programs

We have also linked our impact themes to the UN Sustainable Development goals, as set out below:

Impact Theme	Corresponding UN Sustainable Development Goal
Environment and Climate	 
Health and Education	 
Social Infrastructure	  

IMPACT PARTNER MODEL

To address these target areas, we partner with charities and profit-for-purpose organisations to originate and manage investments; we call this our “Impact Partner” model. This model is designed to combine our impact investing expertise with the frontline experience of our Impact Partners, and is core to what we do.



First, we **collaborate with our Impact Partners** to understand peoples’ and society’s needs in our investment sectors. This ensures we are led by those with lived experience.



Once we have clearly identified the opportunities, we bring our impact investing experience and investment capital to **structure, due diligence and invest** into assets that address these needs.



To have the greatest impact, we work closely with our Impact Partners in the **ongoing management** of our assets. This ensures our investments deliver the positive social and environmental impact we intend.

Our Impact Partners are values aligned organisations with operating experience and a frontline understanding of the needs of the end beneficiaries we aim to support.



Image: Berry St Education Model training session (social impact bond partly financed by CIM)

INVESTMENT OBJECTIVES

CIM has been appointed as Investment Manager for a number of unregistered managed investment schemes (each a “Fund” and collectively the “Funds”). While the target sectors and return profiles may be different for each Fund, when making investment decisions we have regard to the following objectives:

- To provide investors with access to a diversified portfolio of impact investments, earning the target financial returns for the specific Fund;
- Investing in assets with a measurable social and/or environmental impact; and
- Investing in real asset and real asset-like investments which prioritise cash flow generation and capital preservation.

INVESTMENT STRATEGY

We seek to meet each Fund’s unique investment objectives by building portfolios in accordance with our investment strategy, which is summarised adjacent:



Diligence	We have a comprehensive investment process through which we conduct due diligence and select investments to recommend to the Investment Committee and Trustee (as appropriate) for investment by the relevant Fund(s). This process is described further on subsequent pages.
Sectors	Focus on sectors that fall into the impact themes outlined above, being Environment and Climate, Health and Education, and Social Infrastructure.
Geographic focus	We currently focus predominately on investments in Australia and New Zealand (ANZ). Investments outside of ANZ will only be made alongside reputable and experienced local partners, and if the investment meets the mandate and follows the approval process of the relevant Fund.
Sources of investments	Investments are sourced from Impact Partners, and through the market insight and network of the team. In addition, some opportunities are generated through government tender processes where an Impact Partner will typically lead us into a transaction.
Portfolio construction	<p>For each Fund, we seek to construct a diversified portfolio of impact investments that fit within that Fund’s investment mandate. We recognise that diversification is a key differentiator of CIM relative to investors seeking to invest directly into impact investments.</p> <p>Each Fund is subject to certain portfolio construction constraints which can be found in the Information Memorandum for each Fund. These constraints are designed to ensure that each Fund is comprised of a well-diversified portfolio of high impact investments once it is of a sufficient size and scale.</p>
Return profile	Each Fund is managed with the objective of meeting that Fund’s stated return target over the medium term. We are focussed on real asset and real asset-like investments which prioritise fixed or stable cash flow generation and capital preservation.
Liquidity	We recognise that certain of our Funds have ongoing liquidity options for investors, and we manage these Funds with sufficient liquidity to meet ‘roll’ periods.
Leverage	Our managed Funds and their subsidiaries may enter into borrowing arrangements in accordance with the Information Memorandum and/or governing documents for the relevant Fund. We take a conservative approach to leverage, and in no case is there recourse to investors under any debt funding or security arrangements entered into by a CIM-managed Fund.
Co-investment	From time to time we may identify opportunities for co-investment alongside a CIM-managed Fund, which can amplify an investment’s impact, while addressing Fund diversification and portfolio construction considerations. Co-investments are governed by CIM’s Co-Investment Policy and are offered at the discretion of the Manager in accordance with its obligations under each Fund’s governing documents.
Allocation policy	CIM acts as Investment Manager for a number of Funds which may have investment mandates that overlap. Where suitable investment opportunities are identified which meet the investment objectives of more than one Fund, allocations are made in accordance with CIM’s Allocation Policy.
Foreign exchange hedging	It is not expected that the Funds will have material foreign exchange exposure. If a Fund does invest in global assets, CIM may enter into foreign exchange hedges to minimise foreign exchange risk for investors.

INVESTMENT PROCESS

Our investment process incorporates best-practice governance principles and has been developed based on the extensive investment and operational experience of CIM's executive team and Investment Committees.

A summary of our investment process, which is comprised of four key phases, is below:

PHASE 1 Origination and investment evaluation	Origination and initial screen	<ul style="list-style-type: none"> Investment sourced either directly through our existing networks or market insights, or through our Impact Partners. Negative ESG screen applied to all investments, and impact opportunities and risks identified.¹ Assessment by the Executive Investment Committee and approval for continued work.
	Preliminary evaluation, structuring and due diligence	<ul style="list-style-type: none"> Detailed investment and impact due diligence. Investment negotiation, financial modelling and structuring. For new Impact Partners, we undertake a standard form Impact Partner Due Diligence Assessment (see page 21 for extract).
PHASE 2 Investment Committee approval	Investment Committee briefing	<ul style="list-style-type: none"> Investment Committee (IC) briefing. Papers include specific consideration for First Nations² peoples; and Diversity, Equity and Inclusion. Approval to engage external service providers (e.g. lawyers, tax advisors).
	Further due diligence and documentation	<ul style="list-style-type: none"> Final review of impact, commercial, financial and legal due diligence, and negotiation of terms. Legal documentation.
	Final Investment Committee approval	<ul style="list-style-type: none"> Unanimous approval of the IC is required to authorise an investment.
PHASE 3 Execution and ongoing management	Execution	<ul style="list-style-type: none"> Execution of transaction documents, satisfaction of conditions precedent and financial close.
	Monitoring, management, and reporting	<ul style="list-style-type: none"> Ongoing monitoring, including quarterly review at IC level. Ongoing involvement in asset management, including impact management (e.g. tenancy management). Financial and impact measurement reporting to investors.
PHASE 4 Exit	Exit	<ul style="list-style-type: none"> Exit pathway, structuring and timing determined. IC approval of exit path.

¹ Note this is a preliminary screen. Detailed impact due diligence is subsequently undertaken.

² The term 'First Nations' in this document refers to the first peoples of the relevant jurisdiction in which we invest and/or operate. For example, in Australia, the term refers to Aboriginal and/or Torres Strait Islander peoples.

Image: CIM financed social and affordable housing apartment in Melbourne.

PHASE 1

ORIGINATION AND INVESTMENT EVALUATION

Investment origination and screening is the responsibility of the investment team.

Investments are sourced from existing Impact Partners, and through the market insight and network of the team. In addition, some opportunities are generated through government tender processes where an Impact Partner may lead us into a transaction.

To develop our investments, an investment lead (often the Chief Investment Officer or senior member of the investment team) will work with the Impact Partner to understand people and society's needs. Then using our finance experience and capital, we design and structure investments that meet those needs.

Initial screen

When an investment is sourced, the investment lead will apply a negative ESG screen to the potential investment. We do not invest in any of the following industries:

- Those that engage in activities that are illegal under applicable local laws or banned by global conventions;
- Those that use forced, compulsory or child labour practices;
- Those that operate casinos or betting enterprises;
- Those that extract fossil fuels (specifically, thermal coal, gas, tar sands and oil production);
- Those that trade in arms and weaponry (including cluster munitions, depleted uranium, and nuclear weapons).

— Those with the principal purpose of producing or trading in:

- Tobacco (including nicotine alternatives and e-cigarettes); or
- Pornography.

If the suitability of an asset, industry or Impact Partner in terms of mission, ethics or values is not clear, the potential investment is referred to CIM's Suitability Committee.

CIM SUITABILITY COMMITTEE

The purpose of the Suitability Committee is to assist CIM in embedding and overseeing our organisational values in the context of day-to-day and investment decision making.

The Suitability Committee was established to create a forum for the team to discuss issues or decisions that impact on our values, and which would benefit from open, constructive discussion and collective wisdom to reach a decision.

Suitability Committee members include the Chair of the relevant Fund's Investment Committee, CIM's Chief Investment Officer and, at a minimum, two CIM team members. The Suitability Committee's composition reflects the broader team, reflecting different tenures, backgrounds and roles within CIM. Any team member can nominate an investment to be reviewed by the Suitability Committee, and meetings are convened as and when required.

The Suitability Committee considers the following evaluation criteria when considering an issue, decision, or investment suitability:

1. If related to a specific investment, does the investment/asset/sector align with the mandated focus of the relevant Fund?
2. Does the investment/decision/outcome align with our organisational values?
3. As individuals, are we comfortable to stand behind and defend the decision/outcome?
4. Would we be proud to communicate the decision/outcome to our stakeholders? (Investment Committee, investors, Impact Partners, new team members, or our own friends/family/network)
5. Taken collectively with other decisions/actions which have been made over time, are we confident the decision does not contribute to 'impact washing'?

Resolution is reached via group consensus and not a formal voting process. If no group consensus can be reached, the topic is escalated to the CIM Board of Directors for resolution.

PHASE 1 (CONT.)

Preliminary evaluation

Once an investment has passed the initial negative ESG screen, the investment lead will conduct a desktop assessment of the opportunity, forming a view on its financial and risk profile, suitability for a Fund, and position within a portfolio. At this stage, we move to a higher standard of impact assessment, actively seeking positive impact assets.

If an investment opportunity is consistent with CIM's investment strategy (considering, for example, Impact Partner and asset quality, investment fundamentals, social and/or environmental impact) and is deemed worthy of further diligence, the investment team develops a 'preliminary considerations' note, which is reviewed and discussed by the Executive Investment Committee (which includes the Executive Investment Team and one member of the relevant Fund's Investment Committee). The objective of this discussion is to consider key areas of investment and impact risk, and make a decision as to whether to commit more time and resources to the opportunity.

Structuring and detailed due diligence

After a potential investment opportunity has been approved by the Executive Investment Committee, an extensive and detailed review of the investment opportunity is undertaken, alongside work on structuring to improve its financial and impact attractiveness.

The investment team conducts deep analysis on the opportunity, and spends significant time "on the ground" understanding the opportunity in detail. In addition to on-site visits, the investment team's process includes a review of the investment's historical and prospective financial information, systems, governance and internal controls, as well as interviews with senior management, employees and other stakeholders. Broad terms of the potential investment are also developed at this point, and a detailed financial model is prepared.

At this stage, the investment team seeks to hold the investment opportunity to a higher standard of impact assessment by considering detailed ESG and impact risks and undertaking detailed impact due diligence, including the use of external consultants and sector experts.

For new Impact Partners, we undertake a standard form Impact Partner Due Diligence Assessment, which the investment team uses to assess the alignment of potential Impact Partners or asset managers. Through this process, we develop a thorough understanding of the potential Impact Partner and ensure that it is appropriately aligned with our vision and mission.

See overleaf for a sample of themes and questions included in the Impact Partner Due Diligence Assessment.

Impact Partner Due Diligence Assessment: example themes and questions

Theme	Example question
Diversity, Equity and Inclusion	Does the organisation have specific policies, programmes or initiatives to promote Diversity, Equity and Inclusion (for example, flexible work arrangements or accessibility initiatives)?
Engagement with First Nations people, communities, staff and business	How does the organisation engage with First Nations people and/or partner with First Nations led organisations to ensure it promotes positive social, economic and cultural outcomes for First Nations people and communities?
Labour practices and OHS	Does the organisation offer health, safety and/or wellbeing programs (for example, EAP programs)?
Environmental sustainability	Does the organisation have defined sustainability practices (for example, carbon-offset programs or climate risk assessments)?
Systems level impacts and end beneficiaries	Does the organisation consult end-beneficiaries or community in the development of new assets, programs or services (for example, tenant advisory groups)?
Strategic fit and CIM's value proposition	What are the non-financial ways CIM can to add value to the Impact Partner to advance their mission and amplify the investment's impact (for example, partnerships or connections)?
Impact measurement	Does the organisation or any of its programs have a Theory of Change or Program Logic?

PHASE 2

INVESTMENT COMMITTEE APPROVAL

Investment Committee briefing

Following detailed due diligence and negotiation of terms, the investment team will present their findings to the relevant Fund's Investment Committee who will decide whether the investment team should proceed to final due diligence and negotiation of transaction documents.

Investment Committee papers include specific consideration for:

1. First Nations peoples; and
2. Diversity, Equity and Inclusion.

If the Investment Committee determines that the investment process should continue, it will authorise confirmatory due diligence and may pose specific queries or requirements for the continuing process.

Further due diligence and documentation

When an investment prospect receives initial approval from the Investment Committee, it then proceeds to final confirmatory due diligence and the drafting and negotiation of transaction documents.

Confirmatory due diligence typically addresses the key risk areas identified by the Investment Committee and investment team, with respect to financial, impact, commercial, legal, reputational and regulatory considerations. During this stage, the investment team, internal and external counsel and other key advisors will work with the Impact Partner to draft and negotiate transaction documentation and finalise the investment structure. Reference checks are also undertaken.

Final Investment Committee approval

Following satisfactory completion of confirmatory due diligence and negotiation of the transaction documents, unanimous approval of the relevant Investment Committee is required to authorise execution of an investment by the Fund. Following receipt of Investment Committee approval, the proposal is forwarded to the relevant trustee for final approval.

PHASE 3

EXECUTION AND ONGOING MONITORING AND MANAGEMENT

Execution

Subject to Investment Committee authorisation and approval by the trustee of the relevant Fund, transaction documents will be executed. Once any conditions precedent are satisfied, the investment is made according to its strategy.

Monitoring, management, and reporting

Once invested, the investment team takes an active monitoring and management role in each investment, for example, working with housing partners to ensure successful tenancies and that properties are well-maintained. The team considers the ongoing financial, and impact profile of each investment, and actively involves CIM resources to improve each. The investment team keeps the Fund's Investment Committee updated quarterly with the status and progression of each investment.

Independent valuation of fund assets is undertaken periodically in accordance with CIM's Valuation Policy. Revaluations require approval of the relevant Fund's Investment Committee.

The investment team is responsible for ensuring a financial and impact measurement framework and reporting process are put in place and adhered to. For impact reporting, this aligns with global best practice standards such as the Impact Management Project. All material information about impact or financial performance of assets is communicated to investors in the Fund in a timely manner based on regular disclosure frequencies for that particular Fund.

PHASE 4

EXIT

Any exit of a Fund investment constitutes an investment decision and, as such, must follow the process above, including the requirement to obtain unanimous approval of that Fund's Investment Committee. A briefing paper is prepared by the investment team for the relevant Fund's Investment Committee to outline the transaction, the terms of the exit process, the valuation and the financial and impact returns.

This briefing paper also considers the impact risks of an exit which is particularly important when investing in high impact sectors such as social housing (for example, to ensure that social housing tenants are re-housed appropriately if properties need to be exited).

Incident Reporting

In accordance with our internal policies, where it is deemed appropriate, we will use commercially reasonable efforts to notify investors of serious incidents that occur within the relevant Fund's portfolio and provide details of related corrective actions. A serious incident is an event that CIM considers could significantly negatively impact a portfolio asset's valuation, financial position or reputation.

DECARBONISATION SCREENING PROCESS

A key part of our sustainability strategy is delivering rooftop solar on large commercial, industrial and government assets. While this strategy is focused on decarbonising assets, in most cases, our investment provides the business (such as large retailers) with more affordable electricity than they would otherwise have.

We are acutely aware that by financing and providing these assets we are, in an indirect way, financially supporting these businesses, whose primary purpose may not necessarily be aligned to the betterment of people or the planet. To address this, we have developed the following negative screening process which is used when evaluating prospective customers or counterparties under this strategy.



Minimal risk	Cautionary	Excluded businesses
Industries¹		
<ul style="list-style-type: none"> – Retail – Non-animal agriculture – Freight & logistics – Hospitality – Building – Entertainment – Healthcare 	<ul style="list-style-type: none"> – Farming and/or processing of animal products – Alcohol, junk or fast food manufacturing or distribution – Gold or mineral sands mining – Downstream energy distribution assets and businesses – Gambling – Pornography – Retail trading of tobacco products² 	<ul style="list-style-type: none"> – Manufacturing and wholesale trading of tobacco products² – Manufacturing or sale of weapons and/or ammunition – Mandatory detention of asylum seekers – Coal mining – Fossil fuels – Uranium and nuclear energy – Prisons

CIM approach		
Proceed per standard investment process	<ol style="list-style-type: none"> 1. Perform high level desktop research on industry and Impact Partner 2. Review policies against best practice industry standards 3. Conduct early reference checks through network 4. Assess materiality of involvement in the cautionary industry and form view on suitability. <ul style="list-style-type: none"> – If the principal purpose of the business/asset is producing or trading in the cautionary industry – then reject the opportunity. – If the business/asset's involvement in the cautionary industry is minimal or secondary, then form a more nuanced view on suitability of the asset 5. Refer to CIM Suitability Committee if deemed necessary (e.g. where materiality is unclear or there are conflicting views) 6. Preliminary note to Executive IC and one Fund IC nominee 7. Approval to proceed through the investment process which includes detailed impact due diligence 	Reject opportunity

¹ Extract of industries included in screening process.

² Including nicotine alternatives and e-cigarettes.

Image: CIM's largest solar asset at 2,500kW

IMPACT MEASUREMENT AND REPORTING

We recognise that you can only manage the impact you can measure, and have built a track record of measuring and transparently communicating our impact.

While there is currently no single accepted framework (such as GAAP in the accounting world) for measuring impact, there are some widely used methodologies. We strive to leverage the best current thinking and conform with global best practice, but also ensure that we practically complete impact measurement in the right way for our investments.

We believe the following should underpin an effective impact measurement framework:

- investors should be clear about their impact thesis and define relevant metrics at the outset;
- investors should take a conservative approach to impact assessment;
- investors should be transparent and hold themselves to a high level of accountability, which includes assessment of potential unintended adverse consequences; and
- investors should not let the challenges of impact measurement stall their impact investing efforts.

Our impact measurement methodology uses the Impact Management Project (IMP) as the overall framework, which considers the impact achieved across five dimensions: what, who, how much, contribution, and risk.

We also align with the United Nations Sustainable Development Goals and layer in the Global Impact Investing Network's Impact Reporting and Investing Standards ("IRIS+") metrics for each dimension of the IMP. This enables investors to aggregate their impact at a portfolio level.

We put a particular focus on outcomes over outputs. For example, in addition to simply measuring the number of affordable housing dwellings we finance (the output), we also consider the impact that funding affordable housing has on our society (the outcome).

Our approach involves 4 steps:

1 Apply the IMP framework

This considers impact across five dimensions: what, who, how much, contribution and risk.

? What

What outcome(s) do the investment activities drive?

Who

Who experiences the outcome?

E How much

How much of the outcome occurs in terms of scale, depth, and duration? We assign measurable key performance indicators and using IRIS+, select the metrics that will best track the outcomes required to contribute to the solution of the identified challenge.

+ Contribution

What is the additionality of our investment? Additionality is making something happen that otherwise would not.

△ Risk

What is the risk if the impact does not occur as expected?

2 Impact assessment

After applying the IMP framework, each investment is categorised on a scale of impact, from 0 (lowest) to 5 (highest). We take the average of these five scores to determine the project assessment score, which corresponds with one of the three categories below.

Score



Act to avoid harm

Prevents or reduces significant effects on important negative outcomes for people and the planet.



Benefit stakeholders

Not only acts to avoid harm, but also generates various effects on positive outcomes for people and the planet.



Contribute to solutions

Not only acts to avoid harm, but also generates one or more significant effect(s) on positive outcomes for otherwise underserved people and the planet.

3 Review and ongoing management

We continue to review and analyse an investment's impact throughout its lifecycle. Once we initially score an investment's impact, we conduct periodic reviews to manage any impact risks or unintended consequences, and to understand if any improvements can be made to bolster the investment's impact.

4 Transparent and clear reporting to investors

We release an annual Impact Report to investors, which shares details of our investing activities and portfolio impact performance for the year. In addition, we provide quarterly reporting to investors which includes an assessment of both financial and impact performance.

CIM COMMUNITY

OUR COMMITMENT TO RECONCILIATION

CIM is a fund manager with a strong sense of purpose, and we recognise that reconciliation with First Nations peoples is integral to this cause.

In March 2022 CIM adopted its inaugural Reconciliation Action Plan ("RAP"). The RAP seeks to demonstrate CIM's commitment to striving for a reconciled Australia, where First Nations peoples cultures, wisdom, and heritage is valued, and where everyone in our community shares in our nation's collective prosperity. It is with this objective in mind, and by utilising the framework provided in the RAP, that CIM conducts its investment and business activities.

To support CIM's objectives of reconciliation and meaningful engagement with First Nations people through the investment process, all new Impact Partners and investment proposals are screened for impacts on First Nations peoples, land and communities.

Our Impact Partner Due Diligence Questionnaire, which is used when assessing new Impact Partners, has a section related to impacts on First Nations people and communities, covering for example whether the organisation has a Reconciliation Action Plan or Indigenous Procurement Policy in place. It also seeks to understand the level of business interaction with First Nations people, land and communities and assesses the level and quality of engagement to ensure there is a focus on promoting positive social, economic and cultural outcomes for First Nations peoples.

When assessing an investment where land is a material component, we take additional steps including undertaking Native Title searches, and considering where relevant

Indigenous Land Use Agreements or Cultural Heritage Protection may be in place.

Where a title of cultural heritage issue is identified, we undertake additional due diligence and consider whether additional external expertise is required, including direct engagement with First Nations representatives.

CIM also acknowledges and where possible seeks to apply principles of the United Nations Declaration of the Rights of Indigenous Peoples ("UNDRIP") in its activities, and we consider it our responsibility to ensure responsible engagement with the First Nations peoples who are the custodians of the lands on which many of our investments exist.

The UNDRIP establishes a universal framework of minimum standards for the survival, dignity, and well-being of the Indigenous peoples of the world and elaborates on existing human rights standards and fundamental freedoms as they apply to Indigenous peoples. Further, the UNDRIP is a guarantee that Indigenous peoples' rights to self-determination, to lands and territories, to cultural identities, to self-representation and to their unique values and beliefs will be respected at the international level.

Where possible, CIM seeks to engage with First Nations people before completing any investment that affects their lands or resources. Where formal consent is sought in connection with an investment, we look to obtain free, prior and informed consent as per the UNDRIP guidelines.

ASSOCIATIONS AND SIGNATORIES



CIM is a member of the Responsible Investment Association Australasia (RIAA).

In 2022, CIM was assessed by RIAA as a Responsible Investment Leader, which demonstrates leading practice, using RIAA's Responsible Investment Benchmark Report Australia 2022 Scorecard. Where appropriate, CIM seeks for each Fund to be certified by RIAA according to the operational and disclosure practices required under the [Responsible Investment Certification Program](#).

Certified



Corporation

CIM has been a certified B Corporation since its inception in 2019¹. The B Corp movement is a community of over 4,000 businesses across 75 countries that are committed to using business as a force for good and balancing purpose with profit.



CIM is a member of the Climate Active Network and, since 2020, its operations have been certified as Carbon Neutral by Climate Active against the Climate Active Carbon Neutral Standard for Organisations. CIM's workplaces are also certified Carbon Neutral by Climate Active.

COLLABORATION, KNOWLEDGE SHARING AND INFLUENCING

In our role as an impact investor of scale, we recognise we have an obligation to use our experience and learnings to drive meaningful impact into the broader market. We do this through collaborating, knowledge sharing and influencing others.

To accomplish this, we:

- Seek to influence industry participants in relation to their ESG and impact investing activities through advocacy initiatives, such as participating in industry alliances, government taskforces, and being active members of various industry bodies.
- Raise awareness through knowledge sharing activities, such as attending and speaking at conferences, disseminating thought leadership articles, and contributing to industry webinars and discussion forums. We also publish our annual Impact Report publicly, to allow others to replicate or build upon our investment structures and to encourage greater transparency and reporting amongst the sector.
- Support new impact investment fund managers to launch their funds – such as providing advice on structuring, capital raising and fund operations to start up impact investment managers in Australia and internationally.
- Arrange partnerships between not-for-profits in our network. Specifically, we worked with one of our Impact Partners to support the start-up phase of a new, highly innovative not-for-profit focused on housing young women.
- Encourage team members to volunteer time with not-for-profits through a skilled volunteering program and through board director roles.

¹ CIM is certified in collaboration with its major shareholder Light Warrior Group.

GOVERNANCE



GOVERNANCE OF THIS POLICY

- The Directors of CIM are responsible for the implementation of this Policy. Each Fund's Investment Committee and Investment Team must follow this Policy in all of their decisions and actions.
- This Policy will be reviewed at least annually and changes may be made as considered necessary or desirable from time to time.



Image: SDA apartment building in Gold Coast
Credit: Peter Sexty



RESTRICTIONS

The Funds will not:

- Sacrifice risk-adjusted financial returns to have an expected positive environmental or social benefit;
- Invest in an asset purely with the expectation of benefiting from movements in foreign exchange rates;
- Trade in derivatives or other complex financial securities, except for hedging instruments designed to minimise foreign exchange risk; or
- Short-sell (or any other similar practice) financial securities.

OTHER

- If the Investment Committee of a particular Fund chooses to unanimously make a decision outside of this Policy, a notice indicating that Investment Committee discretion was exercised is prepared and provided to the trustee of the relevant Fund for discussion.
- In the event of any conflict between this Investment Policy and the Information Memorandum of any Fund that is managed by CIM, the Information Memorandum will prevail.
- CIM has a Conflicts Policy and Related Party Transactions Policy. In situations where a conflict arises, the CIM Legal and Compliance team will determine the appropriate conflict management or resolution procedure.

Image: Victorian social and affordable housing apartment building in Melbourne

CONTACT

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Image: Stock photo

Conscious Investment Management Investment Policy





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