

# Eiger Capital ESG Engagement Policy

**Last Updated: November 2022**



# A.1. Engagement Policy

## A.1.1. Introduction

Eiger Capital (Eiger) believe that sustainability factors materially influence the risk-return profile of its investments. Eiger believe good ESG practices are required for a company's operations to be sustainable in the long term and is an important driver of long term investment returns. As such, Eiger believes that ESG considerations are integral to the investment decision process in order to manage investments for the long term. ESG is explicitly considered and assessed as part of the investment decision-making process.

All companies that Eiger considers for in-depth fundamental research must first pass a qualitative screening process that specifically measures and assesses a company's governance structure and the environmental and social consequences of its business.

Company engagement is a key part of Eiger's investment process as it is an opportunity to raise concerns and influence the ESG practices of a company, which can have a direct impact on company value.

## A.1.2. Purpose

The purpose of the Engagement Policy is to set out Eiger's approach and general framework to engagement activities for investee companies and key stakeholders.

This Policy will outline:

- ▲ Eiger's commitment to engagement
- ▲ Effective Stewardship
- ▲ Key issues on which Eiger engages with investee companies
- ▲ How Eiger engages with investee companies
- ▲ Eiger's policy on voting
- ▲ Conflicts of Interest
- ▲ Reporting

## A.1.3. Commitment to Engagement

As part of our commitment to active ownership, Eiger is a signatory to the Principles for Responsible Investment (PRI).

The PRI is the overarching framework of our ESG philosophy and as such, we commit to the following:

- ▲ We will incorporate ESG issues into our investment analysis and decision-making processes.
- ▲ We will be active owners and incorporate ESG issues into our ownership policies and practices.
- ▲ We will seek appropriate disclosure on ESG issues from entities in which we invest.
- ▲ We will promote acceptance and implementation of the PRI within the investment industry.
- ▲ We will work to enhance our effectiveness in implementing the PRI.
- ▲ We will report on our activities and progress towards implementing the PRI.

Our commitment to the PRI Principle to seek to be active owners, is demonstrated through our engagement activities across our portfolio of investee companies.

We are an emerging boutique fund manager focused on investing in Australian smaller companies. Beyond our PRI framework based ESG commitments as detailed above, we are not resourced to adopt a **highly activist** approach to ESG issues with our invested companies. See Section A.1.6 below for full details on our engagement policy.

## A.1.4. Effective Stewardship

Eiger recognise that Investment Managers play a key role in fulfilling stewardship obligations to ensure responsible management and robust corporate governance practices through engagement activities.

Shareholder Stewardship is an assessment of whether a company's Senior Management and Board have, or are likely to act, in the best interests of shareholders. This includes an analysis of historical decision making, management and board effectiveness, remuneration structures, corporate governance, culture and financial controls.

Challenger Financial Group Limited, Eiger's minority equity partner, is a member of

the Financial Services Council which introduced its Internal Governance and Asset Stewardship code in January 2018. The code is a disclosure based standard requiring members to articulate and promote their approach to internal governance and asset stewardship. Whilst Eiger is not required to adopt this code, we recognise the requirements of the code as being well aligned with our own values.

Specifically, the code advocates that disclosure by asset managers of their approach to

1. monitoring of company performance on financial and non-financial matters;
2. engagement with company management and the board (as appropriate) and escalation of issues in instances where initial engagements have not been adequately responded to;
3. approach to considering Environmental, Social and Governance factors (risks and opportunities) and whether these considerations influence investment decision-making and company engagement; proxy voting;
4. collaborative engagement with other investors including involvement with industry groups and associations;
5. principles used for policy advocacy including participation with industry groups and associations; and
6. the approach to client engagement, education and communication regarding asset stewardship.

### **A.1.5. Key issues on which Eiger engages with investee companies**

Eiger engages on a wide range of ESG factors, including various industry specific or Company specific ESG factors, with the aim of promoting industry best practice. These factors include but are not limited to the following:

#### **A.1.5.1. Environmental**

- ▲ Climate change and carbon intensity
- ▲ Sustainable resource management, including;
  - water supply and other natural resource use
  - energy use
  - waste management
  - environmental degradation

#### **A.1.5.2. Social**

- ▲ Supply chain management
- ▲ Modern slavery and human rights
- ▲ Occupational Health & Safety
- ▲ Community impact and engagement
- ▲ Working conditions and corporate culture
- ▲ Workplace diversity

#### **A.1.5.3. Governance**

- ▲ Board diversity and structure
- ▲ Remuneration structures
- ▲ Shareholder rights
- ▲ Corporate accountability and structure
- ▲ Bribery and corruption
- ▲ Conflicts of interest

Eiger Capital acknowledges that not all ESG factors will be relevant to all investments. As such, Eiger Capital incorporates material ESG factors into the fundamental analysis of each company it includes, or is considering for inclusion in, its portfolio.

Eiger Capital determines materiality by considering which ESG risks and opportunities the industry is most exposed to as well as any ESG risks and opportunities specific to the company itself. A material ESG risk is one which can have a significant impact on the valuation of a company, if not well managed.

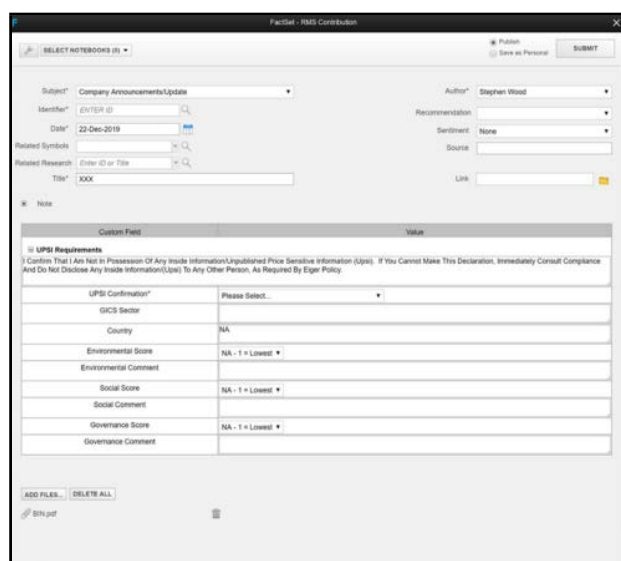
### **A.1.6 How Eiger engages with investee companies**

Eiger Capital's key engagement goal and objective is to actively incorporate ESG considerations and principles into our investment process and decision-making. We will endeavour to bring any material shortcomings and failings on ESG matters amongst our invested companies to their attention. We will also seek assurances that these shortcomings will be addressed and improvements sought. Where we believe this has not occurred or is unlikely to occur in a reasonable timeframe, and the issue is of sufficient material consequence (i.e. it has scored a rating of 1 on any ESG factor in our internal ESG scorecard), we will fully divest our holding in the respective company. We always vote our proxies on our clients' behalf in line with our ESG principles at all shareholder meetings.

ESG issues are raised with boards and management at company meetings, and through phone and email interactions. As a rule, any company that receives an environmental, social or governance score of 2 must be engaged on its critical ESG issues. A satisfactory response and commitment to resolve material issues of concern must be received by Eiger and the Eiger investment team must be satisfied with the response before an investment can be made. If no response or an unsatisfactory response is received from company engagement, the E, S or G score is downgraded to a 1 (uninvestable) and the investment will be avoided or fully divested.

Eiger completes all of its company meeting notes electronically. These notes, which could relate to a company announcement, site visit or a meeting with a supplier or customer, are then uploaded to Eiger’s FactSet based workflow system and alerts are sent to all of the investment team. The following is a screenshot of the tool used to upload Eiger’s standard internal research note (IRN).

**Eiger’s Internal Research Note (IRN) template**



The upload tool attaches the IRN and then requires the author to complete several affirmations and meeting characteristics. These characteristics can then be efficiently screened for a range of compliance, broker ranking and ESG purposes.

Each company is scored using Eiger’s designated 1-5 ranking for environmental, social and corporate governance considerations. These scores can be tracked over time for both the individual company and for the ever-increasing universe since the

inception of Eiger in 2019. Eiger can therefore efficiently see how a company’s ESG scores trend against its history, its sector and against the Eiger investment universe.

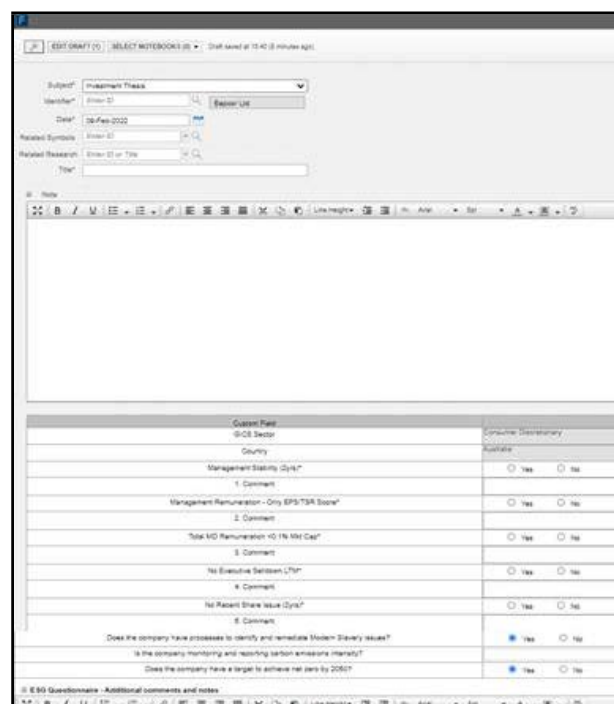
To be consistent with ESG Policy every company is assessed on their economic exposure, management quality and approach to material environmental, social and governance issues as part of every IRN, ensuring that ESG is considered systematically throughout the research process.

Eiger Capital believes that ESG is fully integrated when key investment decision-makers are strongly involved in ESG research. ESG research is embedded in Eiger’s fundamental analysis, with each member of the investment team researching each company comprehensively both from a financial and an ESG perspective.

Eiger also prepares an Investment Thesis Note (ITN) on each company in its portfolios.

This document sets out some of the key qualitative criteria including features of management stability and remuneration. In 2021 Eiger also enhanced the ITN to include the answers to 3 key questions which are asked of management typically in a 1-on-1 meeting. These questions, detailed at the bottom of the following example request management verify that they are monitoring and setting carbon emission targets and have a policy on modern slavery.

**Eiger’s Investment Thesis Note (ITN) template**



Companies within Eiger’s portfolios are reviewed initially by the investment team as part of the Investment Thesis and review on an ongoing basis but at a minimum once a year, or as needed based on new information. This ongoing assessment involves review of material existing or emerging ESG factors that may affect the value of the company.

The investment team discusses and collaborates on ESG issues, engagement with the companies it invests in and the outcomes of its engagement activities.

### **A.1.7 Proxy Voting**

As an investment manager, Eiger takes its ownership responsibilities seriously as it believes the right to vote as proxy is an important asset. Eiger’s primary objective when voting will be maximising the value of its funds and its client’s investments. This will include voting on material ESG issues that may affect company value.

### **A.1.8 Conflicts of Interest**

In accordance with regulatory requirements, Eiger maintains a conflict of interest policy to ensure that any actual, potential and/or perceived conflict of interest that may arise both between itself and its clients, a staff member and a client and between clients are identified, prevented or managed and disclosed in the best interests of clients.

All Eiger staff are required to complete annual conflicts of interest training to ensure they have the appropriate understanding to identify and report conflicts of interest which can then be prevented or managed pursuant to its conflicts of interest framework.

### **A1.9 Reporting**

We provide investment mandate clients with ESG commentary as part of their quarterly investment reports. This usually takes the form of commentary on material ESG issues relating to companies within their portfolios including any action taken by us on their behalf.