



Responsible Investment Policy

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| Owner | CIO |
| Approval | CIO |
| Relates to | ECP Asset Management Pty Ltd |
| Date Last Updated | 30-06-2021 |
| Primary Rules/Rationale | To detail the firm's investment philosophy and process when managing client portfolios. |

Contents

Policy

| | |
|------------------------|---|
| Introduction | 3 |
| Responsible Investment | 4 |
| Application | 5 |
| ESG & Sustainability | 6 |

| | |
|------------|----|
| Appendices | 11 |
|------------|----|

Policy

Introduction

Overview

ECP Asset Management Pty Ltd (ECP) believes that environmental, social, and corporate governance (ESG) factors can have a material impact on long-term investment outcomes.

Considering ESG factors is part of our investment decision-making process and is fully integrated throughout our process. We have specifically documented our beliefs in relation to climate, modern slavery, and corporate governance.

We exercise our voting right either internally or via our external managers.

We communicate ECP's approach to Responsible Investment on the ECP website and report on our activities to our clients annually.

Company exclusions are considered on a case-by-case basis. ECP became a signatory to the United Nations-backed Principles for Responsible Investment Initiative (PRI) in 2016.

Objective

In our view accounting for ESG risks and opportunities can lead to more informed investment decisions. A company we assess as being investment-grade, a 'Quality Franchise', inherently requires a full assessment of these factors to ensure a sustainable business model that can generate predictable earnings growth over time.

To consider ESG factors in our investment decisions and through our active asset management to maximise long term outcomes to our clients.

Application

This policy applies to ECP's Investment team.

ECP's Responsible Investment Policy will be consistent with other ECP investment, strategic or operational policies and processes, including ECP's Investment Policy.

This policy should be read in conjunction with the ECP ESG & Sustainability Policy and the ECP Active Ownership & Stewardship Policy.

Policy

Continued

Responsible Investment

Commitment to PRI

ECP became a signatory to the United Nations-backed Principles for Responsible Investment Initiative (PRI) in 2016.

The principles for responsible investment provide guidance on how we can integrate the consideration of ESG factors into our investment decision-making and ownership practices.

We are committed to applying the principles in our investment processes, specifically:

1. We will consider ESG factors to promote better analyses and more informed investment decisions.
2. We will identify and seek to manage ESG considerations through our active asset management processes.
3. We will exercise our voting rights and undertake engagement on ESG issues.
4. We will assess and oversight the ESG integration through our monthly investment meetings.
5. We will report ECP's Responsible Investment activities to the ECP Board and clients annually.

Fiduciary Duties

The integration of ESG issues into our decision making is an increasingly standard part of the regulatory and legal requirements for institutional investors, along with requirements to consider the sustainability-related preferences of their clients and beneficiaries, and to report on how these obligations have been implemented.

Fiduciary duties (or equivalent obligations) exist to ensure that we act in the interests of beneficiaries, rather than serving our own interests. We will strive to act honestly and in good faith in the interests of our clients and to understand and incorporate ESG and sustainability assessments into our decision making.

At ECP, we are committed to ensuring we are act with due care, skill, and diligence, investing as an 'ordinary prudent person' would. This includes:

- Incorporating financially material ESG factors into their investment decision making, consistent with the timeframe of the obligation.
- Being an active owner, encouraging high standards of ESG performance in the companies or other entities in which they are invested.
- Supporting the stability and resilience of the financial system.

Policy

Continued

Governance

Good and effective governance is central to ensuring that we meet our obligations to our clients, to deliver to all stakeholders, and to execute on our firm's strategy. At ECP, we take responsible investing seriously and to that end ensure we have a strong commitment from the board and our investment committee to deliver on ESG and sustainability issues.

While ECP takes an approach whereby each investment analyst is tasked with reviewing, monitoring, and assessing ESG and climate related issues or opportunities with respect to their coverage, the board has tasked the Head ESG Officer to work alongside individuals when required.

As a fund manager, ECP has a fiduciary duty to our clients to ensure that we adequately consider and assess any company-related risks. Since ESG is fundamental to our investment thesis, these issues are subject to intense scrutiny in our assessment of any investment opportunities – these are completed through our Sustainability Pillar within our research framework.

Material ESG issues are discussed monthly by the Investment Committee. These discussions are largely company related, with each team member being provided with the opportunity to raise issues or concerns for the committee to consider.

We will strive to ensure that we are not in a position where conflicts of interest related to responsible investment may arise. We will continue to report our responsible investment practices to our clients and associated memberships/alliances to ensure transparency and accountability.

Application

Responsibility

The responsibility for the development, implementation and monitoring of this policy sits with the Chief Investment Officer (CIO).

The investment team is responsible for providing advice to the Board in reviewing and updating this policy, the ESG policy framework and the implementation of this policy across ECP's investment process.

The ECP Board is responsible for ensuring we meet our commitment to the PRI.

The ECP ESG & Sustainability Policy extensively details our ESG, Sustainability, and Stewardship practices from both an investment perspective and internal operations. Here, we highlight only our investment practices concerning responsible investment.

Policy

Continued

ESG & Sustainability

We know that Sustainable Business is Good Business. High-Quality Franchises have strong, sustainable foundations which provide for superior long-term investment returns. For us, ESG, and sustainability more broadly, has always been central to our process and thinking. For any long-term investor identifying high-quality companies, sustainability is a foundational component of any investment analysis.

ESG issues are highly relevant to a better understanding of the long-term potential of an investment and its predictability of returns over time. Incorporating sustainability into one's decision-making will ultimately lead to superior investment returns.

Environmental Beliefs & Guidelines

ECP firmly believes that **businesses whose operations are damaging or detrimental to the environment are not sustainable businesses**. Companies who have such practices will likely experience lower returns on invested capital, have the potential for stakeholder backlash and reputational damage resulting in the loss of their social licence to operate.

When we discuss environmental factors, these may include issues relating to the quality and functioning of the natural environment and natural systems, including biodiversity loss; greenhouse gas (GHG) emissions, climate change, renewable energy, energy efficiency, air, water or resource depletion or pollution, and waste management.

As a custodian of our client's capital, ensuring we invest in businesses that operate with sustainable business practices that take steps to ensure the respect and consideration of our environment are requisite. As such, ECP aims to ensure our portfolios have a low carbon footprint, and that we seek to exclude companies or sectors that we believe will pollute or destroy our natural environment in an unsustainable way.

Social Beliefs & Guidelines

ECP believes that **businesses that do not uphold accepted universal human rights and do not consider all their stakeholders are unsustainable businesses**. For any company, ensuring all stakeholders are appreciated and respected are central to a firm being able to achieve above-average economic performance through time.

When we discuss social factors, these include issues relating to the rights, well-being and interests of people and communities. Our analysis may assess the human rights and labour standards in their supply chain, ensuring there is no child or slave labour, and have positive workplace health and safety practices. Human capital management and employee relations, including diversity, are important considerations for long-term investment; and moreover, ensuring they have strong relations with local communities.

Policy

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We actively avoid companies whose business operations are within low positive peace countries. These countries generally have high corruption levels, poor regulation, low levels of human capital, poorly functioning governments, and poor business environments. Positive Peace is strongly correlated with better economic outcomes and display greater degrees of economic strength and resilience.

Governance Beliefs & Guidelines

ECP believes that businesses that demonstrate inadequate corporate governance will likely deliver poor investment outcomes. Ensuring that the business from the top-down is set up to ensure fair, respectful, and honest operations will permeate through the whole organisation. For any company, having strong corporate governance is a prerequisite to deliver on strategic plans and business outcomes.

When we discuss governance factors, these include board structure, size, diversity, skills and independence, executive pay, shareholder rights, stakeholder interaction, disclosure of information, business ethics, bribery and corruption, internal controls, and risk management, and, in general, issues dealing with the relationship between a company's management, its board, its shareholders and its other stakeholders.

Since management and governance are closely related to all parts of a business, our analysis reviews this in a few areas. Specifically, within our sustainability pillar, we assess typical structures, while our Management Pillar seeks to understand the trustworthiness of management. Our more holistic approach measures management in terms of business strategy, encompassing both the implications of business strategy for environmental and social issues and how the strategy is to be implemented.

Approach to Sustainability

When assessing the long-term potential of an investment, we follow our proprietary 'Pillars of a Quality Franchise' framework, whereby sustainability is a core foundational pillar. Understanding investment sustainability requires a forward-looking approach that considers externalities that may impact the predictability and competitiveness of business operations.

When assessing investments, it is important not to single out one stakeholder as more important than another — this is a fine balancing act for any investor. Understanding ESG-issues, whether historical or current, needs to be understood as interrelated and interdependent to the broader investment thesis.

Refer to our ESG & Sustainability Policy for more comprehensive details.

Policy

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Our sustainability assessment focuses on areas of a business where there may be a risk to the predictability of business operations over time. This assists our mitigation of default risk and uncertainty of business expansion. Here, we assess three core business characteristics that must be evident:

- The business operates in an industry that has a low risk of macro-environmental (PESTLE) factors that will affect the future predictability of company earnings.
- The business has had minimal ESG risks to date, and management has demonstrated a capacity to mitigate future ESG issues.
- The business has displayed dynamic capabilities that purposefully create, extend, or modify its resource base that sustains its competitive advantage over the long term.

Active Ownership & Stewardship

As a fund manager upholding responsible investment practices, it is prudent that we carefully consider any long-term risks to our investments. Increasingly, climate change and environmental risks pose serious threats to some business models, whether they be physical or transitional risks as we transition to a net-zero economy.

As a signatory to the United Nations-backed Principles for Responsible Investment (PRI), we are committed to ensuring that ESG issues are integrated without our process, we are active owners and ensure we engage with our companies on ESG-related matters, ensuring that there are adequate disclosures on any of these issues.

Importantly, as an active owner, we execute the voting rights attached to shares ECP holds in our companies and is something we regard as being an integral element of active ownership. Share voting is an important tool for engaging with companies. We see voting as an effective way for ECP to publicly express our views on what a company is doing right, and what a company needs to improve.

Refer to our Active Ownership & Stewardship Policy for more detail.

Policy

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Exclusions

At times specific investments will be considered for exclusions in a manner that is consistent with ECP's commitment to Responsible Investing. To the extent that these exclusion decisions do not conflict with client investment mandates, ECP will consider such decisions on a case-by-case basis. ECP's decision to exclude securities from our portfolios is subject to the following criteria:

- International conventions/treaties to which Australia is a signatory
- Australian, National or State law
- Significant policy positions of the Australian or State Government
- Legal status of the product or activity

While we use a few external resources, including ESG specific data, to inform our analysis, we do not rely upon these providers for ESG screens. We do, however, exclude several companies, sectors, or countries from our universe due to ESG-related concerns. For us, identifying businesses with predictable business operations is vital for us to drive long-term investment performance.

Importantly, these exclusions are due to the high risk to businesses looking to expand their economic footprint over the long term - for us, these are highly unsustainable industries. When we begin research on any company, our process ensures that we remove companies from our universe that are large carbon emitters, have poor ESG standards, harm the environment, or have failed to manage or plan for potential risks.

The purpose of our ESG-related exclusions is to avoid the destruction or degradation of system performance, whether organisational, social, or environmental. The exclusions are based on three principles:

- To avoid risks that may present significant harm to our society and our environment.
- To avoid risks that may limit the industry growth outlook of our investment companies; and
- To avoid ESG-related risks that may impact the predictability investment performance.

The scope for excluding companies (and their subsidiaries and investments) is based on their direct involvement in the production, manufacture, service, and delivery of their products within the following sectors or areas of concern. The following does not extend to companies included in parts of the supply chain to provide these products or services.

Policy

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Our investment philosophy guides everything we do, and the following exclusions are deemed to impact the predictability of operations due to their unsustainable nature. At ECP, we update our exclusions list annually, and we currently exclude the following:

Environmental

Our environmental exclusions are focused on identifying sectors that present significant harm to the functioning of our natural environment and biodiversity.

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| Thermal coal | Thermal/steam coal mining or coal-based energy production. |
| Petroleum | Petroleum, crude oil production, oil sands or Arctic drilling. |
| Logging | Old forest, or rainforest logging. |
| Palm oil | Palm oil plantations, or palm oil products. |
| Pesticides | Chemical compounds used to kill, repel, or control certain forms of plant or animal life. |

Social

Our social exclusions are focused on identifying sectors that present significant harm to individuals or communities by promoting dependency, addiction, or social disunity.

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| Gambling | Any form of gambling, games of chance for money, or betting. |
| Adult entertainment | Pornography, erotica, or other printed/visual material containing the explicit description or display to stimulate sexual excitement. |
| Tobacco | Tobacco, nicotine alternatives, and tobacco-based products. |
| Weapons | Controversial weapons, firearms, civilian or military weapons and equipment, armament, chemical, or biological weapons. |

Governance

Our governance exclusions are focused on identifying companies or regions that are exposed to structures that present significant harm by fostering instability or reduce equal opportunity to economic prosperity.

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| Systemic poor governance | 3 recent successive AGM strikes, corruption, bribery, or other corporate misconduct. |
| Human rights violations | Any human rights violations, sanctions, breaches to UN conventions, or any other failure to uphold basic human rights. |
| Low peace countries | Primary business operations within low peace countries, whether measured by negative or positive peace. |

Appendices