ECP

ESG & Sustainability Policy

Prepared By	Head ESG Officer
Approval	CIO
Relates to	ECP Asset Management Pty Ltd
Date Last Updated	31-03-2022
Primary Rules/Rationale	To outline and describe our perspective and approach to ESG and the related risks and opportunities

Redefining
Active Investing
ecpam.com

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Introduction

Overview

ECP Asset Management (ECP) is a high conviction, quality-growth fund manager. For any long-term investor, sustainability and productivity of investment returns are a necessity for ensuring we can deliver superior investment returns over time.

We are a highly ethical team, committed to good investing. We are relentlessly transparent, honest about our capacity and vigilant in applying our process. We do this because there is simply no other way we can deliver on our goals and objectives.

ECP is committed to responsible investment, and we believe that ESG factors have an impact on long-term investment outcomes. The consideration of ESG factors is part of our decision-making process and is integrated within our qualitative research process.

Sustainability is a foundational component of our investment process and is at the centre of each strategic decision we make for our own business. At ECP we approach ESG risks and opportunities through the following:

— As a private business whose business operations play a role within our society, our industry, and which may have direct and indirect impacts on our environment; and

— As a fund manager whose approach to investing warrants considering ESG risks and opportunities within our investment process.

Objective

The ECP ESG & Sustainability Policy outlines how ECP manages ESG-related issues from an operations and investment perspective. This policy ensures that we deliver on our key goals and objectives to our clients, our staff, and our community.

Depending on the company, a company's ESG credentials and its approach surrounding climate change are relevant for a long-term investor and are essential to ensuring its business model remains sustainable and relevant. Additionally, we believe that the high standard upon which we hold our investment companies must be achieved by our own business.

Application

This policy applies to ECP's employees, investment team, and directors and officers

This policy should be read in conjunction with the ECP Investment Policy and Process Overview, ECP Responsible Investment Policy, ECP Voting Policy and our Climate Change Position Statement.

Our Firm

Principles & Practices

Environment

At ECP, we believe that **we have a responsibility as a business to ensure that our operations do not pose any detrimental impact on our environment**. We will ensure that we take all reasonable steps toward ensuring that we act responsibly.

As a fund manager, we have an increasingly important role in our community to ensure that our business, and the businesses that we invest in, place the environment as an important consideration in their business decisions.

Climate Change & Net Zero

The long-term investment horizons of superannuation funds make them acutely vulnerable to the systemic disruptions, including those associated with climate change.

At ECP, we recognise that we are transitioning toward a carbon-neutral economy, and within that, we must be conscious of the commercial implications of climate risks and of regulatory, legislative and policy requirements for action. ECP understands we play a vital role as an asset manager in addressing the likely impacts of global warming.

Achieving net-zero emissions prior to 2050 is a key element of the Paris Climate Agreement (UNFCCC 2015) to limit global temperature rise to well below 2 degrees Celsius above pre-industrial levels, and to strive for 1.5 degrees.

While many investment strategies are centred on investee engagement rather than the setting of net-zero targets, ECP believes this requires a considered and committed approach on both perspectives. ECP has set our own organisational targets, as well as ensuring that we engage with our portfolio companies toward similar targets.

Additionally, we strongly believe that by increasing the amount of reliable information on financial institutions' exposure to climate-related risks and opportunities, we will strengthen the stability of the financial system, contribute to a greater understanding of climate risks and facilitate financing the transition to a more stable and sustainable economy.

Our Firm
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Operating Activities

From an operations perspective, ECP is committed to ensuring that we minimize our environmental impact in our daily activities. Our goal is to be carbon neutral by 2025, and we expect to purchase carbon credits to eliminate our retrospective carbon footprint since inception of our business.

At ECP, we only print where necessary and that our default printing is double-sided, black, and white. We use e-signatures where possible, and we promote the use of digital documents over the use of paper based.

We are committed to recycling our cardboard and paper-based products.

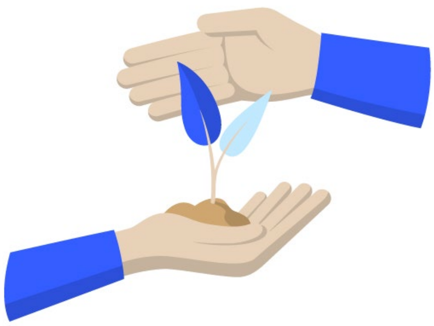
We are committed to ensuring that we reduce our travel footprint, through online modern technology, and we support our staff with home-office equipment as required.

Social

At ECP, we believe that **we have a responsibility as a business to ensure that our employees are provided with a positive, safe, and healthy working environment**. We will ensure that we provide our team with flexible working arrangements that allow for a work-life balance that ensures that families come first.

We believe in nurturing strong relationships in every part of our business – with our customers, between colleagues and with our portfolio companies – because, to deliver sustainable growth, we need to think long-term which starts with the relationships with all our stakeholders.

By promoting diversity and inclusion, we want to ensure our working environment promotes mutual respect and recognition, provides equal opportunity, and ensures there is open and fair communication. This commitment to staff empowerment ensures that we provide the best opportunity to deliver on our promises to our clients.



Our Firm
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Staff Relations
We spend a significant amount of time in the workplace, and we strive to make this time a mutually rewarding exchange. We are highly committed to ensuring that our staff are provided with a working environment that challenges them to succeed professionally, fulfilling their own needs and objectives, provides the opportunity for equal remuneration and provides a workplace that is grounded in loyalty and respect.

Currently, our staff enjoy all the usual national and state public holidays, the standard paid vacation leave, parental and sick leave. At ECP, we provide staff with an additional number of annual leave days (Benevolence Days, or Benny's) which include their birthday, days for charity work, and the week over Christmas and New Year.

The name 'Benevolent' comes from Latin origins meaning Bene (well) and velle (to wish). Benevolence is well-meaning, kindly, and is focused on doing good - this is the purpose of these extra leave days. We aim to ensure that all our staff can enjoy the special occasions with family and to give back to our community.

Outside of leave entitlements, our staff are provided with a few other benefits. Our staff are provided with low-fee superannuation services to aid their own family's wealth creation, secondly, ECP has partnered with Medibank to offer staff access to corporate health plans, and lastly, we fund professional development programs to provide avenues for individual growth.

Diversity
ECP recognises that diversity of thought is key to providing optimal outcomes for our clients. To achieve above-average investment returns requires that we are open to all points of view, and to achieve that requires our firm to be representative of the global, connected world we live in.

Increasingly, businesses and investment companies have a global operating footprint. To fully understand and appreciate opportunities requires staff and resources to cover a broad range of opinions and ideas that fully capture the potential over the long term.

For us, creating a collaborative and innovative environment for all our employees means having a diversity of thought and the ability to incorporate different points of view driving maximum engagement.

In 2021, ECP implemented the Inclusion & Diversity Policy. Within this, ECP has outlined our framework, including several key initiatives and goals that we will seek to achieve over the coming years. ECP believes that it is a necessary step for any business to ensure an inclusive work environment that fiercely protects people's right to bring their whole self to work.

Our Firm
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Family & Flexible Work
A work-life balance is of the utmost importance, and within this, family time is central to this balance. Pursuing a career with ECP should not mean that one must compromise family commitments and outside interests.

We are committed to providing a rewarding workplace for all employees which enables all members of the ECP to balance the demands of work with other interests, obligations, and activities. We have and will continue to ensure that we provide flexible work arrangements to meet the needs of our business and our people, providing flexible work arrangements, job-sharing or reduced hour options should that better accommodate our employees' needs.

Additionally, ECP is committed to ensuring that we include all our employees' families where and when possible, by regularly providing opportunities for their families to be involved in our business, whether through social activities or to help their own professional development goals and ambitions. We recognise that all individuals – including non-parents – have preferences and outside commitments and we are happy to work with our employees to ensure that this is accomplished within their work pattern.

Community Contributions
At ECP, our community activities are central to our own strategic plan for our business. While we do have our own charitable foundation, we support several other charitable and community organisations, including hosting our own charity fundraising events. We encourage our employees to take part in charitable days as part of their paid annual leave entitlements. Moreover, we have publicly denounced modern slavery and actively avoid investment companies that fall foul to these business practices.

Governance

At ECP, we believe that **we have a responsibility as a business to ensure that we are ethical in business practices and that we ensure good corporate governance**. We will ensure that our business has appropriate risk management and compliance, that we ensure our systems and structures provide for superior value creation for our clients, and that we uphold responsible investment practices.

Good corporate governance is a prerequisite for any company, whether an investment or our own, in seeking to deliver on strategic plans and long-term business goals. Effective, trustworthy, and aligned management are the foundation of any successful business. We will deliver on our promises to our clients that we are a highly ethical, transparent, and honest manager.

Our Firm
Continued

Remuneration & Firm Ownership

At ECP, we have set up our business to ensure sustainable long-term value creation for our clients through ensuring 1) our staff are aligned to our client's interests, and 2) that our staff are provided equal remuneration opportunities. These structures ensure that all staff, regardless of their experience, gender, or background are remunerated equally and fairly.

The staff remuneration has three components:

- Market-aligned base salary;
- Short Term Incentive; and
- Long Term Incentive.

Short Term Incentive ("STI")

Employees other than Equity Employees may be eligible to receive an annual STI which is paid from the STI pool. The STI pool is determined by the Executive Chairman and based on the performance of ECP Asset Management Pty Ltd ("ECPAM"). Each individual allocation is adjusted by the employee's KPI score obtained during the annual review process. The STI is capped at 50% of the employee's base salary in the first year of employment and 100% of base salary in the second, and any subsequent, year of employment.

Equity Employees receive an STI performance bonus by way of a preference dividend attributable to their Preference Share which is determined from the annual After-Tax Profit of ECP Employment Company Pty Ltd with the amount adjusted by the employees individual KPI score.

Long Term Incentive ("LTI")

Equity Employees are the beneficiaries of the ECP Staff Trust and share in any income received or the proceeds from the sale of any shares held by that vehicle. The ECP Staff Trust owns 48% of the issued equity of ECP Asset Management.

Equity Employees

An employee who consistently has high KPI scores during the three-year period after joining the firm demonstrates a total alignment with the ECP values and investment philosophies will be eligible to be considered as an Equity Employee (subject to specific approval by the Board). Once approved by the Board, an Equity Employee will be provided with the opportunity to acquire a (1) preference share in ECP Employment Company Pty Ltd and will be eligible for distributions from the ECP Staff Trust ("ECPST").

Our Firm
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Compliance and Risk Management

ECP was appointed as a Corporate Authorised Representative (CAR) of EC Pohl & Co with effect from 5 July 2013. The AFSL licence No 421704 was issued to EC Pohl & Co in March 2013. As a CAR, ECP can manage both investments through institutional mandates and investment schemes (via suite of trusts) and provide custody to retail and wholesale clients.

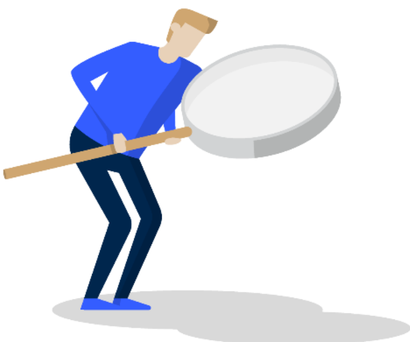
ECP is committed to meeting high compliance and ethical standards in conducting its business. We have implemented a compliance program that sets out the requirements that the Board has determined are to be met to ensure ECP meets these necessary compliance standards. Effective compliance is an integral part of enabling ECP to achieve its mission.

In addition to applying to ECP, this program also applies, to the maximum extent possible, to agents and contractors that act for, or on behalf of, ECP. The scope of the policy extends to obligations imposed by:

- Statutory and regulatory requirements;
- Relevant industry codes of conduct;
- Material contracts; and
- Corporate policies and standards.

Compliance services are provided by an independent compliance consultant, Compliance Consultancy Pty Ltd (t/a QRC consulting) ("CC"). Services are delivered via a combination of remote access and onsite reviews at ECP offices. CC reports directly to the Board of Directors of ECP. Jenny Mulders is the dedicated compliance manager and is the Director of CC.

There is a documented Compliance Manual supported by additional company policies and procedures. The Compliance Manual covers areas such as incident and breach reporting, complaints handling, the conduct of Officers and Representatives, supervision and monitoring, outsourcing, risk management, and dealings with the regulators.



Our Investments

Overview

At ECP, 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.

Defining ESG

While there is no definitive list of environmental, social and governance (ESG) issues, the following does outline some examples of ESG issues for the purpose of providing guidance on how we view ESG within our investment philosophy.

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 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 (when relevant) 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, we ensure that we invest in businesses that operate with sustainable business practices that take steps to ensure the respect and consideration of our environment are requisite. We seek to exclude companies or sectors that we believe will pollute or destroy our natural environment in an unsustainable way. As such, ECPs investment process generally results in our portfolios having a low carbon footprint, and that

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.

Our Investments
Continued

When we discuss social factors, these (when relevant) 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.

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 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 (when relevant) 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. Furthermore, 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 analysts 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.

Our Approach

Responsible Investment & 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.

Our Investments
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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 and is 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.

Exclusions

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 expanding their economic footprint - for us, these are highly unsustainable industries. When we begin research on any company, our process aims to remove unsustainable businesses, and the outcome of this means we generally avoid companies that are large carbon-emitters, have poor ESG standards, harm the environment, or have failed to manage or plan for ESG risks.

The purpose of our ESG-related exclusions is to avoid the destruction or degradation of business (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. We have a 0% threshold allowance for companies' revenues in the below sectors. The following list does not extend to parts of the supply chain which use these products or services.

Our Investments
Continued

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 Exclusions

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 Exclusions

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, nuclear, firearm, civilian or military weapons and equipment, armament, chemical, or biological weapons.

Governance Exclusions

Systemic poor governance	Three 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.

Our Investments
Continued

Our Process & ESG Incorporation

Qualitative Research Analysis

Our philosophy is based on the belief that the economics of business drives long-term investment returns. We believe that 'high quality, growing businesses that have the ability to generate predictable, above-average economic returns will produce superior investment performance over the long term'. When assessing companies, we focus on

1. Valuing potential, not just performance;
2. Choosing high-quality, growing businesses; and
3. Ignoring temporary market turbulence.

Typically, our portfolio companies have organic growth with predictable earnings that are driven by a sustainable competitive advantage. These businesses have sustainable business operations with strong ESG credentials, which usually result in a low carbon footprint. We find that these businesses deliver high returns on invested capital that are aided by a strong financial position and an experienced management team.

By having a keen focus on sustainability and stewardship, our qualitative assessment conducts a critical analysis of business models, the sustainability of business practices and competitive advantage, and a deeper understanding of the company financial track record to aid our confidence in the predictability of the company earnings.

Quality Franchises

The 'Pillars of a Quality Franchise' is an integrated framework developed in-house to better mitigate our portfolio against ESG and sustainability risks. Our process places a material emphasis on sustainability and stewardship of companies.

Our Quality Franchise Pillar Framework ensures that we have

1. Certainty of a growth profile;
2. Certainty of capital preservation; and
3. Certainty of our forecasts.

Our Investments
Continued

<table>
<tr><th colspan="6">Pillars of a Quality Franchise</th></tr>
<tr><td>Industry</td><td>Business</td><td>Competition</td><td>Sustainability</td><td>Management</td><td>Financials</td></tr>
<tr><td colspan="2">Certainty of
Growth Profile</td><td colspan="2">Certainty of
Capital Preservation</td><td colspan="2">Certainty of
Analyst Forecasts</td></tr>
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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.

Importantly, our six pillar framework requires a minimum of 90% of our Quality Franchise Score for any investment to be deemed investment grade (A Quality Franchise) before being approved for inclusion in our portfolio. Given we place such a large emphasis on sustainability and stewardship (40% of our Quality Franchise Score), companies that fall short here will find it very difficult to find a place in our portfolio.

Sustainability Pillar

For us, understanding the sustainability of any investment requires a forward-looking approach that considers any externalities that may impact the predictability and competitiveness of business operations - within this, climate change is a key consideration.

Our sustainability pillar within our Quality Franchise framework 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.

For us, protecting our client’s capital is paramount. Each investment is assessed with respect to the potential risks associated with ESG and climate change, and further, where there may in fact be an opportunity for the business over the long term.

Our Investments
Continued

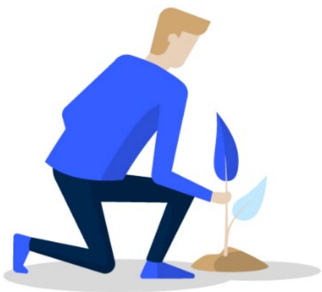
Within our Sustainability Pillar, we assess three core business characteristics:

- 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.

We look to understand the business in terms of the industry outlook. We want to determine whether the business operates in an industry that has a low risk of PESTLE factors affecting the predictability of earnings in the future. (Political, Economic, Social, Technological, Environmental, Legal)- it's a kind of scenario analysis.

In comparison to PESTLE, our ESG analysis is more company-specific and focused on current practices today (as opposed to future scenario analysis). The ESG issues are ones that are difficult to measure in monetary terms and that do not form part of traditional financial metrics yet affect the risk and return of investments. For us, discussion of ESG issues through systematically considering ESG issues will lead to more complete investment analyses and better-informed investment decisions.

Lastly, we seek to identify businesses that demonstrate Dynamic Capabilities (DC). DCs are an academic framework we introduced to assist our sustainability assessment of a business. As we know, a competitive advantage is not sustainable forever, as resources change from external impacts. We want companies that can manage, extend, or create resources that sustainably drive their competitive advantage through time.



Our Investments
Continued

Management Pillar

Our Management Pillar within our Quality Franchise framework focuses on the trustworthiness of management. This assists our mitigation of uncertainty by reducing the risk of managerial conduct or failure of business strategy execution. For our investment philosophy to deliver superior investment returns, we must ensure that the company has capable, experienced, and trustworthy leadership, and we can expect that they will deliver their business strategy.

Within our Management Pillar, we assess three core business characteristics:

- The executive team has been in place for longer than four years and has played an integral part in the company performance to date.
- Management has the capability to articulate and deliver the growth plan for the business.
- Management is remunerated and incentivised appropriately to execute and deliver the strategy.

For us, it is essential that we can trust the management of the company - they are the decision-makers at the coal face. By finding management that we trust, we may find greater predictability of the behaviour of the company and reduce the risk of the firm being impacted by management conduct or failure of business execution.

The ability to trust allows us to accept the level of risk (investing in the company) and become vulnerable to the company (i.e., we back management). We look to management teams that have long tenure and a reputation of being honest, transparent, and have been integral to the performance of the company to date.

In assessing their competency and capabilities, we explore the experience and capabilities of underlying management and the board. Having key management personnel that have the experience and skillset to deliver on the business strategy.

Lastly, understanding the attitudes of the board and management through their remuneration structures means we look to identify that they have an alignment of interests and have an incentive to ensure they will deliver the business strategy as articulated.

Our Investments
Continued

Modelling & Portfolio Construction

At ECP, we allocate capital between investments based on their internal rate of return (IRR). Given we are long-term shareholders, the companies that have a higher IRR will receive a higher weighting in our portfolio - by doing this we are able to minimize short-termism in our portfolio and ensure we are focused on the long-term fundamentals of investment and weighting our portfolio toward the names that will deliver the highest returns through time.

The outcome of our portfolio construction approach is that both the qualitative and quantitative parts of our investment process can account for ESG-related risks. Given these issues are generally longer dated, having a deep understanding of these issues and how they impact the company, and their financials are required for our process to be effective.

Risk Adjustments

We look to make risk adjustments to the portfolio weights, that try to normalise for the embedded risks within the individual companies within the portfolio. We group the adjustments into two key areas – liquidity and uncertainty.

Liquidity Adjustment

The liquidity of the security adjusts the weighting of the position in the portfolio. As the stocks become less liquid, their weightings will reduce. To assess the degree to which we reduce the target weighting, we compare the underlying actual liquidity in the names relative to some thresholds which we set internally. The further away from the threshold a security is, the more liquidity risk there is, and therefore the more the initial weighting is reduced.

The factors that are included in determining our thresholds include:

- Total Funds Under Management;
- Target Security %;
- Maximum Participation Rate; and
- Maximum Days to Trade.

Our Investments
Continued

Managing for Uncertainty

The major driver of the IRR is the terminal value. If we get the terminal value wrong the actual IRR for the investment could vary significantly from what we forecast. While we do our best to foresee all possible scenarios that could play out in the future, we are unable to predict all events that occur. It is the job of the investment team to determine the likelihood that the terminal value we predict is correct and ensure we manage the uncertainty surrounding that value in the portfolio.

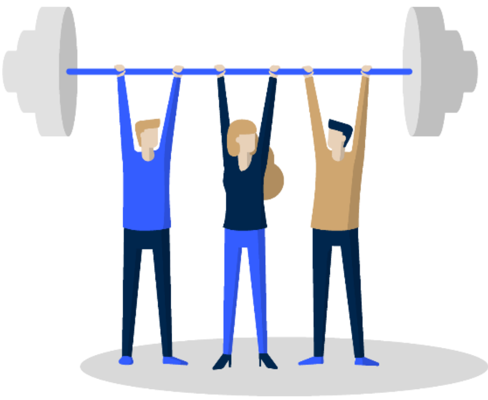
There will be several possible values that could eventuate. The investment team is tasked with continuously assessing the value that the market will pay for our investments at any given time in the future. Intuitively there is a range of potential values, and we prefer investments where we are confident that the range of potential values is grouped tightly around the value we have arrived at. Where we lack conviction around the correctness of the terminal value, we have calculated we will reduce the weight of the investment in the portfolio until new information is presented that improves our confidence levels.

Ongoing Updates & Sell Conviction

When we have conducted our assessment of an investment opportunity, we continue to monitor and engage with our companies. Continual engagement and constant attention to company and market developments is required to ensure our investment thesis is still intact. We employ several procedures to ensure our knowledge base remains relevant.

Monthly Investment Meeting

Each month ECP holds its investment committee meeting where we review new company research, and existing company developments or issues. Within this meeting, every individual holds the right to vote on new investment positions, and any member may highlight issues or developments that may impact our investment thesis or predictability of our earnings profile through time. This is important in that investments only enter or remain within our portfolio with the entire team being in full support - this provides us with high conviction in every investment.



Our Investments
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Splashboard & Red Flag Register
Given our research report is static and was formed at a particular moment in time, each company in our portfolio has a dynamic document (Research Deck) that tracks our investment thesis, key drivers, and developments within each of our six pillars. These feed into our Splashboard which is a portfolio-wide, up-to-date register of our portfolio.

At our investment meetings, we review our Splashboard with respect to each of our six pillars for every investment, and any analyst may highlight any issue they have found which is tracked and monitored through time. We note any flags within this register to ensure we have a record of flagged issues. This process ensures that we remain vigilant around changes in the economic landscape for our companies and that we do not fall foul of believing our own investment story.

Sell Conviction
For us, there are a few reasons why we would divest from an investment. Firstly, if our investment thesis has played out and we no longer believe there remains an attractive growth story, we will divest. In instances where we have found red flags through time, or whether the following events occur, we divest -

- An acquisition that is greater than 30% of the investment's enterprise value;
- An unplanned change in key management;
- A change in the business strategy; or
- A major ESG-related issue that will have a significant impact on the predictability of business operations and results in a lack of conviction in our investment thesis.

The crux of each of these rules relates to our investment philosophy where we seek to identify companies that have predictable earnings streams through time. Any of these events generally result in a major disruption for the business which elevates the risk surrounding the continuity of their operating performance and subsequently lowers the predictability of business earnings.

ESG, Our Process & Portfolio Composition

For us, our investment process ensures that we take a procedural approach to ensuring the companies that we invest in are of the highest quality, with predictable earnings streams over time. Our Research Report draws upon several stakeholder engagements, desktop research, and other qualitative research methods to ensure we compile enough evidence to either prove or disprove the characteristic/assertion we expect any Quality Franchise to hold. There are three characteristics per pillar, and any investment must achieve a minimum 90% Quality Franchise score to be included in our portfolio.

Our Investments
Continued

Research & Modelling

Once a research report has been completed, it requires Investment Committee signoff. Every team member reviews the research report, challenging the evidence and conclusion made and whether they satisfy the pillar characteristics. Every team member must sign off on this document and whether they agree with the conclusions made as to whether the company is a Quality Franchise. Once the committee reaches consensus that the investment meets our 90% threshold, it is approved, and the investment will be modelled and uploaded into our database.

Notably, when an ESG issue arises, the lead analyst investigates the issue, circulating notes from engagement activities, whether with the company or other. Since our investment process relies upon our forecasts and long-term investment thesis, understanding and quantifying the issues presented within our financial models is essential.

Each financial model is completed by the lead analyst with 10 years of financial forecasts. These forecasts have underlying drivers across all key inputs into their business, and this flows through to the expected IRR. Every company's IRR feeds into our in-house built, proprietary portfolio construction platform. At this point, our portfolio weighting allocations are automated – ensuring no emotional biases are present.

Engagement & Portfolio Action

Through time, ESG issues that arise are investigated by the lead analyst. Meetings with various stakeholders on the issue are recorded and noted within our cloud-based document system. Our Investment Committee reviews these issues, and any associated changes to earnings forecasts. The Red Flag Register ensures we keep a log of these issues and that they are monitored through time.

Changes to our forecasts due to an ESG issue will have a direct impact upon their respective weighting within our portfolio. Further, where we have made a short-term confidence risk adjustment, we may hold the position underweight (bearish), or overweight (bullish). Typically, we would use these in situations where an issue may result in our estimates being above/below market expectations.

Importantly, we do not sell a stock simply because an ESG issue arises or an issue within our sustainability pillar develops - it is contextual and requires a discussion. We are long-term investors, and not share traders.

Since our portfolio consists of high-quality, high conviction investments, we aim to ensure that our companies can manage and appropriately address these issues when they arise. If these issues impact our long-term investment thesis, or there is a change in key management or business strategy, this may result in exiting our position.

Note, any company that operates within the excluded sectors will not proceed to any research analysis. The excluded sectors remove any companies from our investable universe. Incubator stocks are only those stocks that do not meet our quantitative metrics; however, they are expected to meet these within our investment horizon.

Contact

Please visit www.ecpam.com for more details regarding our investment philosophy and our approach to ESG and Sustainability.
If you have any further questions, please contact investments@ecpam.com