



Climate Change Position Statement



About

This position statement outlines our climate responsibilities to our community and our planet. As a fund manager, we are committed to being a responsible member of our community, aligning ourselves with the ultimate goal of the Paris Agreement and to provide our commitments to that path of net zero. As a firm, we have a responsibility to minimize our own environmental footprint, as well as to consider the environmental and social impacts of climate change on our investment portfolios.

Our CEO & Chairman

It is better to sleep well than to eat well.

As a guardian of our client's capital, we take every measure necessary to ensure that not only do we deliver sustainable, long-term growth in capital, but more importantly to preserve the capital that we are entrusted with.

At ECP, our beliefs and our process guide everything we do. We are a highly ethical team, committed to cogent investing. We're relentlessly transparent, honest about our capacity and vigilant in applying our process. We do this because there's simply no other way we can deliver on our promises to our clients.

Our Investment Philosophy is based on the belief 'the economics of a business drives long-term investment returns'. For any long-term investor, considering several externalities that may affect the investment portfolio over the horizon is prudent investing - climate change is one of those key considerations.

To create our high-performing portfolio we need to be capable of thinking methodically and discerningly, but also broadly and openly. We do not take ethical or popular views to influence our investment process, but rather every decision we make stems from our core beliefs and our investment philosophy.

Our climate change position statement is produced for three reasons, firstly as a commitment to our clients; secondly, the acknowledgement and management of a key material externality that impacts all our investments; and lastly, to ensure that our role within the investment community assists both the growth of financial wealth, but also the societal well-being of future generations.

Sincerely



Dr Manny Pohl AM

Our Position Statement

Introduction

Overview

At ECP, our mission is to Redefine Active Investing. While we may only be a relatively young participant within the funds management industry, our ambitions for our own business and the role we expect to play within our industry are far-reaching.

As we seek to ensure we remain at the forefront of our industry, we not only ensure we are committed to responsible investing but also to be a responsible member of our community. Accordingly, this position statement outlines the scope and commitments by our firm with respect to climate change.

As one of Australia's pre-eminent fund managers, we understand our responsibility to minimise our environmental footprint, as well as to consider the environmental and social impacts of climate change on our investment portfolios.

Beliefs & Principles

The board and the investment committee have acknowledged the importance of stating our position on climate change and that ECP accepts the scientific consensus that the world is experiencing climate change and that human activity is a contributing factor to this.

While ECP may only be a small organisation within the funds management industry, we feel it prudent that by taking these steps it furthers our commitment to ensuring we invest responsibly and that we help leave our world in a better place for future generations.

The Paris Agreement of 2015 set the wheels in motion for all signatories to take steps toward limiting the rise in global temperatures to below two degrees above pre-industrial levels. At ECP, we take these commitments seriously and we support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Our Position Statement

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Stock Selection & Portfolio Construction

At ECP, our investment horizon is a minimum of 5 years. As a long-term investor, understanding the physical risks associated with climate change, and moreover, the transitional risks from the decarbonisation of our economy, is vital when making any investment decision.

For us, we exclude direct investment in several industries that not only contribute to climate change, but also some that have a negative impact on our environment. These exclusions are reviewed annually and include thermal coal, petroleum, old-forest logging, palm oil, and pesticides.

When assessing the long-term potential of an investment, we follow our proprietary 'Pillars of a Quality Franchise' framework, whereby sustainability and stewardship are central to this assessment. For us, understanding the sustainability of any investment requires a forward-looking approach which considers any externalities that may impact the predictability and competitiveness of business operations – within this, climate change is a key consideration.

While some investments may be deemed far too risky in terms of the physical risk of climate change, however, what is (generally) more common is the transition risks associated with the transition to carbon neutrality or where environmental polluters may be required to pay for negative externalities.

Ultimately, as ECP is aiming to comply with the Paris accord of attaining carbon neutrality by 2050, we have begun our journey toward meeting this in an earlier time period. Accordingly, the focus for us remains 1) our own carbon footprint and our own activities, and 2) engaging with any of our companies on the issue of climate change and the risks associated with their business operations.

Engagement & Collaboration

In seeking to achieve our own net zero emissions targets and to make our own contribution towards this cause, engagement with our portfolio companies is essential. Here, not only is it important for us to understand our portfolio companies' targets, but more importantly to use our position as an asset manager to engage and influence these companies where appropriate.

For us, our ability to vote on company resolutions provides us an avenue to voice our concerns and opinions, however, this is best achieved through regular and direct engagement with management and boards.

As a supporter of the TCFD, our aim is that our portfolio companies will work towards disclosure of their emission footprint and targets that are consistent with the guidelines presented by the TCFD. Here, our goal is for all portfolio companies to disclose this and to have publicly stated Paris-aligned commitments by the end of CY2025.

Outside of our engagement and collaboration activities, ECP may take the option to divest from a portfolio company where we believe that 1) the strategy of the company does not align with our sustainability requirements of a Quality Franchise; or 2) a firm has not seriously considered the long-term risks of climate change or other externalities that may inhibit their ability to predictably grow their economic footprint.

Our Position Statement

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Our Strategy & Communications

Being an asset manager, our clients' capital and their attitudes and opinions on their role within the industry and our community are extremely important to us. Several of our institutional clients, along with a number of our retail investors have made clear their views and expectations toward responsible investment, governance, climate change, and other socially sensitive issues such as labour relations.

At ECP our primary aim and commitment to our clients is to ensure that we maximize our clients return over our investment period. For us, identifying which risks are likely to impact on our forecasts and affect our commitment to all our stakeholders means we take a cautious approach to many of these issues as we aim to ensure that we march to the beat of our own drum.

At present, our commitments to responsible investment have been long noted through our membership to the Principles of Responsible Investment (PRI). Going forward, we expect to be a member of the Responsible Investment Association Australasia (RIAA) by the end of 2021.

With respect to climate change and the race to net zero, as of January 2021 we are a supporter of the TCFD, and we are currently reviewing our association to net zero initiatives and climate change groups.

Moreover, in terms of our investment process, ECP will favour companies with relatively low carbon emissions, and we will not invest in companies that emit substantial levels of carbon, have poor environmental protection policies, or seriously harm the environment, such as thermal-coal, petroleum, pesticides, old-forest-logging and palm oil production.

Our Own Carbon Footprint

Our long-term aim at ECP will be to make our business carbon negative. We have begun our own internal process toward measuring, reducing, and if necessary, offsetting our emissions that are generated through the operation and management of our asset management business.

As part of this process, we will consider our emission footprint produced through our travel activities, use of electricity (office space and home offices), and where possible use green energy providers for our office electricity needs.

Specifically, ECP is targeting to be carbon neutral by the end of 2025. We expect that through this process, we will aim to offset our emissions since the founding of our business. Our goal is to achieve a Climate Active certification.

Our Position Statement

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Conclusion

For us, our mission is to 'Redefine Active Investing', and part of this is our commitment to responsible investment and to ensure we are a responsible member of our community. Within this, ensuring that we demonstrate alignment with the Paris Agreement, and furthermore, that the investment companies in our portfolio begin their own path toward this alignment is a cause that we deem worthwhile and is required for any firm that holds a social licence to operate.

The ECP Board and the Investment Committee believe that the above commitments through our position statement and various ESG policies place us as one of the leaders within Australia's asset management industry. Our activities and initiatives along these commitments will be reviewed annually and will be updated accordingly as we begin to meet our own targets.



Roadmap to Net Zero

We have a responsibility to minimize our own environmental footprint, as well as to consider the environmental and social impacts of climate change on our investment portfolios. Here we present our goals and aspirations toward meeting our Net Zero commitments and helping assist the transition toward a carbon-free future.



2019

- Broadened our qualitative research process to specifically consider a Sustainability Pillar - with 40% of our overall assessment being related to Sustainability & Stewardship.
- Climate change considerations increasingly becoming a formal part of our analysis.

2022

- Member of the Responsible Investment Association of Australasia (RIAA).
- Publish Roadmap to Net Zero.
- Portfolio-wide engagement on Net Zero and climate change considerations for all investments.

2024

- Work with clients on their decarbonisation targets and how we can assist - establish measurable portfolio objectives to meet decarbonisation targets.
- Introduce portfolio offerings for clients that may assist in limiting carbon exposure.
- Partnerships & Collaboration - Net Zero Asset Management Initiative and the Institutional Investor Group on Climate Change

2030

- Target carbon intensity* 50% less than the index across all portfolios.
- Achieve Net Zero for our business operations - since inception.

2050

- Achieve Net Zero for our firm operations and across all portfolios.

2014

- Signatory to Principles of Responsible Investment (PRI)

2021

- Supporter of the Task Force for Climate-related Financial Disclosures (TCFD).
- Updated Responsible Investment Policy and developed a specific ESG & Sustainability Policy.
- Environmental Negative Screens updated to include Thermal Coal, Petroleum, Old-forest logging, Palm Oil, Pesticides - sectors identified as issued relating to climate change are reviewed annually.

2023

- Climate Active certification for our business operations.
- Formalise the framework to ensure our portfolios target carbon intensity* less than the relevant index for our portfolios.
- Deepen climate-related engagement and establish measurable objectives for companies related to ESG/climate change initiatives and begin to monitor them.

2025

- Achieve Net Zero for our business operations.
- Target carbon intensity* 25% less than the index across all portfolios.
- Conduct external assurance / independent assessment on ESG and climate related statements.

2040

- Target carbon intensity* 75% less than the index across all portfolios.



* Total Carbon Emissions (tCO2e) per A\$1 million invested.

A portfolio's total carbon emission in tons of CO2e measures the portfolio's tons of CO2e, taking scope 1-2 and scope 3 emissions into account. Each equity investment's carbon emissions are apportioned based on equity ownership. As defined in the Greenhouse Gas Protocol, Scope 1 emissions are those directly occurring "from sources that are owned or controlled by the institution". Scope 2 emissions are "indirect emissions generated in the production of electricity consumed by the institution". Scope 3 emissions are all the other indirect emissions that are "a consequence of the activities of the institution but occur from sources not owned or controlled by the institution".

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

