ECP

Corporate Responsibility & Sustainability Report

Redefining Active Investing
ecpam.com

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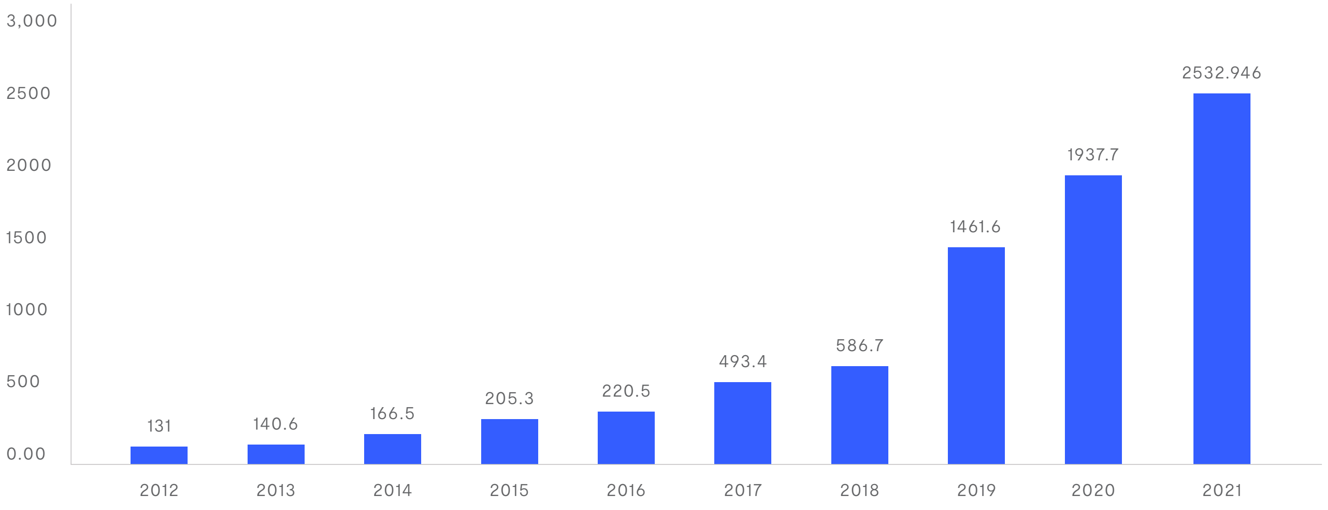


Portfolio Performance

	3m	6m	1y	3y	5y	Inception
ECP Growth Companies Fund	13.2%	11.7%	38.4%	21.3%	18.4%	13.6%
S&P ASX 300 Accum	8.5%	13.0%	28.5%	9.8%	11.3%	8.8%
Alpha	4.7%	-1.3%	9.9%	11.5%	7.1%	4.9%

	3m	6m	1y	3y	5y	Inception
ECP Emerging Companies Fund	11.2%	12.8%	50.4%	30.5%	22.5%	20.9%
S&P ASX Small Ords Accum	8.5%	10.8%	33.2%	8.6%	11.2%	9.3%
Alpha	2.7%	2.0%	17.2%	21.8%	15.9%	11.6%

Carbon footprint of portfolios

	Total Carbon Emissions	Relative Emission	Weighted Average Carbon Intensity	Relative Carbon Risk
Growth Companies	60 tCO2e	-47 tCO2e	132.2 tCO2e	-117.1 tCO2e
ASX 300	106 tCO2e		248.3 tCO2e	

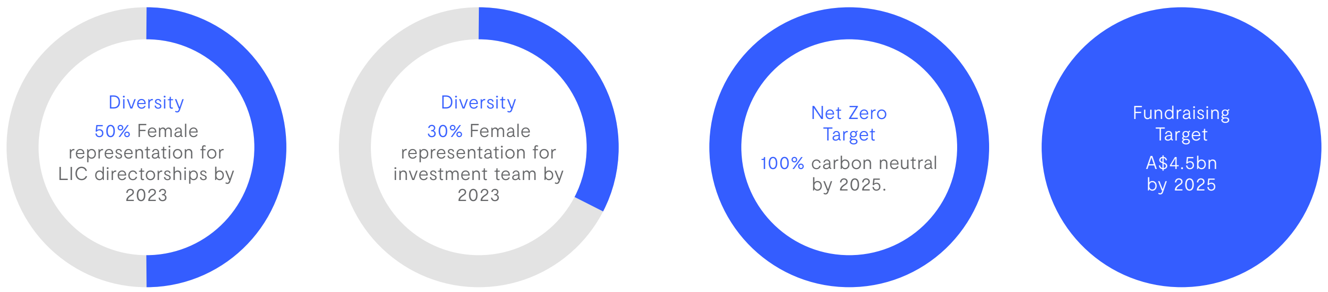
	Total Carbon Emissions	Relative Emission	Weighted Average Carbon Intensity	Relative Carbon Risk
Emerging Growth	5 tCO2e	-66 tCO2e	14.9 tCO2e	-642.3 tCO2e
ASX Mid Cap 50	71 tCO2e		657.2 tCO2e	

Diversity Representation

Genders	Male	Female
Directors		
ECP	100%	
Flagship Investments	50%	50%
ECP Emerging Growth	100%	
Global Masters	100%	
Investment Team	100%	
Admin & Support	20%	80%
Group	64%	36%

Nationality	Australian	International
Investment Team	50%	50%
Group	36%	64%

Targets & Goals



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.

We believe that it is better to sleep well rather than to eat well. This value we all hold cannot be met without ensuring that not only our organisation acts with good intentions, but with the utmost respect for our community, nature, and our planet.

Our Investment Philosophy is based on the belief 'the economics of a business drives long-term investment returns'. For any long-term investor, considering the long-term sustainability of a business over the investment horizon is necessary and prudent investing.

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 Corporate Responsibility & Sustainability Report is produced for three reasons, firstly as a commitment to our clients; secondly, the acknowledgement and management of key externalities that impact all of our investments; and lastly, to ensure that our role within the investment community assists both the growth of financial wealth, but also the societal wellbeing of future generations.

Dr Manny Pohl AM
CEO & Chairman

To Our Stakeholders

Sustainable Business is Good Business.

Any successful business owner makes decisions for the betterment of their long-term business. Having sustainable practices and a long-term mindset is vital for any operator in this modern, rapidly changing world.

Sustainability has long been part of our investment process, and since we see ourselves as business owners (and not share traders) we invest along similar principles where sustainability and competitiveness are central to any investment analysis.

As a fund manager we have a clear responsibility as to how we invest clients' capital. While we must steer clear from making ethical judgements on behalf of others, making clear commitments that are known to all stakeholders is simply prudent investing.

Over the past few years our industry, and society more broadly, has continued to evolve with higher expectations being made of businesses and growing commitments to maintaining their social licence to operate. Being a good corporate citizen is only part of it. Being a good corporate citizen that is compassionate, committed to its people, planet, and the community is mandatory.

We are committed to ensuring that our business employs best practices to position our organization so that we can continue to sustainably grow through time. Within this, we are committed to ensuring our clients experience financial well-being, and the transition to a net-zero economy is part of this.

Since becoming a signatory to the Principles of Responsible Investment (PRI), we have been on a long journey to continue to refine our process, true to style and label, while incorporating best practices with respect to ESG and responsible investment. As of January 2021, we are now a supporter of the Task Force on Climate-related Financial Disclosures (TCFD.

As a business, we recognise the importance of balancing the interdependent relationship between nature, people, and our planet. This report provides insight into our yearly activities on several fronts and provides transparency and accountability for our commitments to all our stakeholders.

This report marks the beginning of a few exciting initiatives we have planned over the coming years as we continue to grow and evolve our commitments to our clients and our community.

Jason Pohl
Head ESG Officer

About This Report

The following is our first corporate responsibility and sustainability report which focuses on investor relevant environmental, social, and governance (ESG) topics, developments within our investment portfolios and changes within our own organisation. This report will provide transparency of related information but also highlight our own key strategic milestones that meet our commitments to our clients as we grow as a business.

Founded in 2012, ECP Asset Management is a boutique asset manager based in Sydney, focusing on quality-growth investment opportunities. At ECP, we think the only way to grow wealth that is resilient and sustainable, is to invest money in a careful, considered and committed way - we call this 'active' investing.

As a business, we are committed to ensuring our clients are provided with sustainable performance that is resilient over the long term. We seek to ensure that our clients feel they are in good hands, we are highly ethical, transparent and honest. We aim to ensure that we maintain a deep and consistent commitment to sustainable business practices and responsible investment management.

Over the past few years, our industry and society more broadly have continued to evolve with higher expectations being made of businesses and growing commitments to maintaining their social licence to operate. Being a good corporate citizen that is compassionate, committed to its people, planet, and the community is mandatory when operating in the modern environment.

The modern business landscape is seeing increasing volatility, uncertainty, complexity, and ambiguity in varying conditions and situations. For investors, identifying companies that are focused on these issues and opportunities will provide the best opportunity to ensure that their business model is relevant, resilient and sustainable through time.

Considering environmental, social, and governance (ESG) factors is a step toward identifying resiliency and sustainability of outcomes. The term ESG is increasingly prevalent in financial markets and we applaud these developments as investors are not only seeking to identify higher-quality investments, but they are shifting their mindset to the longer-term and are not falling foul to short-termism. Too often investors fail to see the broader picture, making decisions to their own or societies detriment.

Since becoming a signatory to the Principles of Responsible Investment (PRI) in 2017, ECP has continued to refine its process, remaining true to style and label, while incorporating best practices with respect to ESG and responsible investment. Our investment philosophy is based on the belief that the economics of a business drives long-term investment returns, and within this sustainability and resiliency are central components.

At ECP, our portfolio companies are expected to meet these high standards, and our investment process whittles out companies that fail to meet our definition of quality. Our 'Pillars of a Quality Franchise' is a proprietary framework developed in-house to ensure that our investments have the highest sustainability and stewardship credential - good business is sustainable business.

While we require the companies in our investment portfolio to comply with a high standard, we need to hold ourselves to the same standards and aim to adopt and implement similar practices and procedures that we would expect of them. ECP has implemented several initiatives and subscribed to a number of causes that make our position known on worthy issues, and we continue to refine our process over time to deliver on our key promises.

Mindful of our commitments to our stakeholders, ECP has become an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD), and we have published our climate change position statement. Over time we will continue to evolve as a business, ensuring we adopt the best responsible investment practices, and we will continue to be a positive contributor to our team's lives, and society more broadly.

Each strategic step we make as a business must align with our brand values and our corporate and investment philosophies. Some of these have been years in the making and as we continue along our journey as a business we hope to bring you along with us, providing insights into our business, our investment portfolios, and the evolving landscape within our industry.

Over time this report will be discussing our strategy and performance (financial and non-financial), considering the goals and initiatives against the framework of the United Nations Sustainable Development Goals (SDGs), as we seek to ensure our own business grows responsibly and sustainably within our society.

The following outlines a number of our commitments and causes we support, with clear measurable goals. It provides a comprehensive roadmap of our internal and external sustainability and ESG practices and outlines all initiatives, causes and associations relevant to ECP. Each of these decisions is complementary in nature and follows a holistic view of how we approach ESG from an investment perspective, but also for our own business.

Introduction

Our Business

ECP Asset Management (ECP) is a boutique equities fund management firm. Our firm and affiliates manage equity portfolios for institutional, retail, and high-net-worth clients. As at 30 June 2021, ECP managed ~A$2.5 billion across various mandates, providing investors exposure to our quality-growth investment portfolio.

Our organisational purpose is to Redefine Active Investing, with the objective of maximising client wealth over the long term. We believe the only way to grow wealth that is resilient and sustainable, is to invest money in a careful, considered and committed way - we call this 'active' investing.

We are known as thought and market leaders and the following document outlines how we ensure best practices. Furthermore, at ECP our Investment Philosophy is based on the belief that the economics of a business drives long-term investment returns and this is reflected in our investment process.

Our Core Values

Beliefs and process first and foremost

Our beliefs and our process guide everything we do. Internally, this manifests in an idea meritocracy, where every person has the capacity to suggest, research and reject an idea.

Sleeping well before eating well

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 promises. ECP is committed to Responsible Investment and is a signatory to the United Nations-backed Principles of Responsible Investment (PRI).

Mutual respect and recognition

We encourage and promote a culture of respect and support for all members of our team where their new ideas, different perspectives and skills are respected and recognised.

A genuine long-term approach

We believe in nurturing strong relationships in every part of our business – with our customers, between colleagues and with our portfolio organisations – because, in order to deliver sustainable growth, we need to think long-term.

Diverse ways of thinking

To create our high-performing portfolio we need to be capable of thinking methodically and discerningly, but also broadly and openly.

Demystifying active investing

It's so important to us that all our customers understand why we make the investment decisions we do, that we see another essential role for us, as an educator. We want to show everyone the how's, why's and where's of active investing, in the simplest, most digestible way possible.

Being a Responsible Money Manager

Our Philosophy

At ECP, we believe it's important to understand both the narrative of an investment and the numbers that support it. Investing on narrative alone ignores reality. Investing on numbers alone ignores potential. We tie the two together, so we can best capture long-term potential while ensuring that we do not overpay for the value we see.

Valuing potential, not just performance

We invest in companies in the growth stage of their life cycle and therefore need to balance their narratives and their numbers. This balance informs our investment hypothesis.

Choosing high quality growing businesses

Markets are notorious for undervaluing high growth businesses because they cannot see their potential. High quality growing businesses tend to find new ways to grow. Finding these businesses and backing management to deliver allows us to capture some of that potential through time.

Ignoring temporary market turbulence

Markets are also notorious for overreacting to temporary themes. Our long-term approach means we see turbulence as a normal part of the market which means we can capitalise on this market feature.

Our Promises

At ECP, the consistency of our offering is most important, and we are focused on always delivering on our three key promises.

Sustainable Performance

We deliver, quite simply, the best quality growth in the business. It is truly sustainable and truly resilient and has been proven again and again.

Ethics

We'll not only make you feel you're in good hands, but in safe hands too, since we're a highly ethical, transparent, and honest manager.

Empowerment

We want to make sure you understand how true active investing works and why it's the safest way to invest your money.

To this end, being a responsible investor requires a few commitments which we outline in our Responsible Investment Policy, our ESG and Sustainability Policy and our Board Engagement Guide. Moreover, we have publicly stated our commitments to our planet through our Climate Change Position Statement and have recently published our Task Force on Climate-related Disclosures Annual Report.

Sustainability & Our Investment Process

Identifying and understanding the key drivers of risk and return is a crucial skill for any long-term active investor. Traditionally these items were defined purely in economic terms (revenue, margins, volatility of returns etc). However, as markets have evolved, it's become more evident to some participants that Environmental, Social and Governance (ESG) issues are central to understanding and framing the contextual, systematic, and idiosyncratic considerations in investment analysis.

Importantly, the issues captured by the term 'ESG' are not necessarily static but may change over time as issues become more important or community values or sentiments change. ECP believes that ESG factors can have a material impact on the long-term outcomes of investment portfolios and the assets in which we invest.

While ECP is committed to ensuring superior investment returns to our clients, we recognise the importance and effectiveness of active ownership in producing real-world outcomes at scale, as too sharp a focus on maximising returns while minimizing risks may undermine broader investment, economic and social goals.

Active ownership is our opportunity to improve sustainable corporate practices and is a key way to help deliver long-term value creation for our investors. We believe that focusing on common goals and outcomes, we can help drive responsible investment practices and support our community in sustainable activities, climate stability, and a financial system that supports the real economy.

ESG Considerations in Investing

Why Worry about ESG?

ESG refers to the environmental, social and governance practices that may have a material impact on the financial performance of investments. Integrating ESG can be used to enhance financial analysis by incorporating potential risks and opportunities that lie beyond technical valuations.

Being able to differentiate between short-term issues that arise through the general course of business and systemic ESG issues is a critical skill that will inevitably permeate through the organisation over the long term. The main objective of ESG valuation remains financial performance.

The media play a pivotal role in the ESG space, bringing to light several ESG-related issues, particularly when stakeholders experience substantial losses or experience hardship through breaches of corporate governance.

For investors who focus solely on economic returns, ESG should remain a core component of financial analysis and modelling. As sustainability has is now becoming a key component of the decison-making process, then ESG related impacts and activities are having a positive impact on the financial performance of companies.

As an example, poor environmental practices leading to boycott of products, or poor labour relations leading to workforce strikes will deliver negative economic effects. Whereas, lower energy consumption through efficient measures, or increased productivity boosting employee motivation will drive better economic returns.

While ESG analysis is often framed as moral values versus economic value, investments motivated purely by economic values, may overlook companies that are helping to drive broader societal change; while a purely ethical approach may impede ones ability to benefit financially.

Today, companies are being held to a higher standard and the hurdles to maintain a social licence to operate are only going to increase. Finding the right balance between moral and economic ideologies can provide for long-term wealth maximization while remaining true to core beliefs. This enables you to sleep well knowing your investments will deliver sustainable returns over time.

No Defined Rules

There are no hard and fast rules when dealing with ESG issues. Exclusion or divestment based on ESG grounds when your investment philosophy and corporate values are in alignment is sound investment practice. However, when imposing ethical values that are not in alignment with one's investment philosophy, short-termism may creep in.

At ECP, we exclude a few industries based on their social impact, including (but not limited to) weapons, tobacco, and gambling, while environmentally we exclude thermal coal, petroleum, old-forest logging, palm oil and pesticides. Our investment philosophy and corporate values steer us away from companies that have the potential to harm society, and moreover, help us avoid companies where there is a risk to the sustainability of their business operations.

Companies that act without any consideration for a broad range of stakeholders are met with severe consequences; however, in practice, it is rarely this simple. Issues of such magnitude need to be considered carefully and holistically to ensure that the right balance between stakeholders delivers long-term sustainable performance.

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.

Some companies that may have a chequered past cannot remain cancelled forever. Companies that engage and act to continue to improve their commitments to all stakeholders can be the types of quality companies that investors should praise.

Consider James Hardie Industries (ASX: JHX), which is a prime example of a company that fell foul to ESG-issues (their ongoing asbestos liability), however, through time their commitment to engage and act on this issue has shown their commitment to all stakeholders while remaining a vital source of support through ongoing remediation.

Carbon Emissions & Net Zero

Background

The long-term investment horizons of superannuation funds make them acutely vulnerable to the systemic disruptions associated with climate change, and our industry is in the early stages of its transition. Conscious of the commercial implications of climate risks and of regulatory, legislative and policy requirements for action, institutional investors are acting to address 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.

Several Australian superannuation organisations have committed to address emissions of their investments. Their commitments are to evaluate their alignment with the goal of net zero emissions by 2050, a key element of the Paris Agreement.

Under pressure from regulators and customers, many are emphasising engagement activities, such as asking the companies in which they invest to disclose – and, in some cases, address – their climate risks. Superannuation funds are themselves making commitments to reduce emissions funded through their investment portfolios, a further sign of gathering momentum for change.

Race to Zero

Part of understanding this transition is the importance of engagement in transitioning portfolios towards net zero. At present, the strategies adopted by most funds are centred on investee engagement rather than the setting of net zero targets.

In addition to encouraging greater disclosure from the companies in which they invest, some funds now engage with the biggest emitters in their portfolios to align their strategies with the goals of the Paris Agreement through initiatives such as Climate Action 100+.

More funds are increasing their investments in clean energy; more are divesting from fossil fuels. From 2020, for instance, both HESTA and Aware Super started divesting from thermal coal companies as part of their longer-term targets to reduce emissions within their portfolios.

With some of the super funds committing to net zero carbon emissions (UniSuper, Active Super, HESTA, and Aware Super, to name a few), we expect many more to follow. There are always leaders and laggards, and at ECP we have taken the view to be part of this industry change.

At ECP, we know that Sustainable Business is Good Business. Our process of identifying high-quality franchises results in companies that are carbon-light and have strong ESG credentials. These businesses are highly innovative and are key to solving our societal challenges.

Sustainable Development Goals

Our Commitment

ECP supports the UN Sustainable Development Goals (SDGs), which inform our approach to sustainability. We believe that the business community should be aware and understand that key societal challenges are aimed to implement responsible practices where appropriate. For us, our board has made a clear commitment to ensuring that our own business operates sustainably and aims to meet the goals presented by the SDGs.

From an investment perspective, we do not merely invest in companies with the purpose of meeting the SDGs, however, we do use this blueprint from an analysis perspective. We aim to ensure that our companies are of the highest quality and that the value they provide to their customers is not at the detriment of our community or our planet.

United Global Compact Compliance

The United Nations Global Compact is a non-binding pact to encourage businesses to adopt sustainable and socially responsible policies, and to report their implementation progress against 10 principles.

ECP's portfolio is 100% compliant with international norms since there are no Global Compact Violations. As at publication date,, none of the companies in the portfolio is in the Global Compact Compliance Violation Watchlist.

SDGs & Our Portfolio

This year we commissioned an independent ESG analysis and SDG impact assessment of our ECP Emerging Growth companies' portfolio. Our portfolio is rated A, noting that we do not have any controversial business involvement exposure, and our portfolio fully complies with the United Global Compact.

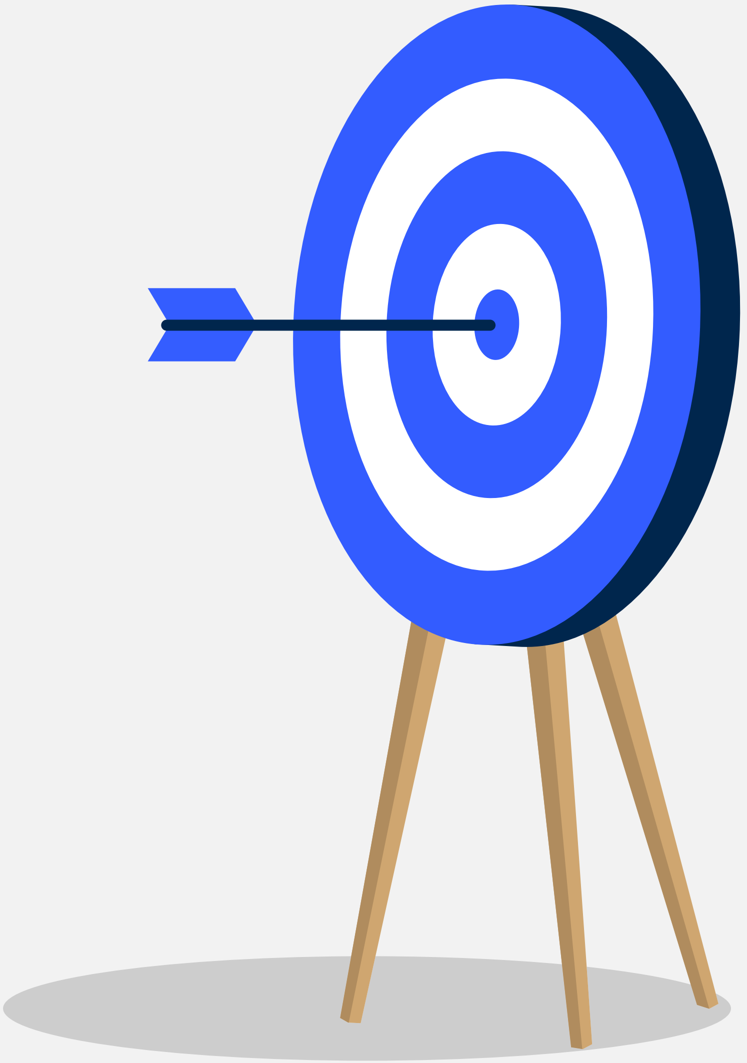
The SDGs represent the coverage of the United Nations' 17 principles issued for companies that follow the path towards a sustainable future. ECP's portfolio contributes towards 8 of the 17 principles - the biggest contributions are towards SDG 16 (Peace Justice and Strong Institutions), SDG 17 (Partnerships for the Goals), SDG 11 (Sustainable Cities and Communities) and SDG 4 (Quality Education).

One-third of our portfolio are classed as leaders with AAA or AA ESG ratings. While we caution against making assessments of the sustainability of investments through external rating agencies, it is a positive sign that a significant proportion of our portfolio has been awarded this rating, particularly given our large exposure to emerging companies with limited disclosures that inform these ratings.

Furthermore, 9.2% of the portfolio revenue is exposed to products and services that help to solve the world's major social and environmental challenges. Importantly, we are not an impact fund, however, we would expect the portfolio's exposure to sustainable impact-related themes to increase through time as technology advances will increasingly seek to solve the challenges the world faces.

Within our exposure of sustainable impacts, our portfolio has a greater social impact than the benchmark, with key factors being nutrition, major disease treatment, and education being the primary drivers of this. Notably, our portfolio has significantly less exposure to severe biodiversity controversies compared to the benchmark (-20.9%).

Additionally, on average 56% of companies in the portfolio have stable ESG rating momentum. i.e. ESG rating has not upgraded or downgraded recently; and more importantly, 28% of portfolio companies have positive ratings momentum - they are improving, which tends to be associated with positive investment performance through time.



Our Approach

United Nations Sustainable Development Goals

Goal No.8
Decent Work and Economic Growth

Goal No.9
Industry, Innovation and Infrastructure

Goal No.16
Peace, Justice and Strong Institutions

Goal No.17
Partnerships for the Goal

A Holistic Approach

ECP is committed to responsible investment and we believe that ESG factors have a material impact on long-term investment outcomes. The consideration of ESG factors is part of our decision-making process and is fully integrated through asset selection and portfolio management procedures.

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, management, and firm competitiveness which leads to superior sustainability and stewardship of companies.

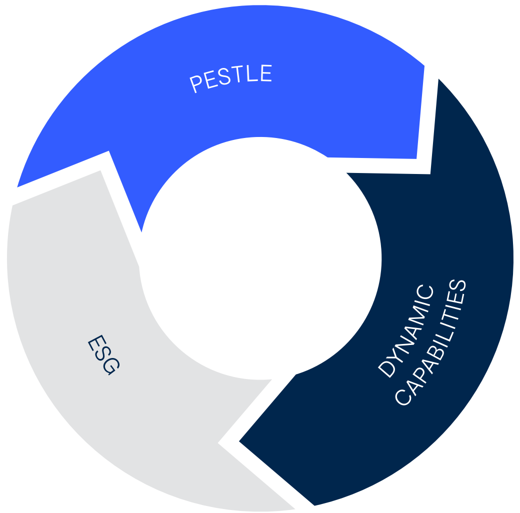
Sustainability

Specifically, our Sustainability Pillar encompasses three characteristics: Firstly, the business must operate in an industry with a low risk of macro-environmental factors affecting future operating performance. Secondly, the business has demonstrated strong ESG practices and holds a capacity to mitigate potential ESG issues. Lastly, the business holds Dynamic Capabilities that sustainably renews its competitive advantage through time.

By incorporating a forward-looking, scenario analysis of ESG-related affairs, we are able to better understand the risks and opportunities that lie ahead for any company, and more importantly, we assess the potential risk to the predictability of their business operations.

When assessing the business's ESG track record, we are able to measure and assess the current performance of the business in its entirety and gain conviction that in the event that ESG issues arise, management is able and willing to address these.

Moreover, a key element of our sustainable investment analysis is identifying how a company sustainably renews its competitive advantage through time. The competitive analysis provides us conviction in our investment thesis, however, we need to identify companies that renew, extend, or create resources that continue to drive their competitive advantage.



Stewardship

In terms of stewardship, there are two parts to how we approach this: firstly from a research perspective, and secondly from an active ownership perspective. At ECP, we believe that have a responsibility as a business to ensure that we are ethical in business practices and that we ensure good corporate governance; and moreover, we believe that businesses that demonstrate inadequate corporate governance will deliver poor investment outcomes.

Management Pillar

Within our analysis, our Sustainability Pillar assesses typical 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.

The management pillar 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. 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.

Active Ownership

We aim to improve the long-term investment outcomes of the asset through our active stewardship and voting policy by promoting:

1) Transparency;

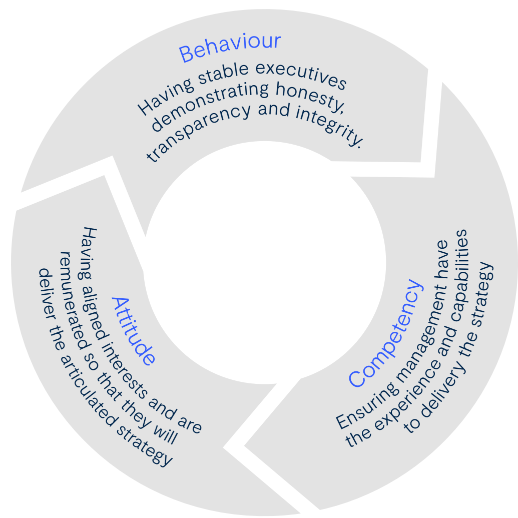
2) Accountability;

3) Independence; and

4) Long-term value.

Throughout the year we have engaged with all our portfolio companies, whether senior management or directly with the board, regarding the sustainability of their business operations and in some instances where we have identified ESG-related issues that required further attention or discussion.

Share voting remains an important tool for engaging with our companies as this is a visible and concrete expression of what may have been expressed in private discussions. Generally, these are in relation to a range of governance issues including board composition and executive remuneration. Voting is an effective way for ECP to publicly express our views on what a company is doing right, and what a company needs to improve.



Our Approach

Partnerships, Collaborations, & Research

Principles of Responsible Investment

The Principles for Responsible Investment (PRI) were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

ECP has been a signatory to the PRI since 2013, and these principles offer a menu of possible actions for incorporating ESG issues into investment practice.

As a signatory, ECP is committed to developing a more sustainable global financial system. As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

ECP publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

We encourage other investors to adopt the Principles.

Institute for Economics and Peace

In early 2020 we formed an exclusive partnership with the Institute of Economics and Peace (IEP) within Australia and New Zealand. The purpose of this partnership is to leverage the country-risk insights developed by IEP within our assessment of country-related risks and opportunities.

The IEP develops global and national peace indices, calculating the economic cost of violence, analysing country level risk and understanding the conditions which underpin highly peaceful societies. The IEP publishes two core indices - the Global Peace Index (GPI), and the Positive Peace Index (PPI). The PPI is of particular importance to our investment process.

Positive Peace – associated with socio-economic resilience (ability to absorb and recover from shocks) and is correlated with benign macro-economic outcomes - it gauges a country's social, political and economic development;

Negative Peace – can be interpreted as a proxy for the economic losses and inefficiencies created by social instability and insecurity.

Positive Peace gauges the attitudes, institutions and structures that lead to peaceful societies. There are 8 pillars of Positive Peace. These tend to be the same factors that lead to economic development. These factors are often referred to as the micro-economic foundations of macro-economic growth. As such, Positive Peace can be seen as a tool to achieve both sustainable social justice and economic prosperity - these attributes are key for sustainable investing in the modern era.

As our investment philosophy is grounded upon business economics, investing in high-quality businesses that demonstrate the ability to generate predictable, above-average economic returns, will produce superior investment performance over the long-term. The basis of what we do is finding companies that are proven, sustainable and competitive.

Peaceful countries exhibit similar characteristics as our quality franchises where the strong microeconomic foundations are similar to our quality franchise foundations/characteristics. Peace creates the optimal environment in which human potential and Quality Franchises flourish.

The economics of a business drive above average investment performance, while peaceful microeconomic foundations moderate the economics of business. Peaceful foundations allow Quality Franchises to flourish.

When we consider the sustainability of investments and the role that country's play within this, the 3 key points are highly relevant to the business operations of high-quality franchises:

1) Strong Resilience

Where Positive Peace improves, countries are less prone to political shocks and social tensions - benefit for investors seeking to protect their capital from non-economic disruptions. Nations with higher peace record far less fatalities per natural disaster than lower levels of positive peace.

2) Higher per capita income

Improvements in Positive Peace associated with increases in GDP per capita. Countries that improve in positive peace experiences substantially lower volatility and inflation over time. Growth in business activity in countries where Positive Peace improved - six times higher than where deteriorated.

3) Better Environmental Outcomes

There is a high correlation with indicators of ESG investment. Higher positive peace countries record better outcomes in measures of environmental health.

Research & Resources

In 2020 we began using Ownership Matters (OM) research for our proxy voting. This was a development from our commitments to the PRI. OM provides proxy voting research which investors can use shareholder rights to their advantage at company meetings by relying on our Proxy Voting Research.

Each Annual General Meeting or Extraordinary General Meeting of companies is analysed from a shareholder perspective. Recommendations are made according to generally acceptable standards of investor expectations on governance issues balanced with commercial imperatives.

Outside of this, we leverage major banking and brokerage houses ESG-related research and insights, and through our Bloomberg terminals. We are still reviewing other ESG-related resources that will be useful in providing further value to our investment process and our company research. Each of these resources inform our investment teams research, while never directing it.

Our Planet

United Nations Sustainable Development Goals

Goal No.12
Responsible Consumption and Production

Goal No.13
Climate Action

Goal No.17
Partnerships for the Goals

Our Climate Change Position Statement

This year ECP has initiated a few steps toward fulfilling our long-term strategy toward our approach to sustainability and our own (internal) ESG practices and corporate social responsibility. Part of this is to introduce our own climate change position statement.

The Paris Agreement was originally designed as a framework for government; however, its philosophy and underlying goals are highly relevant for the corporate world. For any business, exposure to government action presents a core consideration for any business strategy or investment. With increasing climate-related regulation, companies with plans to reduce their GHG emissions will be well-positioned over the long term to deliver above-average returns.

Companies and investors are essential to a pathway toward a net-zero economy. As with any major paradigm shift, the early adopters of these seismic changes within an operating environment will see increased innovation and higher free cash flows and returns on invested capital through time. Moreover, these actors will find early adoption leads to greater credibility amongst their stakeholders, leading to greater brand reputation.

As a fund manager, ECP's investment philosophy is centred around identifying high-quality investments (Quality Franchises) that can generate predictable, above-average economic returns. Quality Franchises are sustainable business models that have responsible and trustworthy management. These companies understand that reducing their GHG emissions means improving their business, providing value to their stakeholders, and being respectful to our community and environment.

Within superannuation, decision-makers (asset owners and asset managers) play a vital role in the road toward achieving decarbonisation. When investing, allocating capital toward companies who are aware of all risks, including climate-related risks, means we are embracing our mandate of responsible investment.

At ECP, we see ourselves as part of the fight against climate change. Engaging with companies to assess the resilience of their business models to externalities ensures not only are we investing in the highest quality businesses we can find, but moreover, we are investing in companies that will continue to build a sustainable future for our people and the planet.

We believe that the Paris Agreement and the scientific-based targets present investors with a viable process toward slowing down the rising global temperatures. Without such mitigation, the planet's trajectory toward rising temperatures of between 2°C and 4°C by 2100 presents unacceptable and devastating impacts on ecosystems and our own health and survival.

For long-term investors, we cannot disregard these signals and cannot ignore the tail-risks that may play a detrimental role in our clients' long-term wealth creation. What is good for our community is good for our portfolios. Quite simply, sustainable business is good business.

Task Force for Climate-Related Financial Disclosures

The Task Force on Climate-Related Financial Disclosures (TCFD) was created in 2015 by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders.

As a long-term investor and through our commitment to 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.

ECP believes that the increasing focus of investors toward ESG-related issues and climate change impacts every company. In line with the TCFD, we believe that the transition and physical risks presented by climate change provide material risks for some businesses, while others may find it presents some compelling opportunities and financial benefits.

This year was our first year of being a supporter of the TCFD, and we published our inaugural annual TCFD Report - available on our website.

Why Is the Climate Relevant?

Where companies are exposed to climate change, or negatively impact the environment or our community, they will inevitably be exposed to increasing regulation, consumer backlash, generally higher costs to operate, and lower returns on investment capital. These are exactly the types of businesses that we avoid.

For us, protecting our client's capital is paramount. Every 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.

ECP and its investment team periodically discuss and assess climate-related risks and opportunities with respect to potential investment opportunities. For us, understanding these significant changes within our society means a holistic understanding of a business today, and into the future.

The result of applying our rigorous process means our portfolio companies are highly resilient against most economic cycles, they are less sensitive to changes in economic rates, they are less impacted by major market disruptions and can manage carbon pricing and other government intervention policies combating climate change.

While we do not take a top-down approach when investing, we are relentless in our search of ensuring we are aware of the climate-related opportunities and their potential impacts upon our investment companies. Below highlights a number of key areas where climate change may in fact present opportunities for the quality companies, we seek to invest in, and provides some insights into the companies we own that have begun to exploit these opportunities.

Our Planet

Resource efficiency

By using more efficient modes of transport, or more efficient production and distribution processes, high-quality companies will see reduced operating costs and efficiency gains while also potentially seeing greater production capacity. Moreover, having a clear focus on more efficient buildings, lower water usage or through recycling, companies will be able to extract increased value from their fixed assets.

Domino's Pizza Enterprises (ASX: DMP) has implemented several initiatives to reduce packaging in their supply chain, to rethink how they transport food to reduce freight mileage and carbon emissions (including through the introduction of electric vehicles such as e-bikes) and through improved in-store operational efficiencies that drive not only more efficient pizza production, but also that flow onto energy efficiencies. The 'Less is More' project in Europe, designed to reduce packaging in commissaries and with suppliers is aimed at replacing cardboard boxes with reusable plastic crates and reducing the amount of packaging. Their French division has already seen positive results reducing the equivalent paper consumption in packaging by more than 26 tonnes/year, equivalent to 3180 trees.

Costa Group Holdings Ltd (ASX: CGC) continually improves growing techniques to bring more water efficient products to market. It has advanced substrate growing techniques to increase water efficiency in its blueberry production and is expanding the use of the technology to Trellised Avocado production increasing the yield per HA and reducing water usage. Through improving the efficiency of their resources, production capacity has improved, and furthermore has driven technological advancements into other product lines.

Energy source

By utilising lower-emission sources of energy or using new technologies that exhibit lower carbon or decentralised characteristics, companies may see reduced operational costs, and lower exposures to fossil fuel price increases or carbon price fluctuations. Additionally, these companies may benefit from increased capital availability from investors or reputational benefits.

Rio Tinto Plc (ASX: RIO) has set their sights on delivering on a lower carbon future, with their mobile diesel being a key strategic decision. Mobile diesel is Rio's third largest GHG emission source (16% of emissions), and the company is looking to develop low-emission alternatives for mobile fuel use in haul, load, and rail. Diesel for trucks and electricity are the main sources of emissions in Rio's copper business and here also the company is advancing alternative fuels truck trials.

Additionally, Costa Group has renewable energy sources and in particular solar energy a key strategic focus, aimed at improving energy security and reduce emissions. Costa has invested in a 5,096-panel solar farm to power its Monarto mushroom facility avoiding 900t of scope 2 greenhouse gas emissions and increasing the company's energy security. Costa will continue to meet the challenges presented by climate change, with these measures improving energy security and reduce our financial exposure to blackouts and mains power grid shutdowns during extreme weather events.

James Hardie Industries (ASX: JHX) has made a clear strategic priority to minimize their GHG impact through improving emerging conservation and efficiency. The company is in the process of shifting to renewable energy sources through 1) removing coal from their facilities, transitioning to renewable energy sources, and delivering energy efficiency projects. This year James Hardie has seen a 17% reduction of Scope 1 and Scope 2 GHG intensity (MT CO_2e/$) from 2019.

Product and services

The development or expansion of low emission goods and services through innovation and shifts in business models or consumer preferences may provide opportunities for businesses to drive increased revenues through new income streams or greater consumer value. Here, companies may find themselves in a far superior competitive position that better reflects the shifting consumer preferences.

A recent portfolio addition is Nitro Software Ltd (ASX: NTO) whose core PDF productivity suite is a key enabler of workflow digitisation. The shift to greener operations goes hand in hand with digitising workflows and reducing printing. Studies suggest 45% of printed paper is thrown away by the end of each day, while 30% is never picked up off the printer. The decision to deploy Nitro's software firm-wide was driven not only by the anticipated staff productivity benefits, but by the firm's commitment to be green and carbon efficient by 2030.

Markets

For some companies, climate-related opportunities may arise through having access to new markets, use of public sector incentives, or through greater reach in their ability to access new assets and locations. Having nimble, quality franchises that can leverage these opportunities can provide for material investment outperformance over the long-term.

Macquarie Group (ASX: MQG) is the largest infrastructure manager globally with $560b in AUM and now has one of the largest renewable principal investments books and green advisory businesses through its acquisition of Green Investment Bank. MQG is a key player in enabling the transition of global energy infrastructure to a de-carbonised world. With currently 10% of its AUM in renewables this will grow strongly as the projects it manages grow from development into operational phase enabling to manager to deploy far greater amounts of capital.

Carbon Revolution (ASX: CBR) is an earlier stage investment that is transitioning from start-up to the growth phase of its lifecycle. Carbon Revolution is the only company globally to have successfully developed and manufactured single-piece carbon fibre automotive wheels to OEM quality standards. The unique carbon fibre wheels are typically 40-50% lighter than comparable aluminium wheels, reducing vehicle weight and therefore fuel consumption and carbon emissions. Through having lighter weight wheels, the climate benefits are lower fuel to drive a car or are central to assisting the EV revolution.

Resilience

At ECP, a key characteristic of our portfolio investments is their resiliency against externalities and economic cycles. By participating in renewable energy programs and through the adoption of energy efficient measures, companies may be able to increase their market valuation through demonstrating greater resilience, greater reliability in their supply chains and being able to operate through a number of conditions. Moreover, these companies may benefit from increased revenue through new products and services relating to ensuring greater reliance.

James Hardie has focused on the efficiency of their operations for a few years now, with their approach to distributing and sourcing locally driving their competitiveness and sustainability of their offering. James Hardie source 83% of their materials within 100 miles, which reduced inbound and outbound shipping, delivering lower costs and a lower carbon footprint. Additionally, their LEAN initiative prioritises conserving the use of natural resources, reducing consumption, reusing, and recycling where possible, which is focused on managing their environmental impact related to waste, energy, emissions, water, and effluent. By participating in these programs, James Hardie has proven to be more resilient through Covid, battling these pressures better than their competitors which has resulted in market share gains, improved pricing power, and material revenue growth.

Our Targets & Goals

ECP has long acknowledged the risks associated with companies with a high carbon footprint. Generally, these companies are capital intensive, exposed to cyclical fluctuations, and are increasingly exposed to higher amounts of government regulatory action. For us, having clear targets and goals for our strategy in different capacities ensures we continue to deliver value for our stakeholders, outside of superior long-term investment returns.

As part of our commitment to being a responsible fund management company, our board has set the goal of achieving significantly lower carbon emissions for our investment portfolios (per million dollars invested) than the respective benchmarks. To date, we have achieved this, and we continue to regularly reassess our goals in this respect to continue to minimize our portfolio's carbon footprint, while not sacrificing returns to our clients.

In addition to the above, ECP has begun its journey toward achieving carbon neutrality for our own operations. We expect this to be completed over the 2024-25 financial year and following that we expect to begin to assess and engage our channel partners and key suppliers with respect to their own operations.

Our Team

United Nations
Sustainable
Development
Goals

Goal No.3
Good Health and Well-being

Goal No.5
Gender Equality

Goal No.8
Decent Work and Economic Growth

Goal No.16
Peace, Justice and Strong Institutions

Inclusion & Diversity

ECP recognises and respects the value of diversity. As an organisation, we aim to create an environment where the diversity of our people in experiences, perspectives and backgrounds are valued and utilised. We recognise that each employee brings their own unique capabilities, experiences and characteristics to their work.

We strive to create and foster a supportive and understanding environment in which all individuals realise their maximum potential within the Company, regardless of their differences. We are committed to hiring the best people to do the best job possible irrespective of age, gender, cultural background etc.

At the 2020 financial year-end, the board ratified our Inclusion and Diversity Policy. 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. 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.

ECP is continuously evolving and working towards greater diversity and inclusion. The objective of our policy will be to ensure that our working environment ensures appropriate gender representation, celebrates cultural backgrounds and social diversity. The ECP Board has adopted the following diversity targets.

Target	Metric	Target (Minimum)
Cultural Diversity	% of total workforce	30% from different cultural backgrounds
Gender Diversity	% of total workforce	30% female

Gender

Over the year, ECP introduced a number of initiatives aimed at ensuring our female employees are provided equal opportunity within our working environment. These include:

— A market-leading gender-neutral commencement salary, which guarantees no unconscious gender bias when offering a salary to prospective employees, and avoids the embedding of a gender pay gap.

— Under this policy staff will have access to a period of fully paid parental leave for up to six (6) months if they are the primary carer or up to one (1) month if they are the secondary carer.

— An apprenticeship program, regardless of gender, allows all employees the same access to achieving partnership status within the firm based on a defined tenure program that provides equal equity-sharing opportunities amongst all of the investment team.

Family & Flexible Work

At ECP we understand and embrace the role that family plays in our professional lives. While our professional lives are central to many of our own identities, we recognise that this plays one role in a much broader more fulfilled life. We want our staff to place family first, and within that to ensure we have an environment where all our families feel welcome and are included in our corporate activities.

At ECP, we spend a huge amount of time in the workplace and we strive to make this time a mutually rewarding exchange. We strive to ensure we provide an environment that challenges and fulfils our staff in all areas of their employment while ensuring a positive and healthy work-life balance.

While we do believe that our office environment remains the centre point of our organisation, we do recognise that through technology and other means we have the ability to ensure that all staff are connected, can fulfil their employment, and remain fully committed to their own family and outside lives.

As a result of the lockdowns, all of our staff have been required to stay home. Our industry-leading systems have meant we have had no disruption to our working lives, however, this has presented a number of challenges in managing this work-life balance. This year we hosted a virtual cooking class, where all of our team and their families joined in for some Italian cooking.

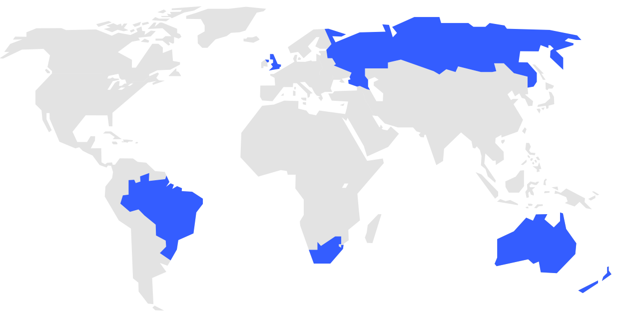
Growth & Goals

This year we have updated our paternity and diversity policies to reflect our continuing commitment to diversity and inclusion. As part of our continued growth plan, the board has made clear commitments to broadening our gender diversity within the investment team. Given the lack of representation in our industry, we are exploring various options at helping nurture and build out greater diversity within our industry through partnerships and industry training programs.

Cultural 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 investment opportunities requires all our staff and resources to cover a broad range of opinions and ideas that fully capture the potential over the long term.



Where Our Staff Are From

— South Africa
— Australia
— Brazil
— New Zealand
— Russia
— UK

Our Community

United Nations Sustainable Development Goals

Goal No.3
Good Health and Well-being

Goal No.4
Quality Education

Goal No.11
Sustainable Cities and Community

Goal No.15
Life on Land

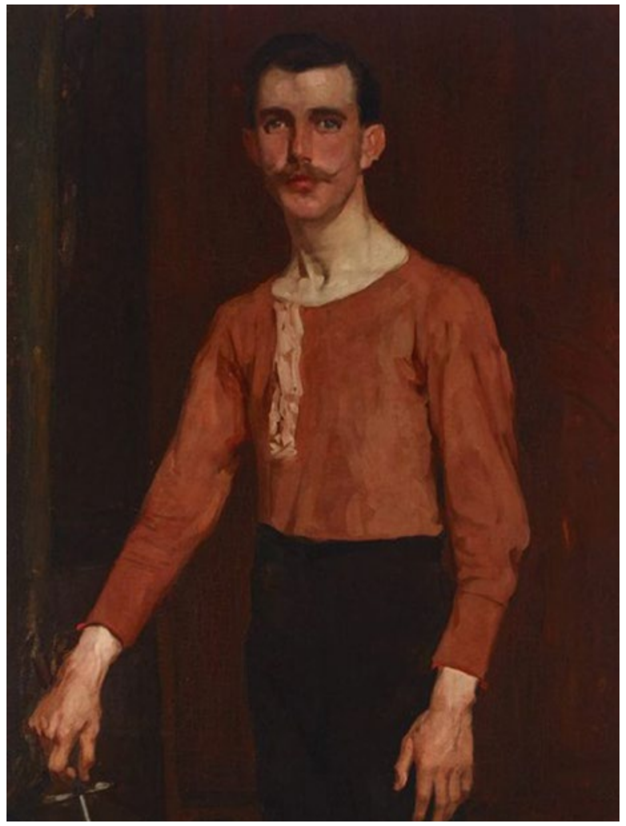
Goal No.17
Partnerships for the Goals

This year ECP and associated entities, including the Pohl Foundation, have made a number of charitable contributions within our community. Over the years we have made contributions toward the Art Gallery of New South Wales, Lifeline Australia, Currumbin Wildlife Hospital, Bond University and A Sound Life.

We have an ongoing relationship with the Art Gallery NSW, whereby over the years we have funded the restoration of several artworks. The Gallery is one of Australia's premier art museums. Prior restored works include The Foil by Hugh Ramsay and The Prospector by Julian Ashton.
At present, The Five Senses by Carlo Cignani is currently under restoration which we expect to be completed in the coming year.

Throughout the year we have made donations to A Sound Life who share the healing power of music, yoga and meditation with people in hospitals, healthcare and underprivileged communities as a free service. Additionally, we have financially supported Bond University's indigenous scholarship programs.

The Foil by Hugh Ramsay (Left)
The Prospector Julian Ashton (Bottom)

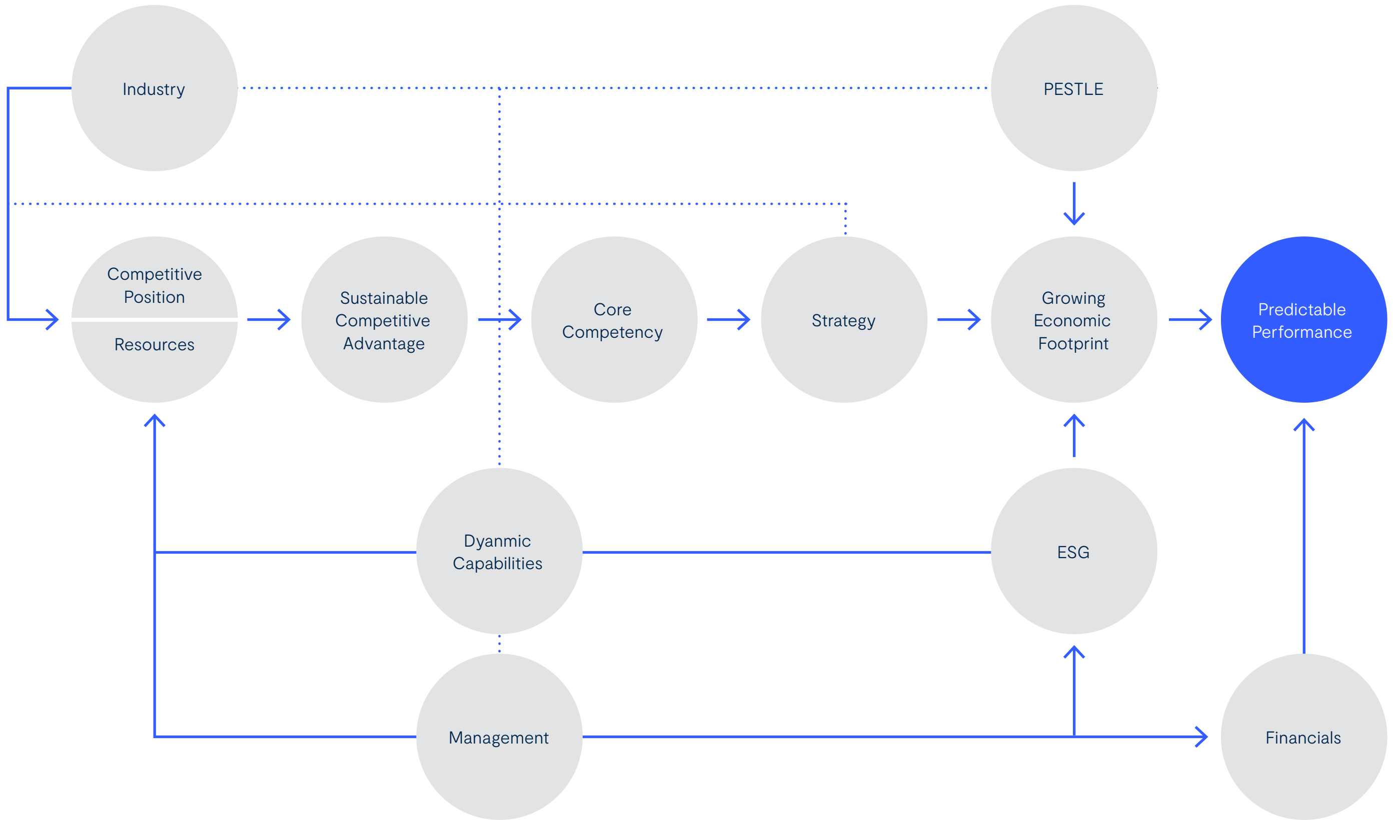


Our Community

This year we hosted the second ECP Annual Ambrose which is held annually at the Lakes Golf Club. This year we had over 140 attendees and raised nearly $40k for the Currumbin Wildlife Hospital and Lifeline Australia. This year we had considerable interest and support after our first event in early 2020 was a huge success. We expect this to remain a featured event, with a number of other charitable events to be introduced over the coming years.

Annexure

The Pillars of a Quality Franchise provide for a holistic understanding of a business - this ensures that our companies are resilient through time, have a sustainable competitive advantage, and provide for predictable performance over the long term.



Pillars of Quality Franchise

Industry	Business	Competition	Sustainability	Management	Financials
Certainty of Growth Profile		Certainty of Capital Preservation		Certainty of Analyst Forecasts	

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