

ESG Policy

Document Control

a. Version Control / Revision History

This document has been through the following revisions:

Version	Date of Approval	Remarks / Key changes / Reason for Update
7	January 2013	Revision
8	July 2014	Revision
8.1	July 2015	Revision
8.2	October 2016	Revision
8.3	September 2017	Revision
8.4	September 2018	Revision

b. Authorisation

This document requires the following approvals:

Authorisation	Name
Initial Version	Board
Material revisions	Board

INTRODUCTION

Hyperion ESG Policy

Hyperion Asset Management Limited (Hyperion) recognises its duty to behave responsibly in its business activities and towards those whom its actions affect.

As an investment manager, we believe that a high standard of business conduct, as well as a responsible approach to social, environmental and ethical issues makes good business sense and enhances shareholder value. Conversely, poor management of these issues may pose a risk to the reputation and value of a business.

The first part of this ESG Policy focuses on Hyperion as a business and the principles that guide us. The second part of this ESG Policy deals with our approach to ESG issues as an investment manager. Our goal is to follow any best practice guidelines that may be relevant to our business and to put our principles into action.

We have developed these guiding principles to express how we view our responsibilities and how they apply in a practical way to the day to day running of our business. They are reviewed frequently to ensure they remain relevant.

PART 1 HYPERION GUIDING PRINCIPLES

1. **ENVIRONMENT: *To minimise any negative impact on the environment arising from our business activities we have adopted the following practices:***

Our goal is to be a carbon neutral business and Hyperion will offset its carbon emissions where possible.

We switch off lights and electrical appliances when not in use.

- We support recycling by:
 - Recycling our cardboard, paper and using recycled paper products;
 - Purchasing green office stationery products where possible;
 - We recycle our used printer cartridges;
 - Ensuring that the glass, cans and plastic which we use are recycled and reused wherever possible.

We are committed to reducing the amount of paper we use.

- By printing '2 pages per page, double-sided' for our internal print requirements; and
- By increasing the proportion of documentation sent via email.

Where possible we use teleconference and video conference facilities.

2. SOCIAL

STAFF RELATIONS

We provide our employees with a flexible, supportive, healthy and safe working environment. Policies and practices are adopted which encourage an appropriate work/life balance and promote our results drive values of client focus, teamwork and being open and fair. Hyperion provides a stimulating work environment where employees can grow and expand their skill set.

Wellbeing of staff

Staff members who wish to incorporate physical exercise into their working day are encouraged to do so. Hyperion pays for gym membership for all employees.

Sharing close relationships with our team members

Hyperion is a small business with a small team of professionals. Our culture is collegiate and we are passionate about what we do.

Adopting policies and practices which encourage an appropriate work/life balance

Staff are all entitled to take their birthday as an additional day of paid leave.

For every twelve month period worked, team members are strongly encouraged to take a minimum of 3 weeks leave.

For every public holiday worked, staff are given a day off in lieu.

Furthermore, broadband connections are paid for by the company to facilitate staff working from home where required.

Providing a stimulating work environment where employees can grow and expand their skill set

Staff are encouraged to continue their learning by attendance at professional development conferences etc.

COMMUNITY INVOLVEMENT

We believe in investing in charitable causes and social enterprises which are closely aligned to our business activities. We support the community as a whole, but especially those communities in which our offices are based and encourage our employees in their charitable and community involvement. Hyperion supports the Principles of Fair Trade and does not contribute to any practice where there may be potential abuses of human rights or exploitation of any kind.

Ensuring Community Involvement by investing our time in charitable causes and social enterprises closely aligned to our business activities

Team members are encouraged to volunteer a working day to a charity or social enterprise.

Supporting and encouraging our employees in their charitable and community involvement

We are pleased to support those staff members who perform their own charitable works wherever possible. This includes approving leave where required to pursue charitable work.

3. GOVERNANCE

We conduct our business ethically, maintaining good corporate governance, compliance & risk management and promoting responsible business practices.

Hyperion has an understanding that good corporate governance and effective management are vital to the successful implementation of our corporate objectives and that a prerequisite is total alignment of interest.

EMPLOYEE REMUNERATION

An employee's total remuneration has three components:

- Base salary which is determined by the going rate in the market;
- Short-term remuneration. If the Company, in any financial year, meets the profit rate (after providing for the cost of all proposed bonuses in relation to the year), the Company will pay the Employee a short-term bonus which is determined by the employees base salary and the employees performance against a set of predetermined KPI's; and
- Long-term remuneration through ownership of equity in Hyperion which is acquired at a price set by a pre-set formula.

Board Independence and Succession Planning

Pinnacle Investment Management Limited is entitled to elect a minimum of two directors to the Board while the executives are also only permitted to elect a minimum of three executives to the Board. The major shareholder groups are Pinnacle Investment Management Limited (49.99% shareholding) and the executives (50.1%). The Chair of the Hyperion Board is an independent director.

Compliance

Hyperion, as an AFS Licence (AFSL) holder is required to ensure that it has policies and procedures in place to meet its licence conditions.

To ensure that Hyperion staff are aware of their responsibilities in meeting compliance requirements, all staff are required to complete training on key Hyperion policies each year, including the policy on compliance incident reporting.

Hyperion has a Compliance Manager who monitors compliance by Hyperion and has an independent reporting line to the Hyperion Board.

In addition, each year, an AFSL audit and internal controls audit are conducted by an external auditor.

Risk Management

We have a Risk Management Statement and Business Continuity Plan designed to maintain resiliency and ongoing performance of the business.

PART 2

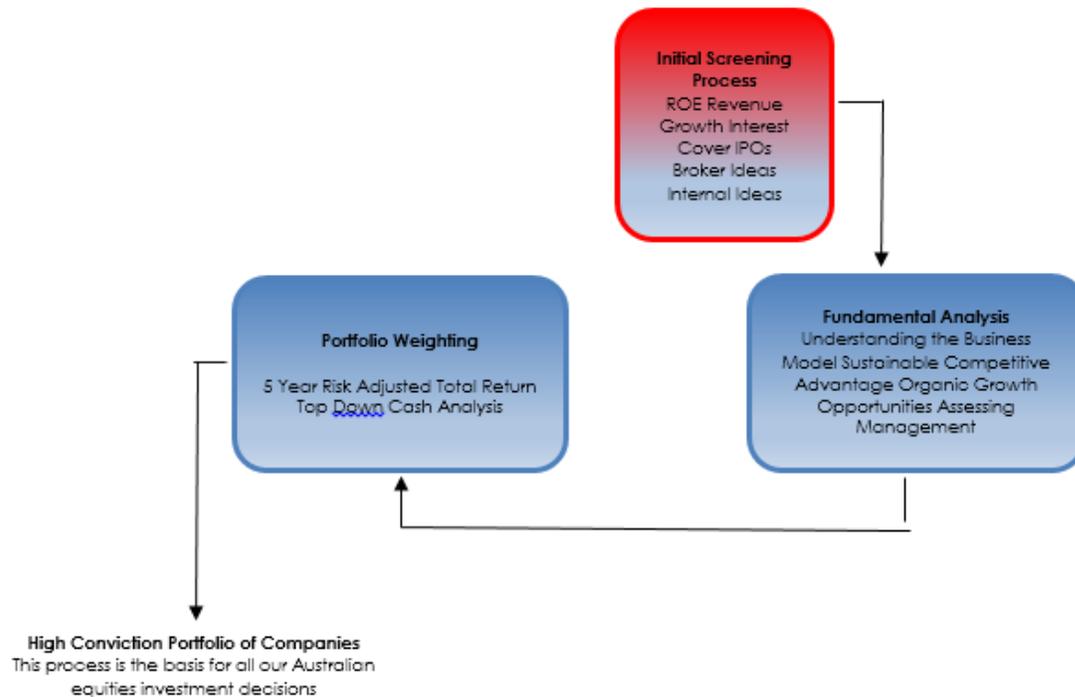
HYPERION INVESTMENT MANAGEMENT'S APPROACH TO ESG

We incorporate ESG analysis into our investment decision making process.

1. EVALUATION OF ESG ISSUES

Rather than rely on investment houses and their research departments, which are motivated by generating trades, we conduct our own proprietary research. Our focus is on identifying quality predictable companies with significant growth potential. As a result, we concentrate on a smaller number of companies with a quality business model and stable management.

Our three step process encapsulates our philosophy by carefully screening out all but the highest quality companies and constructing benchmark insensitive portfolios from the remaining 'universe', weighted according to risk adjusted five year total returns. The evaluation of ESG issues is undertaken by the analysts as part of the fundamental analysis and quality determination. The link between analysis and portfolio construction is an important feature of the Hyperion investment process.



2. WHERE DOES ESG EVALUATION FIT INTO THE HYPERION PROCESS?

ESG evaluation is one of the qualitative assessments that analysts use to arrive at the sustainable competitive advantage of companies.

Hyperion's portfolio managers:

- a. visit the company;
- b. assess the operating environment, competitors, customers, suppliers; and
- c. complete and review the investment research report for each company that is to be included in the portfolio.

The research process is highly structured in terms of the investment attributes that are required for a company to be included in the portfolio.

The primary sources of information used in the investment decision-making process are as follows:

- Annual reports;
- Company presentations, conference calls;
- Site/management visits;
- Competitor/supplier/customer visits;
- Industry publications and seminars;
- Financial press reports; and
- Stockbroking research reports (in particular, industry research).

The foundation of our investment process is comprehensive research on a select group of stocks. We strive to build an extensive knowledge-base on this group of stocks and we continue to supplement this level of knowledge through time. The conclusions drawn by analysts from their qualitative assessment feeds into the business quality score applied to each company's valuation. Accordingly, conclusions drawn from the assessment of a company's ESG activities will affect that company's overall score and its weighting in the portfolio.

The main portfolio construction technique that Hyperion uses is based on expected return. The key principle in the construction of our model portfolio is the direct linkage between a stock's portfolio weighting and its forecast risk adjusted five-year IRR. As a consequence, stock's with a higher five-year IRR have a higher portfolio weighting, and vice versa. This weighting is adjusted for various risk factors which include business quality. It follows, therefore, that a poor ESG evaluation will result in the sustainable competitive advantage failing the threshold test and hence reducing the company's chances of being included in portfolios.

3. WHAT FACTORS ARE CONSIDERED IN THE ESG ASSESSMENT?

a. Environmental

We believe activities that are detrimental to the environment are not sustainable in the longer term and this will lead to increased costs or lower returns on capital.

Factors that are considered in this process are:

- Overall impact the company's activities are having from an environmental perspective;
- Compliance with environmental requirements of regulatory bodies;
- Where impacts are considered to have a high impact, what remediation is being carried out to minimise future impact; and
- Close scrutiny of activities that are high impact and also in countries which do not have strong regulations around environmental impact.

There will be certain circumstances where the environmental impacts of a company's activities are so great that the company is considered non-investment grade. In these situations the company will be excluded from consideration for Hyperion portfolios regardless of other circumstances such as valuation.

b. Social

Our view is that company activities that do not respect human rights and have a detrimental impact on the society they are involved in will not be conducive to longer term economic performance.

An evaluation of the social impact of a company's activities forms part of the analysts' overall sustainable competitive advantage assessment. The conclusions of the assessment can result in stocks either being excluded for consideration for Hyperion portfolios or, in less extreme circumstances, a discount being applied to their valuation.

Factors that are considered in this process are:

- Overall social impact of activities of the company;
- Where activities do have a detrimental social effect, to assess how strong the regulation of the company's activities are;
- Whether the company adhere to all the regulatory requirements that apply to them; and
- Whether the company been subject to many complaints from stakeholders (whether they are employees, shareholders or other parties interacting with them).

The activities that will result in companies being excluded for consideration occur where the social impact of the activities of the company is so great that the companies are considered non-investment grade regardless of other factors.

Activities that are included in this situation include:

- Mistreatment of employees, particularly in emerging markets or jurisdictions where regulations surrounding such activities are poor or non-existent;
- Mistreatment of other stakeholders (such as suppliers or purchasers), particularly in emerging markets or jurisdictions where regulations surrounding such activities are poor or non-existent; and
- Engaging in any illegal activities.

c. Governance

Our view is simply that poor governance will result in companies being unattractive investments. Good governance and effective management are vital to the successful implementation of a company's objectives.

The governance assessment forms part of the analysts' overall sustainable competitive advantage assessment. The results of the assessment can see stocks either being excluded for consideration for Hyperion portfolios or, in less extreme circumstances, a discount being applied to their valuation.

Factors that are considered in this process are:

- Integrity of management's actions;
- Adherence to standard business principles of transparency, honesty and fair dealing;
- Scrutiny of related party transactions to ensure they are kept to a minimum and accompanied by full disclosure;
- Effective functioning of an independent board;
- Scrutiny of remuneration;
- We subscribe to Ownership Matters and ISS research which provides Hyperion with reporting on governance feedback and recommendations on voting; and
- Hyperion votes on all governance matters on behalf of clients and reports its voting history.

The decision to exclude companies from consideration in Hyperion portfolios on governance grounds will depend entirely on the severity of the company's poor governance procedures. A company will be excluded where the poor governance is so great that Hyperion considers the company non-investment grade – that is the uncertainty created from these governance issues is so great that Hyperion would not include them in portfolios.

Again, less severe breaches of good governance practices will result in a lower business quality score. As with the other parts of the sustainable competitive advantage assessment this will be undertaken as part of the qualitative assessment of each company.