CLIMATE CHANGE POLICY

Owner: ESG Investment Analyst

Maple-Brown Abbott (MBA) acknowledges the science of climate change, and that climate change risks and opportunities, along with other environmental, social and governance (ESG) factors have the potential to impact investment risks and returns. MBA has committed to reporting under the Task Force for Climate related Financial Disclosure (TCFD) and our climate change policy is aligned with their recommendations.

MBA's primary climate change risk exposure relates to our investment decision making and underlying portfolio holdings. Consistent with our ESG integration and engagement investment strategy, it is our objective to systematically factor climate change related risks into our risk-return assessment and that where we invest in a company with climate change risks, the forecast return is sufficient to compensate for the risk. We do not negative screen for climate change risks, other than when requested to do so by a Client. MBA has developed a climate change risk assessment framework and company engagement program, detailed below, to assist in this process.

This Climate Change Policy highlights our commitment to Climate Change. It outlines our climate change investment Governance and our approach to climate change integration and engagement. This Climate Change Policy should be read in association with our Responsible Investment, Proxy Voting and Engagement Policies. Each of our Responsible Investment, Proxy Voting, Engagement and Climate Change Policies has been approved by the Board, and can be found on our website (www.maple-brownabbott.com.au). Where applicable, the policy relates both to MBA's pooled investment vehicles and separately managed accounts, collectively referred to herein as "Clients", the respective rights of whom are as set out in the Disclosure Documents and Constitution and the Investment Mandate Agreement, respectively.

Climate change: Governance

- The delivery of our climate change investment strategy is a firm wide undertaking. MBA's investment climate change strategy and policy has been approved by the Board. The firm's Chief Investment Officer (CIO), in conjunction with the Chief Executive Officer (CEO), drives the firm's climate change agenda. The underlying responsibility for integrating climate risks and opportunities into our investment process lies with each investment analyst, who completes the climate risk assessment framework, and each portfolio manager, who incorporates this analysis into their trading decisions. There is a dedicated ESG investment analyst who is responsible for co-ordinating the implementation of the firm's Climate Change Policy and initiatives.
- MBA's Climate Change Policy only applies to equities that are directly managed by MBA. Given this asset class comprises the majority of our funds under management (FUM), we have greater ability to implement our Climate Change Policy and affect change.
- MBA considers ESG factors, including climate change, in the appointment and evaluation of external fund managers appointed to manage assets on behalf of MBA.
- To develop our knowledge and understanding of climate risks and opportunities within the investment team, MBA facilitates training and access to specialist information providers. Please refer to our Responsible Investment Policy for further detail.

- To ensure that we continually improve our ESG capabilities MBA undertakes to annually set and review objectives for its climate change related investment activities.
- ESG performance, including climate change, does contribute to the remuneration of MBA's investment professionals.
- MBA has committed to reporting under the TCFD. In addition, MBA will report on its climate change initiatives through our quarterly report, bespoke Client reporting, marketing presentations and on our website (www.maple-brownabbott.com.au).
- MBA will work with Clients to understand and incorporate their climate change investment objectives, including but not limited to, the implementation of exclusion lists, invitations to participate in company advocacy, proxy voting instructions and tailored reporting.
- MBA manages its business with consideration to its carbon emissions. MBA annually purchases offsetting carbon credits, where emission reduction opportunities are not possible. These costs are included in our budget forecasts.

Climate change: Defining the risks and opportunities

- MBA typically invests over a four year investment horizon. In determining the fair value of a company, we maintain long term financial models, which include long term earnings and cashflow forecasts.
- MBA considers both transitional and physical climate risks in our climate risk assessment and investment decision making. We consider transition risks to be those that arise from the policy, regulation, market and technology changes required to transition to a low carbon economy. We consider physical risks to be those that arise from the physical effects of climate change. Physical climate risks include both acute and chronic risks. Acute risks are event driven risks such as increased severity of extreme weather events, for example, cyclones. Chronic risks refer to longer term changes in climate patterns such as sustained higher temperatures that may cause sea level rises or chronic heat waves.
- MBA considers the key climate change risks and opportunities over our four year investment horizon to include:
  - changing government energy and climate policies and regulation such as tougher emissions and energy efficiency standards and carbon pricing;
  - changes in customer demand; and
  - near term physical impacts of acute and chronic weather events.

- MBA considers the key climate change risks and opportunities over our longer term forecast period to include:
  - continued evolution of tougher government energy and climate policies;
  - changing patterns of investment, production, demand and growth; and
  - progressive physical impacts of extreme weather and increases in sea level.

There is a large spectrum of very long term risks and opportunities, ranging from, in the best case scenario, an orderly transition to a low carbon economy, and in the worst case, social, political and economic disorder from the failure to mitigate climate change risks and incurring the full impost of physical climate change.

Climate change: Integration in investment decision making and engagement

MBA conducts in-house, bottom up, fundamental stock analysis. MBA considers that climate change risks and opportunities have the potential to impact investment risks and returns and as such, need to be considered in company assessment and investment decision making. MBA's climate change risk assessment is aligned with the TCFD and considers the following factors, both transition and physical risks and opportunities, in assessing climate change exposure:

- Company climate change governance and strategy;
- revenue exposure to carbon and potential for asset stranding given the impact of government energy and climate policies on consumer preferences, market demand and growth, changing patterns of investment and production, and adaptive capacity;
- cost exposure and potential impact of carbon pricing given developing government energy and climate policies, including tougher emissions and energy efficiency standards, and adaptive capacity;
- social license to operate and reputational considerations; and
- chronic and acute physical climate impacts at the asset and system level.

Where material, company valuations are further assessed against a range of carbon transition scenarios. Where possible, carbon transition scenarios are explicitly factored into company's earnings forecasts, through adjustments to revenue, cost, earnings, capex, cashflow or balance sheet items, or implicitly through the determination of the terminal value, discount rate or perpetuity growth rates.

This climate change analysis, and the resultant scenario analysis valuation impact, is discussed in the research report and at the research meeting. Where material, it is incorporated into portfolio construction, where relevant, and portfolio manager trading. This process of climate change related integration ensures that climate change risks and opportunities are systematically factored into the risk-return assessment, and that where we invest in a company with climate change risks, the forecast return is sufficient to compensate for the risk.

Implementation of the climate change risk assessment has initially been prioritised around the higher risk sectors including mining, energy, industrials, property, infrastructure and banking and insurance.

Further, the integration of climate change into our company analysis and investment decision making process is supplemented by our comprehensive engagement program. Climate change has long been a key issue of our dedicated engagement program. We use our climate change risk assessment framework to inform and prioritise our engagement initiatives. In addition, MBA is conducting a focussed engagement campaign on companies with climate change risk who are not TCFD compliant. Ultimately, improved company climate change disclosure will enhance the quality of our risk assessment and reporting. MBA's engagement initiatives, including climate change, are implemented through company meetings and calls, letters and emails to the Board, visits to operations and other company communication, and participation in collaborative engagement initiatives. Given MBA's engagement initiatives are undertaken by our investment analysts, feedback from these initiatives are systematically incorporated into our investment analysis and decision making.

Review

This policy will be reviewed every three years.

Approved by the Board of Maple-Brown Abbott Limited on 5 December 2019.

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