Climate Change Action Plan 2022

First Sentier Investors

Contents

Introduction

First Sentier Investors (FSI) believes that society must drastically reduce emissions if we are to avoid the worst consequences of the climate crisis. For this reason we support the global transition to net zero emissions in line with the goals of the Paris Agreement. As allocators of capital, stewards of our clients' assets and as active shareholders in companies on their behalf, the individual and collective decisions we make as investors can influence the nature and speed of this transition.

This belief is incorporated into our climate change approach, which is aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our Climate Change Statement describes in detail how we understand and manage climate-related financial risk in terms of governance, strategy, risk management, metrics and targets.

As part of the 'metrics and targets' disclosure, in 2022, FSI made a public commitment to reducing greenhouse gas emissions across our investment portfolios in line with a target of net zero emissions by 2050 (or sooner), in line with global efforts to limit warming to 1.5°C, and across our business operations in line with a target of net zero emissions by 2030 (or sooner).

This Climate Change Action Plan sets out the steps and pathways we are taking to meet our net zero commitments, including investment and operational alignment, corporate and client engagement, policy advocacy and industry collaboration. This Climate Change Action Plan also includes our plans for continuous reporting and measures to track progress.

Executive Summary
Our net zero transition strategy

Meeting our net zero commitment is a whole-of-business issue.

Decarbonising our investment portfolios to reduce financed emissions will be the key component of our approach to reaching net zero. Our strategic priorities are based on short-, medium- and long-term targets set at the investment team level. Allowing each team to make its own commitments enables them to maintain their autonomy while ensuring integrity and accountability with a firm-wide net zero commitment. We aim to increase the percentage of assets under management with net zero targets.

The key activity for transitioning our investment portfolios will be targeted corporate engagement utilising our influence and proxy voting rights. Through our climate strategy, we aim to influence companies and the flow of capital to accelerate climate transition.

We will communicate our climate expectations clearly with all stakeholders and align our own decarbonisation strategy with the expectations we place on companies. This way, we can reduce fossil fuel exposure while increasing investments in lower-carbon assets in our portfolios. We will build on these expectations by participating in various climate-related initiatives and industry collaborations, as well as supporting climate policies and regulation, in order to support the drive and impact of more systemic changes.

In addition to transitioning existing holdings, we will work to set internal standards which will require that new products/funds to be developed with a net zero alignment strategy in place, in line with global efforts to limit the average global warming to 1.5°C. Product disclosure for these new funds will follow the European Union Sustainable Finance Disclosure Regulation (SFDR) or other similar national disclosure regulations. This will enable us to demonstrate our range of investment products and their Environmental, Social and Governance (ESG)/Sustainability characteristics. Building on this, we will develop concrete plans and criteria for future, climate-related product offerings.

We will embark on a more streamlined approach to decarbonise our operations, which will help reduce our own Scope 1 and 2 emissions[1]. We will also address aspects of our Scope 3 emissions, for example, corporate travel. This will be part of our staff learning and development program and we will be implementing various initiatives to bring sustainability closer to our operations.

When it comes to promoting products and communicating our climate strategy to clients and other stakeholders, we will be transparent and clear, and ready to provide evidence of all our claims. In order to meet client expectations, we will focus on client engagement to better understand our clients' drivers, needs and challenges in relation to climate change. Through these efforts, we will aspire to be a trusted partner and thought leader who can support asset owners in achieving their own net zero obligations and commitments.

Making commitments and plans is just the beginning. We will be monitoring and reporting on progress regularly, and measuring our success based on key performance indicators and timelines. This will be an important part of our quality assurance and an opportunity for us to identify more or new ways to speed up our net zero achievement. We will be revisiting the plans made in this document next year, to measure our progress and discuss any challenges or opportunities we faced during the period.

Each team in First Sentier Investors will have a role in delivering this net zero transition plan with action. It is not limited to the Responsible Investment team but extends to all Investment Teams, Product, Distribution, Compliance, Marketing and Communications, guided by the executive leadership team.

[1] Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all other indirect emissions that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Transitioning our investments and operations towards achieving net zero

1. Transitioning existing investments

In March 2022, we made a firm-wide commitment to reduce greenhouse gas emissions across our investment portfolios, in line with a target of net zero emissions by 2050 (or sooner). Initial assets under management (AUM) covered by the net zero target is 38% (AUD 85.1 billion as of December 2021, which is our base year). The firm-wide reduction target covers Scope 1 & 2 emissions of our investee companies, with Scope 3 due to be integrated at a later date when more data becomes available.

We have built a framework allowing teams to make their own commitments in line with this transition towards net zero. This enables investment teams to maintain their autonomy while ensuring integrity and accountability with a firm-wide net zero commitment. Each investment team has committed to a range of targets over the short, medium and long term at stock, portfolio and/or team levels. These include interim targets for 2030, with a view to contributing to the 50% global reduction in carbon dioxide (CO2) required to reach a net zero target by 2050.

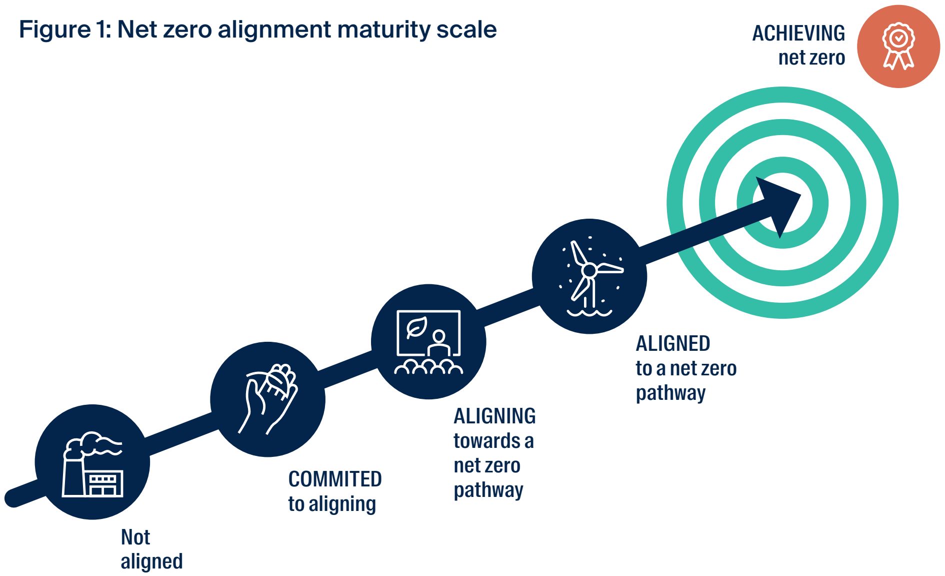
For the majority of the AUM, we have based our target-setting methodology on the alignment maturity scale recommended by the Paris Aligned Investment Initiative Net Zero Investment Framework Implementation Guide (the 'Framework'), applying our own weights and scoring methodology to calculate interim targets for 2025 and 2030.

Our interim targets will be expressed in terms of the percentage of in-scope assets aligned to each stage of the alignment maturity scale (see Figure 1), or in terms of portfolio coverage of net zero companies. Performance against these targets will be monitored by the firm's Global Investment Committee and disclosed in our annual Climate Change Action Plan.

We aim to increase the overall % AUM coverage in the coming years. For example, we are looking into options to set net zero targets for sovereign and semi-government debt. We also expect to strengthen our commitment as policies and technologies to decarbonise economies continue to develop.

Following the announcement of the commitment, FSI joined the Net Zero Asset Managers Initiative (NZAMI), an industry-led initiative established in December 2020 aimed at urging the asset management industry to commit to a goal of net zero emissions. Signatories of the NZAMI are required to establish the proportion of AUM that will be managed in line with net zero, define a target-setting methodology, and set an interim target within one year of joining NZAMI. Adhering to this requirement, we are committed to sharing our updates by 31 March 2023, with further details on interim targets and methodologies.

Figure 1: Net zero alignment maturity scale



[2] Total company-wide AUM is excluding assets managed by Stewart Investors as they are a separate member of the Net Zero Asset Managers Initiative reporting its own AUM under its Net Zero commitment.

2. Developing new products

At FSI, ESG is integrated into the management of 100% of our invested assets and investment decision making, with each investment team developing their own approach to incorporating ESG in their investment portfolios. Moreover, we are managing over 20 funds that are promoting specified environmental and social characteristics (Article 8) or have a specific sustainable investment objective (Article 9) under the EU SFDR[3]. In addition to adhering to such disclosure requirements for the existing products, we aim to create new investment products aligned with net zero emissions by 2050. We also aim to facilitate increased investment in climate solutions as part of our net zero commitment. Some of our investment teams have identified companies contributing to positive environmental outcomes and innovating climate solutions, and we will build on such knowledge when developing new products.

With an increasing interest in investing in net zero aligned products, we are working to develop and offer flexible, yet targeted funds contributing to climate change action, where appropriate. For example, in 2022 our fixed income investment team launched a sustainable debt strategy in Australia which provides access to high-quality private assets at the forefront of the net zero transition, including wind farms and solar photovoltaic (PV). This fund has an investment strategy that requires the investment team to ensure that ESG risks, including climate-related risks, are integrated into the research process and targets investment in assets or companies that are making what the team believes are a substantial contribution to environmental or social outcomes.

We are currently in the process of agreeing and setting firm-wide minimum ESG-related guidelines for the development of new products and strategies, including climate-related criteria, which we will publish in our next report.

3. Greening our operations

In March 2022, we made a firm-wide commitment to reduce greenhouse gas emissions across our business operations in line with a target of net zero emissions by 2030 (or sooner).

The steps we are taking to achieve this include:

- Introducing a cloud-based emissions reporting platform to record and monitor our greenhouse emissions against agreed standards (e.g. GHG Protocol, which is the leading standard-setting body regarding measuring greenhouse gas (GHG) emissions).
- A commitment to report Scope 1 and 2 emissions from our operations for 2022, in early 2023.
- Implementing both energy efficiency and renewable energy initiatives, to reduce our energy demand while transitioning energy sources to greener ones.
- Identifying and mapping material climate risks across the organisation as a whole, which will be incorporated into the firm-wide TCFD reporting.

In our London and Sydney offices, we have transitioned to 100% renewable energy and in our other office locations, site-level action plans are being developed to consider the transition to renewable energy in consultation with our building management in each location or the purchase of Renewable Energy Certificates ("RECs"). We will also be conducting a pilot certification for the ISO 14001 Environmental Management System (EMS) standard in our Edinburgh office. We plan to extend it to other locations upon successful certification.

Our company headquarters are based across two leased floors in International Towers, located on the harbour foreshore at Barangaroo, Sydney. The sustainability credentials of this location were part of its selection criteria, being recognised as one of the world's most sustainable commercial precincts and Australia's first large-scale carbon-neutral community. Specifically, this site has obtained the following sustainability credentials[4]:

- Awarded GRESB Green Star of 5 Stars
- 5.5 Star NABERS Energy across all office buildings
- 6 Star NABERS Indoor Environment
- Platinum WELL Core & Shell
- 6 star Green Star Performance

By the end of 2022, we intend to introduce a property policy that defines a framework of sustainability standards required for future leased and serviced offices globally.

We are also developing a sustainable travel program for staff, expected to be completed in August this year. As part of this program, we will require our preferred travel suppliers to detail their current ESG practices as well as information relating to their longer-term sustainability strategy. We will also engage staff in selecting a carbon offset program partner and showcasing sustainable travel practices.

We believe that all of our staff have a role in improving our sustainability practices, so we encourage them to put forward ideas, supported by focused initiatives and education programs.

[3] European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants.

[4] GRESB refers to the Global Real Estate Sustainability Benchmark; NABERS refers to the National Building Environment Rating System; WELL is shorthand for Wellness.

Working with companies

We believe that stewardship underpins the quality of our investment process, is in our clients' best interests, and is part of our broader social licence to operate. The teams have made commitments in relation to stewardship and ESG integration as part of our Global Responsible Investment & Stewardship Policy and Principles, and these commitments form the basis of our guidelines for engaging with companies, in line with our climate expectations. The Team Climate Statements, available on our website, demonstrate how investment teams translate these commitments into action.

Figure 2: Investment team commitments on company engagement related to climate change

RI Policy and Principles commitment	Every active investment should be assessed for relevant ESG risks and opportunities and monitored on an ongoing basis	ESG risks are considered in the investment analysis	Engaging in an active dialogue with all companies or entities that we invest in is an important activity- a range of factors will be taken into account when determining the scope of engagement activities	Investment teams commit to engaging with a company's management and board to raise material ESG issues identified, to understand the company's approach to managing these issues and make clear expectations for improvements
Climate commitment	We will periodically assess portfolios and individual investments for climate related risks and opportunities	Climate change risks and opportunities will be integrated into our investment process	We will determine a priority list of higher impact companies to engage with	For each company we will identify a set of Climate Expectations and engage with the company on these expectations

RI Policy and Principles commitment	All engagement activities must be logged with any issues raised to be documented for follow up. Progress shall be reviewed periodically	Where a company is not recognising or addressing ESG concerns, an engagement strategy with escalation points shall be developed	We will measure and report on the ESG outcomes of our investments as evidence of our approach to responsible asset management
Climate commitment	We will monitor progress against Climate Expectations	We will set targets that will be reviewed periodically. Where sufficient progress is not being made we will escalate	We will report on progress annually

1. Our Climate Expectations

We expect companies to enable and support the transition to a low carbon economy and be transparent about how they are preparing for this outcome. This expectation applies to fossil fuel companies, which comprised 8.8% of total FSI-managed assets under management (AUM) as at 31 December 2021[5].

We pursue engagement as our primary approach to addressing Environmental, Social and Governance (ESG) issues and we therefore do not have a firm-wide exclusion policy on fossil fuels. However, we have established a position in relation to fossil fuel investment, which is based on **The Institutional Investors Group on Climate Change (IIGCC)** Paris Aligned Investment Initiative Net Zero Investment Framework (see next page). This position focuses on new thermal coal, oil sands and Arctic oil and gas projects. It is currently limited to companies; and we are in the process of developing an approach to engagement with sovereigns, semi-governments and state-owned corporations. We will review this position periodically in order to reflect the most up-to-date thinking (including further thresholds if needed) and information available.

[5] Fossil fuel companies are defined as those with any involvement in coal, oil or gas production or power generation. We have included the full value of companies in this figure, regardless of the proportion of their revenue that is derived from these activities. When adjusted by the percentage of revenue derived from fossil fuels, FSI's exposure by AUM to these activities as at 31 December 2021 was 1.3%.

Our Position on Thermal Coal, Tar Sands and Arctic Extraction

FSI recognises the need for a just transition in countries or regions where there is significant economic dependence on thermal coal extraction and power generation. We support the objectives of the Intergovernmental Panel on Climate Change (IPCC) 1.5oC scenario relating to fossil fuels, including the phase-out of unabated thermal coal power generation activities in Organisation for Economic Co-operation and Development (OECD) countries by 2030 and globally by 2040.

We do not endorse investment by companies in the construction of:

- new thermal coal extraction or generation projects
- new oil sands (tar sands) extraction projects, or
- new Arctic oil and gas exploration or extraction projects

Where we are shareholders (public and private) or bondholders in companies considering such projects, we will actively engage in line with the escalation process outlined in our Global Responsible Investment and Stewardship Principles and Policy. We believe that active ownership will assist in progressing towards a future where such projects would no longer come under consideration for development, existing unabated capacity will diminish, and business activity will be undertaken in line with net zero pathways.

Our engagement focus will not be limited to the fossil fuels mentioned in the position. We will continue to engage with fossil fuel companies involved in conventional oil and gas, related infrastructure and services, and other coal-related business, supporting their decarbonisation journey. Our engagement tracking will capture the progress made in engagements with fossil fuel companies.

For all companies that we invest in, we expect the following components to be included as part of the company's climate-related disclosure, commitments, plans, strategies and policies, to the extent that it is feasible. These are based on the requirements set out in the Paris Alignment Investment Initiative Net Zero Investment Framework Implementation Guide.

Most investment teams have already identified climate expectations for engagement that are connected to their targets and net zero commitments. Each investment team's climate expectations[6] are guided by these components, while each team decides which particular points they will use in their engagement with target companies.

Ambition and target setting

1) Targets: A scientifically verifiable long-term 2050 goal, consistent with achieving global net zero; short- and medium-term emissions reduction targets (covering Scope 1, 2 and material Scope 3); set Science-Based Targets where applicable
2) Emissions disclosure: Disclosure of Scope 1, 2 and material Scope 3 absolute emissions; monitoring of progress made and annual disclosure of carbon intensity (aggregated CO2e ton/revenue) and carbon footprint (aggregated CO2e ton/investment)

Decarbonisation strategy

We expect investee companies to establish policies and plans on each of the following items as part of their decarbonisation strategy.

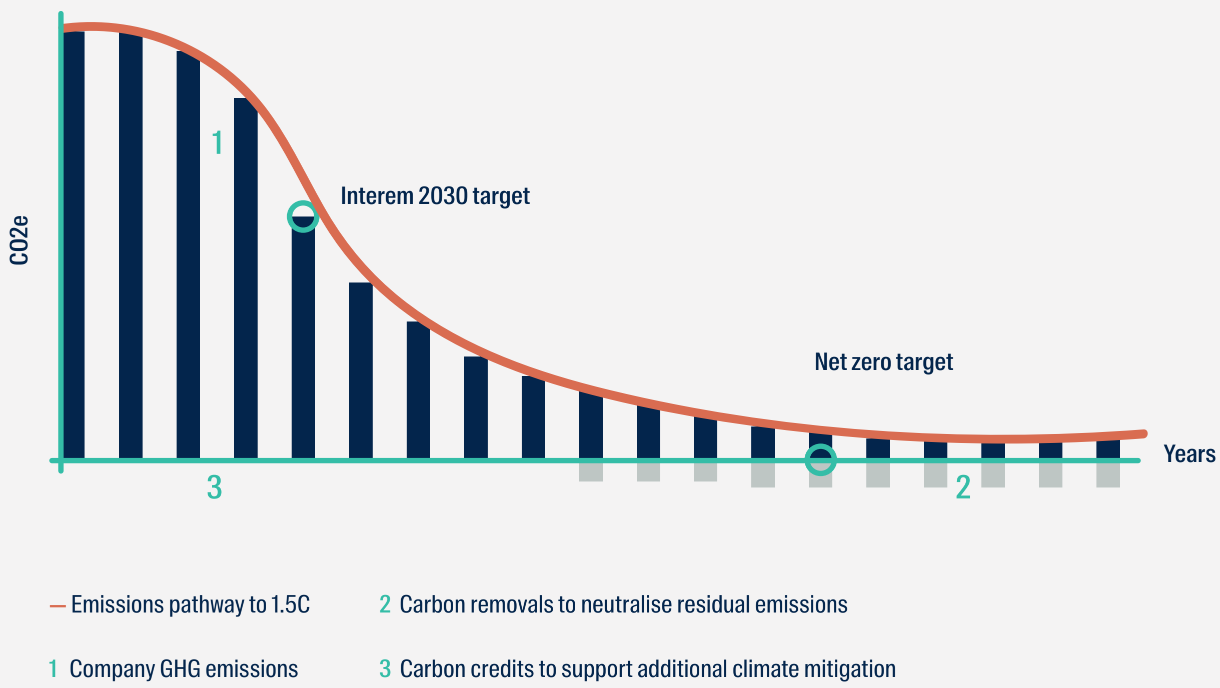
1) Transition strategy - Set a time-bound and quantified net zero transition plan, setting out the measures that will be deployed to deliver short-, medium- and long-term GHG targets, including:
   - A plan for decommissioning fossil fuel assets in line with net zero pathways;
   - A plan on how the company intends to scale up its investment in and/or deployment of new and existing climate technology and solutions, and/or grow renewable energy capacity across geo-graphies, including assessments of the potential positive impact of these activities;
   - For financial sectors, set out a plan on how the company will align its loans or investments toward technologies that will grow quickly in a transition toward net zero emissions and which will require increased financial support, and away from high emission activities that will face the greatest headway
2) Green revenue[7] and capital allocation plans - Disclose proportions, and if available, increases, of revenues that are contributing to climate change mitigation or adaptation; a clear demonstration that the capital expenditures of the company are consistent with achieving net zero emissions by 2050

[6] These are what we expect to see in investee companies and where we aim to work together with them. We are not expecting companies to have targets, policies and strategies in place now. These shall not be viewed as exclusion criteria nor reporting requirement.

[7] Revenues associated with activities compliant with verifiable frameworks such as the mitigation criteria under the EU taxonomy for sustainable activities (from both categories 'substantial contribution' and 'enabling activities'). They could include, for example, revenues associated with clean technologies for certain sectors. More clarification on this shall be available as the EU taxonomy further develops and we will also apply other national or regional taxonomies as they become available.

3) Carbon offsets - Prioritise reducing their value chain emissions (Scope 1, 2, and 3) before offsetting emissions, following an emissions pathway that limits warming to 1.5°C; any remaining residual emissions that are unfeasible to abate should be neutralised with carbon removals; then they can purchase carbon credits outside their value chains to go above and beyond reducing emissions and neutralising; the company should also disclose how the company selects, verifies and accounts for offsetting projects; provide transparency on the company's offset strategy.

Figure 3: Use of carbon credits while on the journey to net zero



Source: Ceres' Evaluating the Use of Carbon Credits 2022

4) Just transition: we expect companies, especially in the high-emitting sectors, to consider the impacts from transitioning to a lower carbon business model on their workers and communities; incorporate social considerations into company decarbonisation strategies; support the development of decarbonisation technologies that help reduce the cost of GHG emissions reduction and promote new low carbon jobs.

Climate policy and governance

1) Lobbying - The company does not have a lobbying position that is inconsistent with the Paris Agreement and ideally, demonstrates alignment of its direct and indirect lobbying activities to the Paris Agreement

2) Climate Governance - Clear oversight of net zero transition planning, and executive remuneration linked to delivering targets and transition.

Disclosure

1) Disclose all of the above in line with the TCFD recommendations (in addition to disclosing ESG risks and performance in keeping with widely adopted and emerging global standards).

2. Company prioritisation

Our investment teams prioritise companies in high-impact sectors for engagement, using their own approach and selection process. These high-impact sectors (with high GHG emissions in terms of absolute emissions or carbon intensity) include the following (as per the Transition Pathway Initiative, a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low-carbon economy):

- Airlines
- Aluminium
- Autos
- Cement
- Chemicals
- Coal mining
- Diversified mining
- Electricity utilities
- Oil & gas / oil & gas distribution
- Other industrials
- Pulp and paper
- Shipping
- Steel

In addition, financial institutions and real estate companies may be added to the list if their financed emissions are material in the high impact sectors, by participating in lending or investing activities in these sectors.

Within the high-impact and high-emitting sectors, most investment teams have already identified priority companies for engagement. These may include the following companies:

- Significant GHG emitters (in terms of carbon intensity) without transition plans;
- High climate risk companies identified by climate scenario analysis or temperature alignment.

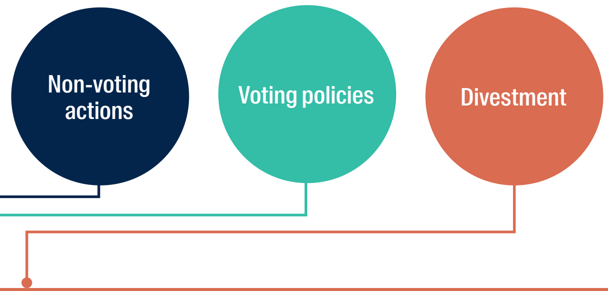
We are also interested in continuing engagement with companies that are leading in the climate transition journey and taking concrete actions in their decarbonisation strategy. Prioritising such positive engagement, we are developing a set of case studies showcasing best practices of climate transition from leading companies in high impact sectors to support with engagement.

3. Escalation process and active ownership

FSI uses engagement as the first tool to drive net zero alignment and the low carbon transition. But where a company is not on track to meet the climate expectations, investment teams may use other means (e.g. proxy voting) as per our escalation process. Depending on the outcomes of engagement and escalation, this can have an impact on our investment, weighting and divestment decisions.

The escalation process may include non-voting actions, voting related to climate change, and divestment.

Figure 4: Engagement escalation process



1. Non-voting actions

These actions may take place sequentially or concurrently, depending on the significance and urgency of the matter and depending on the decisions made by FSI investment teams/Responsible Investment (RI) team. Such actions may include:

- Notify the RI Team to determine whether there is potential for collaboration within FSI;
- Direct outreach to companies with suggested solutions;
- Writing to (privately) or meeting with the chairperson or lead independent director;
- Wider engagement with other investors and sharing our concerns with them;
- Making our views public;
- Writing collaborative letters or joining collaborative engagements such as Climate Action 100+ (see case study on the following page).

2. Voting policies

Proxy voting is an important investor right and responsibility and should be exercised wherever possible. As active owners of our clients' funds, we must exercise the ownership rights and vote every share where we have the ability and authority to do so. The following is a non-exhaustive list of illustrative examples of voting issues and our current position:

- Supporting climate-related proposals that request actions or additional disclosure where we feel that the company is not making sufficient progress;
- Explaining the rationales clearly to the companies when voting against management recommendations related to climate change;
- Voting against the Chair of companies that actively lobby against climate policy in support of the Paris Climate Agreement;
- Voting against company memberships of organisations, trade groups and think tanks that deliberately and systematically lobby against climate policy in support of the Paris Climate goals.

3. Divestment/Exclusion

We do not have a list of fossil fuel companies excluded from our investment universe[8], but we have established a firm-wide position on fossil fuels in this document and some of our investment teams have publicly disclosed fossil fuel exclusion policies on their webpages. In the following circumstances, our investment teams may consider divestment as a last resort:

- As a consequence of climate-related financial risk assessment;
- As a consequence of escalation following engagement.

[8] We have a firm-wide exclusion policy on tobacco production and controversial weapons manufacturing, which can be found on our website.

Non-voting actions

Case Study: Global Listed Infrastructure and Climate Action 100+

Climate change risks and opportunities are key drivers for electricity utilities in particular, and we look to invest in utilities that can decarbonise their power generation and generate affordable clean energy. Accordingly, our Global Listed Infrastructure team has been an active participant in Climate Action 100+, which is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Over 700 investors responsible for more than $US68 trillion in assets under management are engaging with companies as part of this coalition.

In May 2020 one of the companies that we have been actively engaging with, Southern Company, announced an updated climate strategy with a goal of achieving net zero emissions by 2050. Southern Company is one of the largest electricity utilities in the U.S., and the largest wholesale provider in the Southeast. This step reflects the importance of taking action to combat climate change and the power of investor-led collaborative engagements like Climate Action 100+. As long-term investors in listed infrastructure assets globally we look forward to continued engagement with Southern Company in the future.

Working with clients

1. Meeting client expectations on climate change

In recent years we have observed an increased level of interest from our clients and potential clients in our approach to addressing climate change, including climate-related financial disclosures. This has been driven in part by new industry regulations as well as by industry trade groups and collaborations. With guidance provided by the Net Zero Asset Owner Alliance, many asset owners are already asking sophisticated questions on net zero alignment and seeking in-depth discussions with knowledgeable asset managers who could offer targeted products to address climate change. With much higher compliance requirements on climate-related risk reporting than before, we also need to be prepared to respond to regulator queries with proper documentation and evidence.

In this regard, we will be strengthening our engagement with institutional investors, financial advisors, investment consultants, distribution channels and prospective clients to demonstrate our commitment and approaches to addressing climate change and help them deliver on climate reporting obligations. We aim to position FSI as a trusted partner who can support and enable the low carbon transition and the achievement of asset owners' own net zero commitments.

We are building our client engagement on existing relationships and successful outcomes from the past, and in accordance with industry best practices as they develop. For example, an institutional mandate client of our Realindex team (the global active systematic investment manager within the FSI group) requested a portfolio with a Value tilt (increased allocation to stocks believed to be under-priced compared to their fundamental value) and specific ESG considerations. The investment team worked with the client to develop a customised strategy that has multiple objectives relating to ESG including to take action on climate change. This product utilises an extensive array of screens including fossil fuels, and takes into account poor ESG management or climate-related incidents. While there is no single definition of what constitutes responsible and sustainable investing, we believe our diversified investment teams and their unique ESG approaches will help us to meet our client needs better in this fast evolving space.

Moving forward, the focus is on aligning our transition pathway with those of our clients and investee companies. Through engagement, our goal is to enable asset owners who are yet to set any net zero targets to embark on the net zero journey, by sharing our approaches on corporate engagement, industry collaboration and developing a decarbonisation strategy. We will continue to support clients who are already on their net zero journey, share lessons learned, and aim to provide a stronger suite of products and solutions to help them achieve their targets.

2. Communicating with clients and potential clients

When it comes to promoting our strategies and communicating climate plans with clients and other stakeholders, we are transparent and clear, and ready to provide evidence for all our claims.

We are well aware of the recent concerns around greenwashing. Due to the high level of interest from potential clients, many asset manager initiatives on climate change (especially net zero commitments) are often at the centre of ESG marketing. We will be guided by the following principles to avoid any misinterpretation of our objectives, processes and activities:

- When we make commitments, we will lay out concrete, time-bound plans and demonstrate the means to achieve them
- When relevant climate performance data is available, we will share it for comparability and monitoring progress as we have been doing for our Carbon Dashboard (equity team-level disclosure) since 2017
- When it comes to reporting climate-related disclosure, we will follow the requirements and guidelines of industry-recognised frameworks such as the TCFD, SFDR and NZAMI
- When we make any claims on progress, awards or successful outcomes, we will prepare quantitative and qualitative evidence to back them up, including data and case studies
- If we choose not to do something (that some of our competitors might be doing), we will explain the rationale behind it clearly and disclose the facts
- If we fail to reach certain targets or could not deliver certain expectations, we will communicate the facts and discuss what challenges we faced, how we tried to overcome them and what we plan to do in order to resolve the issues – we will be transparent in disclosing both our successes and failures

FSI uses various resources to communicate our net zero commitment, products, and engagement approaches. We will provide transparent and up-to date information in our client RFPs, on our websites and in our reports (including the RI report, Stewardship Report and Climate Change Statement) and in our disclosures to regulators.

Industry collaboration and policy advocacy

Corporate engagement and active ownership are important parts of our stewardship approach and critical for us to achieve net zero commitments. However, there are limitations to voluntary, individual company engagement. Effective and high-quality exchange between companies and investors requires considerable time, effort and knowledge. Engagement with a single company can also be insufficient to advance improvements at the sector and value-chain level, or to address systemic issues such as shared infrastructure investment.

To tackle such limitations, industry-wide, collaborative engagement and policy advocacy on significant climate issues should complement many of these corporate engagements, so that engagements with companies become a reinforcement of widely communicated expectations. We can go further by working together with other asset managers and asset owners, to drive the development a better policy environment for businesses to pursue more ambitious and robust climate transition. In this context, we discuss some of the climate-related initiatives we are involved in and our support for key policies related to climate.

1. Climate-related industry collaborations

First Sentier Investors is involved in various climate-related initiatives and collaborative industry engagements.

- We support the Task Force on Climate-Related Financial Disclosures (TCFD) and publicly disclose our Climate Change Statement in line with the TCFD recommendations. We will continue to monitor the development of the newly launched Taskforce on Nature-related Financial Disclosure (TNFD) and ensure that the climate-nature nexus is well understood and the focus on impacts is reflected in both climate- and nature-related disclosure.

- We have been signatory to the Principles for Responsible Investment (PRI) since 2007. PRI signatories are required to report to the PRI on several TCFD-based indicators regarding their management of risks and opportunities related to climate change.

- We are a member of the Investor Group on Climate Change (IGCC), and a member of The Investor Agenda, a common leadership agenda on the climate crisis that is unifying, comprehensive, and focused on accelerating investor action for a net-zero emissions economy. We follow the guidance of the Investor Climate Action Plans (ICAP) Expectations Ladder.

- As a recent signatory to the Net Zero Asset Managers Initiative, we expect to share progress and lessons learned with other asset managers in a collaborative manner. We will be disclosing our initial targets and methodologies via NZAMI early next year.

- We engage collaboratively with other asset managers and asset owners as part of Climate Action 100+, a five-year initiative to engage and influence high-emitting companies collaboratively. For example, our investment teams can utilise the Climate Action 100+ Net-Zero Company Benchmark in their engagement, as it provides enhanced consistency and clarity on company progress and alignment to net zero in line with 1.5°C. We are a supporting investor for 3 companies, NextEra Energy, Inc., Southern Company and Qantas Airways Ltd.

As members of industry initiatives, we strive to align our approach to climate change with company expectations, and share solutions with other investors and asset managers to help companies lay out viable transition pathways. We believe that sector/value chain engagement can help investors and companies focus on real world decarbonisation solutions and drive a level of accountability that is not always possible when engaging with a single company. Wherever possible, FSI participates in industry collaborations, even beyond climate change.

For information on our involvement in other industry and trade groups focused on developing and improving responsible investment, please refer to our **2021 Responsible Investment and Stewardship Reports**.

2. Climate policies

We believe that asset managers have an important role in policy engagement which we see as part of our fiduciary duty. Through thought leadership, public discourse and policy engagement, we aim to encourage the development of the policy frameworks and economic incentives that are needed to catalyse the systemic shifts that would limit warming to 1.5°C. In particular, we aim to provide input to discussions or meetings with governments (regional, national, sub-national), calling on them to implement policy measures such as:

- **Mandatory TCFD disclosure** - One of the most straightforward policy engagement opportunities for investors is calling for regulation that requires company disclosure of material climate information. Transparent, thorough and reliable corporate disclosures on climate are necessary for investors to properly manage their portfolios' risks, opportunities, and impacts. We support regulations that require TCFD-aligned climate-related financial disclosures. We also support mandatory disclosure of climate transition plans on large public and private companies in high-emitting sectors.

- **Country-level net zero commitments** – We want more national governments to establish net zero commitments, with short- and medium-term targets and concrete plans to deliver them. We recognise that emerging and developing economies will require an accelerated roll-out of technology and finance to meet their Nationally Determined Contributions (NDCs) under the Paris Agreement. Financial institutions – both public and private - will need to play an important role in providing the capital needed to deliver net zero commitments in time. Such national commitment developments will help us understand and assess the possibility of setting net zero targets covering the sovereign debt asset class and deliver on our own net zero commitments.

- **Phasing out fossil fuel subsidies** - Fossil fuel subsidies were US$5.9 trillion or 6.8 percent of GDP in 2020 and are expected to increase to 7.4 percent of GDP in 2025, as the share of fuel consumption in emerging markets increases, according to the International Monetary Fund.[10] At COP26 in 2021, 197 countries agreed to accelerate efforts to phase-out inefficient fossil fuel subsidies.[11] We support government leadership in phasing out harmful fossil fuel subsidies and public finance for fossil fuels, and accelerating green and renewable energy investment to speed up low carbon transition and to reduce climate risk.

[9] Still Not Getting Energy Prices Right: A Global and Country Update of Fossil Fuel Subsidies' https://www.imf.org/en/Publications/WP/Issues/2021/09/23/Still-Not-Getting-Energy-Prices-Right-A-Global-and-Country-Update-of-Fossil-Fuel-Subsidies-466004

[10] https://www.weforum.org/agenda/2021/11/glasgow-climate-pact-cop-26

Monitoring progress and measuring success

1. Reporting

We will monitor our progress periodically whenever data becomes available, and report annually on the progress we have made against our targets, as well as the progress of investee companies against our climate expectations. In particular, this Climate Change Action Plan will be updated annually – we will update our progress made in all sections and disclose how we are moving towards achieving the net zero commitment. This will be supplemented by our existing set of reporting, including the annual Responsible Investment Report, Climate Change Statement, and Stewardship Report, which are all available on our website.

2. Key Performance Indicators

We will report on our progress against the following key performance indicators. Having these targets is an important way of demonstrating our commitment and holding ourselves accountable to our action plan.

Section	Goal	KPI to be met by next reporting (2023)
Existing investments	Increase % AUM invested in assets that are net zero, aligned or aligning to net zero (using a net zero alignment criteria framework)	We will have a higher %AUM covered by our net zero by 2050 commitment We will report on progress made towards our short term targets set at investment team level.
Products	Create new investment products aligned with net zero emissions by 2050 and facilitate increased investment in climate solutions	We will have developed firm-wide guidelines on new product development
Operations	Develop a corporate sustainability strategy with Scope 1, 2 and 3 (including travel) emissions; establish a baseline of GHG emissions for our office operations, aiming to reduce GHG and include 100% renewable energy across our offices	We will have implemented a comprehensive GHG emissions reporting platform to monitor progress and published our emissions data We will have developed a sustainable travel program
Corporate engagement	Achieve a coverage of assets aligned or under active engagement to 70% of financed emissions from material sectors (also using a net zero alignment criteria) by 2030	We will have engaged directly with at least 20 priority companies in the high impact sectors (mentioned in the Company prioritisation and engagement section) and developed a few representative case studies (for disclosure)
Client engagement	Position FSI as a key partner who could support and enable low carbon transition and the achievement of net zero commitments	In-depth client engagement on net zero alignment with asset owners across Europe, Asia, Australia and the US who have set their own targets and others who have not yet set targets (to work towards target setting) and report on progress made
Industry collaboration	Continue to participate actively in climate-related initiatives and provide input on key climate policies in countries in which we are active	We will have reported back to NZAMI on progress made and submitted a case study on how we are aligned with the Investor Climate Action Plans (ICAPs) Expectations Ladder Tier 2 on one of the priority areas

Investment team-level indicators

Upon disclosure of the interim targets, we will complete the following at a team level:

- Track and measure progress made on each team's interim net zero targets;
- Disclose fossil fuel exposure (%) and companies with net zero commitment (%) in their portfolio;
- Continue to disclose carbon footprints by updating the carbon dashboard (where applicable).

Furthermore, we are engaging with a third party solution provider to enable better engagement tracking for disclosure in the future. We will also review and strengthen our voting policies holistically, including the ones related to climate change.

Important information

This material is for general information purposes only. It does not constitute investment or financial advice and does not take into account any specific investment objectives, financial situation or needs. This is not an offer to provide asset management services, is not a recommendation or an offer or solicitation to buy, hold or sell any security or to execute any agreement for portfolio management or investment advisory services and this material has not been prepared in connection with any such offer. Before making any investment decision you should consider, with the assistance of a financial advisor, your individual investment needs, objectives and financial situation.

We have taken reasonable care to ensure that this material is accurate, current, and complete and fit for its intended purpose and audience as at the date of publication. No assurance is given or liability accepted regarding the accuracy, validity or completeness of this material and we do not undertake to update it in future if circumstances change.

To the extent this material contains any expression of opinion or forward-looking statements, such opinions and statements are based on assumptions, matters and sources believed to be true and reliable at the time of publication only. This material reflects the views of the individual writers only. Those views may change, may not prove to be valid and may not reflect the views of everyone at First Sentier Investors.

The commitments and targets set out in this Climate Change Action Plan are current as of the date of this document. They have been formulated by First Sentier Investors in accordance with either internally developed proprietary frameworks or are otherwise, based on the Institutional Investors Group on Climate Change's (IIGCC) Paris Aligned Investment Initiative framework. The commitments and targets are based on information and representations made to the relevant investment teams by portfolio companies (which may ultimately prove not be accurate), together with assumptions made by the relevant investment teams in relation to future matters such as government policy implementation in ESG and other climate-related areas, enhanced future technology and the actions of portfolio companies (all of which are subject to change over time). As such, achievement of these commitments and targets set out in this document and on our website depend on the ongoing accuracy of such information and representations as well as the realisation of such future matters. First Sentier Investors will report on progress made towards achieving these targets on an annual basis in its Climate Change Action Plan. The commitments and targets set out in this Climate Change Action Plan are continuously reviewed by the relevant investment teams and subject to change without notice.

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