Climate Transition Plans:

Our experience and approach

EthicalPartners
FUNDS MANAGEMENT

Our ESG Approach for the Ethical Partners Australian Share Fund (EPASF)

The Global Transition Ahead

- **IPCC:** To limit global warming to 1.5 degrees, emissions must be halved by 2030.
- **UN Production Gap Report/Climate Analytics:**
  - Coal production and use phased out by 2030/2040
  - Gas power generation phased out by 2040/2045
- **Australian 2030 NDC:** 43% emissions reduction by 2030
- **Australian Climate Change Authority**: 65-75% emissions reductions by 2035

EPASF's Decarbonisation Target

Net Zero Target

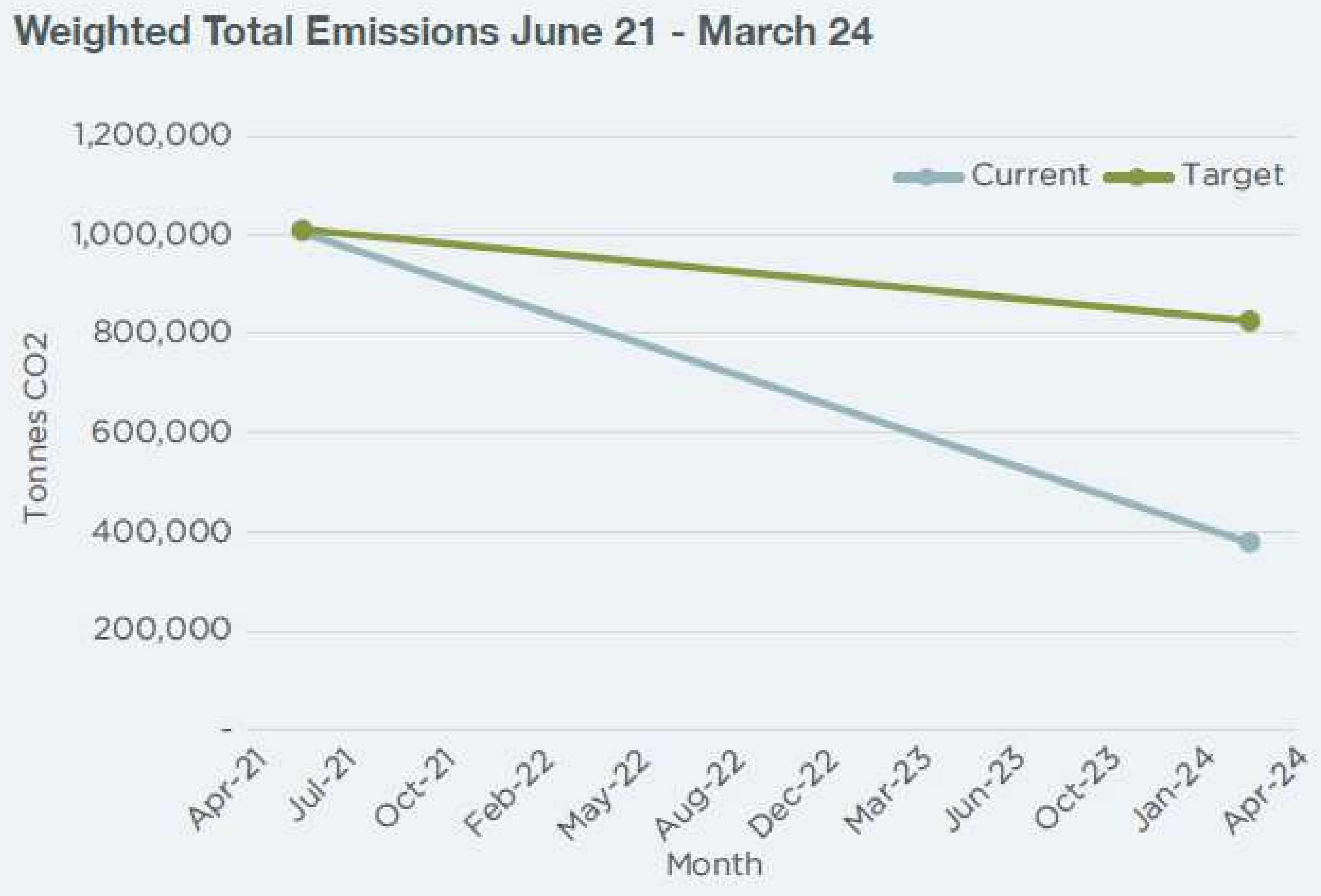
Net zero carbon emissions (Scope 1 & 2) by 2050.

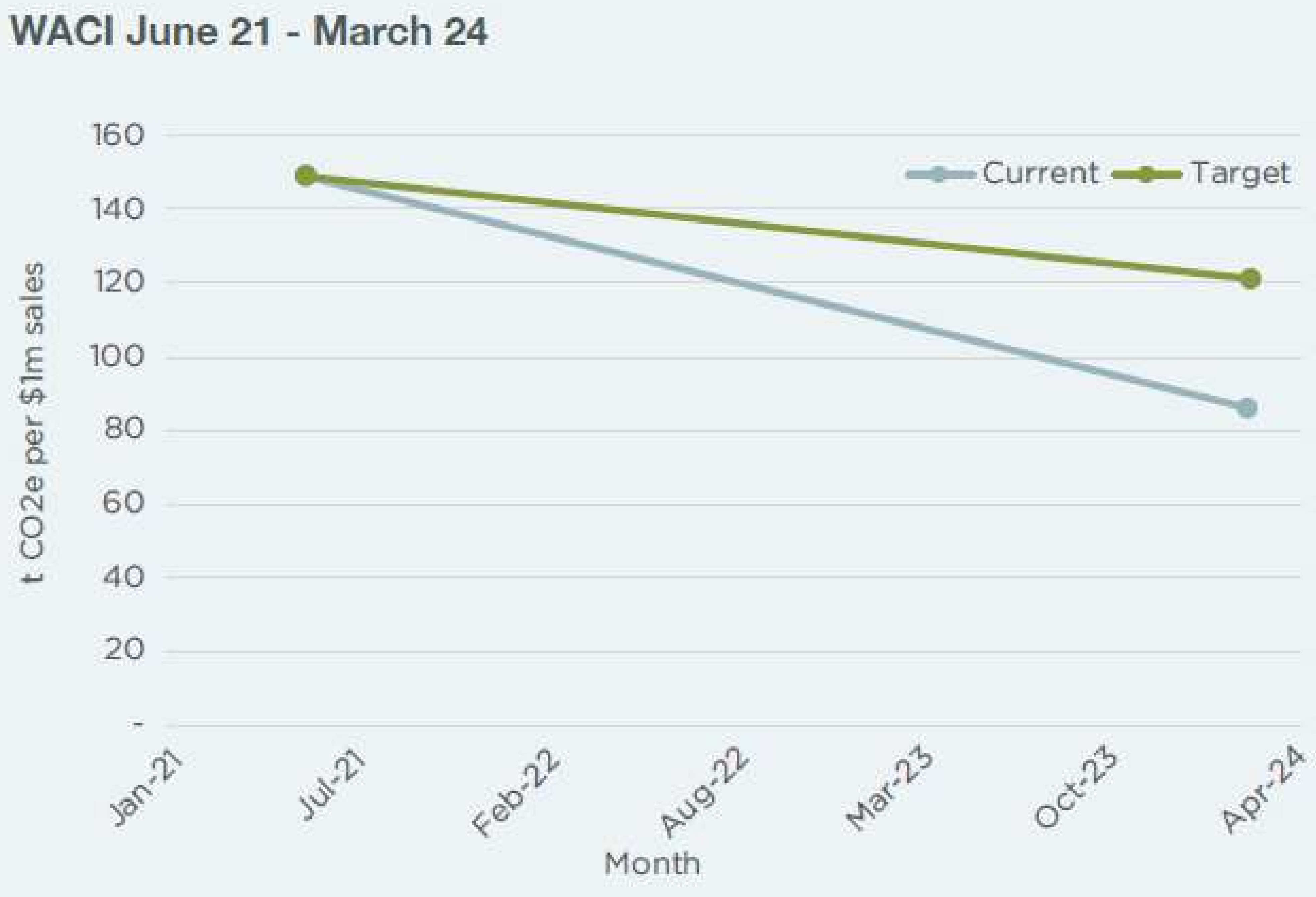
Interim Target

50% reduction in CO_2 emissions (Scope 1 & 2) by 2030 (from a baseline of June 2021)

Monitoring and Measurement Tools

EPCAP™
CARBON ALIGNMENT





How are we getting to our EPASF targets?

- Portfolio construction
- Company stewardship
- Policy advocacy

EthicalPartners FUNDS MANAGEMENT

Disclaimer

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Disclaimer

About the Net Zero 2050 Target

- Ethical Partners is a signatory to the Principles for Responsible Investment (PRI) and a member of the Responsible Investment Association of Australasia (RIAA). PRI signatories and RIAA members undertake to consider environmental, social and corporate governance factors in their investment decision-making and ownership practices. The Fund has adopted a Net Zero Emissions (Scope 1 and 2) by 2050 target. As an interim target, the Fund has the objective of reducing carbon emissions by 50% by 2030. In order to achieve this goal, Ethical Partners utilises its proprietary EPCAP (Ethical Partners Carbon Alignment Process) whereby it has developed a baseline carbon footprint of the portfolio, establishes carbon reduction targets, develops climate action plans and utilises this information in portfolio construction. Ethical Partners will regularly report on the Weighted Total Emissions (t CO_2e), Weighted Average Carbon Intensity (t CO_2e per $1m sales) and Actual Emissions (t CO_2e) of the Fund. These updates can be found at www.ethicalpartners.com.au.

The EPORA

- The proprietary Ethical Partners Opportunity and Risk Assessment (EPORA) considers such issues as where a company does business, what products or services they sell, their human rights policies and environmental impact.
- Ethical Partners believes that using information from both traditional sources such as annual reports and financial statements as well as non-traditional sources such as company sustainability reports, ESG investment reports, company human rights, environmental policies and over 600 individual Australian and global data sources gives them a unique insight into business operations, potential opportunities for growth and threats to future revenues.
- Only shares of companies listed on the ASX that pass our strict assessment of a company's balance sheet, operating cash flow and company management assessment in addition to the EPORA will be selected and owned. For each company under coverage Ethical Partners via its proprietary approach assesses each category under the EPORA and assigns a low, medium or high risk rating. A company that is assigned a high risk rating in any EPORA category cannot be owned by the Fund (ie is excluded). These risk ratings are continually reassessed as information available to Ethical Partners changes

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- Specifically, the EPORA will:
  - Exclude companies that have direct and owned operations in the gambling, alcohol (production and sale), tobacco (production), uranium (production), weapons (production), predatory lending, fossil fuel (production) industries. We define this as a company having <1% of their net profit after tax (or an equivalent disclosed measure) generated in these areas, Typically it will be zero.
  - Exclude companies that have substantive operations in more corrupt countries (defined by those that rank in the bottom 30% of Transparency International's Corruption Perceptions Index). We define this as a company having >15% of their net profit after tax (or an equivalent disclosed measure) generated in these areas. Typically, it will be zero.
  - Exclude companies with poor human rights records, weak policies and could be more prone to reputational risk or brand damage. It will allow for the inclusion of companies that have well documented records and policies around human rights (protection of people), supply chain transparency and sustainability reporting. This is a qualitative process and is an important component of the EPORA.
  - Exclude companies with poor environmental records, weak policies and could be more prone to environmental liabilities. It will allow for the inclusion of companies that monitor and report carbon emissions and have better policies and track record of environmental care. This may mean the Fund will own companies that emit relatively high levels of Scope 1 or Scope 2 emissions if Ethical Partners is satisfied that there is a clear plan and pathway to reduce emissions. This is a qualitative process and is an important component of the EPORA.
- While the EPORA informs our decisions regarding which companies the Fund will exclude and not invest in, it also assists in identifying ESG leaders which the Fund may own where the valuation and the financial case is appropriate. ESG leaders are identified as "low risk" in many of the ESG assessment categories in the EPORA.
- Ethical Partners conducts a significant number of meetings with management teams of companies it assesses and considers for investment. It engages with these management teams in order to advocate for change in many of the ESG areas considered in the EPORA. Details of Ethical Partner's engagement efforts are outlined in its Engagement Report available at www.ethicalpartners.com.au