MUNRO

Climate Policy

Updated: October 2024

Climate Policy

POLICY STATEMENT

Munro acknowledges that scientific evidence for human influenced climate change is unequivocal and the scale of recent changes across the climate system is unprecedented.

Limiting global warming to well below 2 degrees requires reductions in greenhouse gases and reaching net zero greenhouse gas emissions by 2050.

We have set the following five goals with respect to climate change. Each goal is set out in more detail, in its respective section below:

Integration:
As an investor, consistent with acting in the best interests of our clients, we understand and integrate climate change risks and opportunities into our investment decision making.

The integration of climate change risks means considering whether certain companies will be negatively impacted as a result of climate change and/or efforts to mitigate climate change.

The integration of climate change opportunities means considering investment opportunities which Munro believes benefit from climate change and/or efforts to reduce greenhouse gas emissions.

Munro has identified four sub-sectors or sub-trends of interest related to investment in climate change opportunities or 'climate change solutions

- **Clean Energy** (companies benefitting from the demand for carbon-free and renewable energy including energy generation covering wind, solar and renewable fuels);
- **Clean Transport** (companies benefiting from the growth of electric vehicles, battery technology and other low carbon transportation);
- **Energy Efficiency** (companies offering insulation products, electrical switches, lighting, metering and other energy efficient technologies); and
- **Circular Economy** (companies most likely to benefit from efforts to improve recycling, alternative packaging materials and management of waste, wastewater, agriculture technologies and other services aimed at reducing reliance on raw materials).

Stewardship:
We will use stewardship to promote better company disclosure, decarbonisation targets (which are targets set by a company for reducing their generation of carbon emissions) , climate resilience (which refers to a company's ability to withstand both the environmental and economic effects of climate change) and capturing climate change opportunities (described above) at the companies in which we invest.

Operations:
We will measure and reduce our own operational emissions and aim to remain a carbon neutral business as certified by the Australian Government's Climate Active, by reducing and offsetting our business operating carbon emissions. This does not extend to companies in our investment portfolio. Evidence of this is available on the Climate Active website https://www.climateactive.org.au/buy-climate-active/certified-members/munro.

Reporting:
We will be transparent with our investors and in public forums, on our efforts around climate change.

Review and accountability:
We will have clear accountabilities for implementing this policy and ensure it remains current.

Munro measures its progress against each of these goals by considering a variety of methods and factors, as set out below. This progress is regularly reported to our investors and the public through our annual Responsible Investment Report which can be found on our website.

CLIMATE CHANGE GOALS

1. Integration:

Investing in climate solutions
Climate change has been a longstanding investment theme for Munro Partners. Companies that are enablers of climate change solutions have been among the top Area of Interest exposures for our long/short and long only strategies, and via the dedicated Climate Change Leaders strategy which invests exclusively in this Area of Interest. All of the Munro Areas of Interest are listed and explained on our website, www.munropartners.com.au

Assessing climate change risk
As part of each company's ESG assessment, we assess the company's exposure to, and management of, climate change risk where we deem it material.

This includes greenhouse gas emissions, energy management and resilience to the physical impacts of climate change.

These are part of the Sustainability Accounting Standards Board (SASB) framework, which is incorporated by Munro in our ESG assessment and directly influences valuations.

Details of how we integrate ESG into the investment process is explained in our ESG Policy, available here.

Exclusions
We use exclusions or negative screens sparingly, especially for climate change-related reasons, because most companies which contribute to climate change have pathways to transition their operations to reduce or eliminate their impact and must do so to meet the goals established under the Paris Agreement in 2015 ('Paris Agreement'). Therefore, investors like Munro can have a more meaningful impact through using our influence to encourage these companies to transition (as outlined in 'Stewardship' below).

Nonetheless, for the Munro Climate Change Leaders strategy, we have implemented a narrow set of exclusions, as outlined in our ESG Policy.

Portfolio analysis
At a portfolio level, we regularly monitor our funds' carbon risk, weighted average carbon intensity as well as their fossil fuel exposure. Carbon risk is a third party research provider score measuring exposure to and management of material carbon issues. Weighted average carbon intensity is a portfolio's scope 1 and 2 emissions per million USD total revenue. Fossil fuel and carbon solution exposures are based on third party estimates of revenue percentage exposure.

This analysis is used to monitor our portfolios' carbon risk, and for meeting external data requests, but is not a factor in our investment decision-making process.

Specifically, while we anticipate our strategies' carbon intensity will reduce meaningfully over time, we do not currently consider it appropriate to set formal portfolio carbon intensity reduction targets. Carbon intensity is typically measured by direct (scope 1) and indirect (scope 2) emissions, which ignores supply chain emissions (scope 3) and avoided emissions from the use of products. For relatively concentrated portfolios, this can result in unintended outcomes[1].

We continue to review the appropriateness of portfolio targets related to climate change.

2. Stewardship

Climate change is a systemic issue, which means that it impacts economies as a whole and therefore all companies[2]. Simply excluding companies which contribute to climate change is insufficient both in terms of reducing climate change risk within investment portfolios and supporting decarbonisation. Therefore, we commit to engage with companies on climate change seeking:

- a clear governance framework for managing climate change risks and opportunities specific to that company;
- setting emissions reduction targets which are aligned with the Paris Agreement and/or are externally verified by independent, reputable providers; and
- disclosures related to climate change risks and opportunities (including, for example, using frameworks such as the Task Force on Climate-Related Financial Disclosures).

We will also exercise our voting rights in alignment with these goals. This may manifest as supporting shareholder proposals or opposing director re-elections when company performance is inadequate.

[1] For example, companies which have high emissions in their upstream supply chain but low scope 1 and 2 emissions are not contentious using carbon intensity alone. Conversely, companies with high scope 1 and 2 emissions but whose products allow their customers to avoid emissions are contentious using carbon intensity alone.

[2] For example, as background, Geoff Summerhayes, executive member of the Australian Prudential Regulatory Authority (APRA), in 2017 said "The key point I want to make today, and that APRA wants to be explicit about, is that this is no longer the case. Some climate risks are distinctly 'financial' in nature. Many of these risks are foreseeable, material and actionable now. Climate risks also have potential system-wide implications that APRA and other regulators here and abroad are paying much closer attention to."

We aim to engage annually with companies representing at least 50% of each strategy's portfolio weighted average carbon intensity (which, as above, is the weighted average of each company's scope 1 and 2 emissions per million USD). We will disclose our progress in our Responsible Investment Report, available here.

The role of investor advocacy is also important because climate change is a systemic issue. We are members of the Investor Group on Climate Change ('IGCC'), and we support their advocacy work around the risks and opportunities of climate change by our membership and participation in IGCC working groups.

We provide regular updates on stewardship progress with companies, including activities and outcomes like voting and engagement activities, via our Responsible Investment Report.

3. Operations

Separate to our investment activities, Munro will undergo an external carbon footprint audit annually with the aim of maintaining a carbon neutral business certification from the Australian Government as 'Climate Active'.

Munro was first certified as Climate Active for financial year 2022. This certification requires us to implement an emissions reduction plan that is actioned and measured. We will continually look to implement changes to reduce our carbon intensity and our reliance on various forms of carbon offsets.

More information about how Munro is reducing its carbon intensity as a business, and Munro's goal to be certified by the Australian Government as Climate Active, is set out in Munro's Climate Active Public Disclosure Statement, available here.

REPORTING

Munro is committed to aligning reporting with the Task Force on Climate-related Disclosures (TCFD), as part of our annual Responsible Investment Report. We will regularly engage with our current and prospective investors, service providers and via industry forums like those facilitated by the Investor Group on Climate Change.

Our progress in integrating climate change risks and opportunities is communicated via:

- our annual Responsible Investment Report; and
- regular presentations on our strategy for integration of climate risks and opportunities (see 'Integration' above).

REVIEW AND ACCOUNTABILITY

We commit to reviewing and updating this policy annually.

CONTACTING US

You can contact us by mail, telephone, email or via our website:

Munro Partners
Level 12
80 Collins Street (South Tower)
Melbourne VIC 3000
+ 61 3 9290 0900
contact@munropartners.com.au
www.munropartners.com.au

IMPORTANT INFORMATION

GSFM Responsible Entity Services Limited ABN 48 129 256 104 AFSL 321517 (GRES) is the responsible entity of the Munro Climate Change Leaders Fund ARSN 654 018 952, Munro Global Growth Fund ARSN 612 854 547, the Munro Concentrated Global Growth Fund ARSN 630 173 189 and the Munro Global Growth Small and Mid Cap Fund ARSN 670 777 885 (the Funds), and has appointed Munro Partners as the investment manager of the Funds. Munro Partners is a corporate authorised representative of Munro Asset Management Limited (ACN 163 552 254) Australian Financial Service licence holder (AFSL 480509) Munro Partners is the issuer of this document. The Funds are registered managed investment schemes under the Corporations Act 2001 (Cth). This information has been prepared without taking account of the objectives, financial situation or needs of individuals. Before making an investment decision in relation to the Funds, investors should consider the appropriateness of this information, having regard to their own objectives, financial situation and needs and read and consider the product disclosure statement for the Funds and the Additional Information to the Product Disclosure Statement (AIB) which may be obtained from www.gsfm.com.au, www.munropartners.com.au or by calling 1300 133 451. None of GRES, Munro Partners, its related bodies or associates nor any other person guarantees the repayment of capital or the performance of the Fund or any particular returns from the Fund. No representation or warranty is made concerning the accuracy of any data contained in this document.

Persons should consider the PDS and Target Market Determination in deciding whether to acquire or continue to hold the Fund. Target Market Determinations for the Funds are available from www.gsfm.com.au, www.munropartners.com.au or by calling 1300 133 451. This material does not constitute or form any part of any offer or invitation to purchase any financial product; and does not form part of any contract.

In Partnership with CL Global Asset Management, Munro also acts as investment sub-advisors from the following Canadian Funds: CI Munro Alternative Global Growth Fund, the CI Munro Global Growth Equity Fund, and the CI Global Climate Leaders Fund. These Funds are not Australian managed Investment Schemes and are not offered to Australian investors. This Climate policy applies in respect of Munro's management of these funds.