MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott
Australian Sustainable Future Fund Charter

January 2024

Investing for a sustainable future

We believe investors can help shape a better future. The challenges facing our society – climate change, resource management, financial inequality and disparity in living standards, to name a few – require purposeful capital investment to enable solutions and support positive outcomes for people and the planet. The Maple-Brown Abbott Australian Sustainable Future Fund (**Fund**) is designed to play an active role in this process. By ensuring companies we believe are making a positive contribution to one or more of our sustainable investment themes have access to the capital they need, not supporting companies that hinder social progress and engaging with companies to influence their behavior, we can help have a positive impact. We believe this does not have to come at the expense of strong financial returns.

Considering negative impacts

We use a negative screen to our investment universe to exclude companies that detract from a sustainable future and have established exclusion criteria for this purpose.

Our exclusion criteria prohibit investment in companies that derive any revenue from one or more of the following business activities:

- the manufacture of tobacco
- manufacture, promotion, distribution or sale of controversial weapons or armaments (anti-personnel landmines, cluster munitions, chemical, biological and nuclear weapons)
- the production, sale or distribution of 'X'-rated images, videos or films.

Furthermore, the exclusion criteria prohibit investment in companies that derive more than 10% of their revenue1 from one or more of the following business activities:

- the manufacture of alcohol
- gambling
- the extraction of fossil fuels including thermal coal, metallurgical coal, oil and gas
- the generation of electricity from thermal coal
- the extraction of uranium.

In addition to these exclusions, we seek to not invest in companies that have a dominant supply chain exposure, either as a direct supplier or direct customer, to any of the excluded business activities. When assessing supply chain exposure, in the case of exposure as a direct customer, we estimate the cost of goods and services purchased that relate to excluded business activities and in the case of exposure as a direct supplier, we estimate the revenue[1] derived from goods and services sold for use in conducting excluded business activities. The sum of these costs and revenues is then expressed as a proportion of group revenue[1]. There is not a specific threshold for supply chain exposure, however, as an indicative guide, we will generally seek to not invest in any company for which we estimate the supply chain exposure to excluded business activities to be greater than 50% of group revenue[1]. For example, this restriction is designed to prohibit investment in companies such as a petrol retailer which is not excluded by our screen for fossil fuel extraction, or a producer of malt which is used to make alcohol, however, is not excluded by our screen for alcohol production. It is not designed to prohibit investment in, for example, a general supermarket which may derive less than 50% of group revenue[1] from the sale of tobacco and alcohol.

Sustainable investment themes

We seek to invest in companies that we expect to positively contribute to a sustainable future. We have identified eight areas of positive impact – our sustainable investment themes. Any company we invest in must make a meaningful contribution towards one or more of our themes. Our themes are informed by the United Nations Sustainable Development Goals (**SDGs**), a set of 17 global goals designed to be a "blueprint for peace and prosperity for people and the planet, now and in the future" [2]. Building on the SDGs, our themes are tailored to be relevant to the Australian equity market, cognisant of both the specific challenges facing Australia and the areas where our economy is best placed to make a positive contribution.

1 We consider revenue as reported by the company in its audited financial statements. If exposure to any of these business activities is indirect, via an interposed vehicle, we look beyond reported consolidated figures to recognise the true underlying economic interest.

2 sdgs.un.org/goals

Health and wellbeing – providing access to medical care and services and supporting an ageing and healthy population. Examples of qualifying activities include but are not limited to hospitals and medical centres, pathology and diagnostics, medical products, aged care, fitness services, health insurance, personal injury and workers compensation insurance.

Innovation and technology – advancing social outcomes through the provision of education and development of technology and innovative products and services. Examples of qualifying activities include but are not limited to membership of the Information Technology GICS sector, education services and scientific research.

Circular economy – reducing waste and pollution through recycling, reuse and regeneration of materials and the sustainable use of natural resources. Examples of qualifying activities include but are not limited to recycling, packaging (where targets exist to reduce waste and increase recycled content), asset pooling and water management.

Low carbon future – providing the materials, infrastructure and technology needed for clean energy and reduced greenhouse gas emissions. Examples of qualifying activities include but are not limited to generation of electricity with low or zero emissions, energy efficiency technology, production of batteries or other energy storage, production of materials used to make batteries, production of other future facing metals, electric vehicles (production, sale, financing, maintenance), development of grid infrastructure to facilitate increased electrification and development of low carbon solutions for agriculture and industry.

Better communities – providing products and services that support a safe, prosperous and connected society. Examples of qualifying activities include but are not limited to producing housing and building materials, household goods retail, REITs (retail, residential, office, services), property sale or management services, property insurance, leisure services, childcare services, socially-focused employment services, telecommunications, broadcast and print media, travel services and airlines.

Sustainable infrastructure – designing, building, maintaining and providing the materials and goods for the systems and structures to support socially and environmentally resilient urban development. Examples of qualifying infrastructure include but are not limited to roads, ports, airports, electricity transmission and distribution and railways.

Inclusive finance – enabling access to appropriate and affordable financial products and services. Examples of qualifying activities include but are not limited to retail banking services, retail insurance services, retail funds management services, retail equity market services and superannuation services.

Food production and distribution – facilitating the production and distribution of safe, healthy, high-quality food. Examples of qualifying activities include but are not limited to agriculture and farming, agricultural chemical manufacturing, agricultural supplies and services, food and ingredient manufacturing, food distribution and food retail.

Source: Maple-Brown Abbott and United Nations Sustainable Development Goals.

We have determined a set of specific business activities, products and services which we believe contribute towards the themes. This set may change over time, giving scope for the emergence of new business activities, products and services or for evolving views towards existing business activities, products and services. When assessing whether a company makes a meaningful contribution to the themes, we consider the revenue[1] derived from business activities, products and services that contribute towards the themes, as estimated by us. There is not a specific threshold however, as an indicative guide, revenue[1] contributing to the themes should represent at least 20% of group revenue[1] to constitute a meaningful contribution and therefore be eligible for inclusion in the Fund. In situations where the revenue[1] alignment with the themes is below the indicative guide, we may determine that an investment is eligible for the Fund if, in our own estimation and based on internal analysis, we expect revenue[1] contributing to the themes will increase above the indicative guide level within a four-year period.

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ESG integration

The negative and positive screening work in tandem with our well-established investment analysis process, where we seek to identify stocks that have been mispriced by the market. The analysis of environmental, social and governance (**ESG**) risks and opportunities is integrated into the investment process. Where risks or opportunities are deemed to be material, they are factored into our valuations. All things being equal, a company with material ESG risks will carry a lower valuation and a company with material ESG opportunities will carry a higher valuation. These valuations in turn influence the decision of whether to hold a stock and the position size.

Stewardship

As active, long-term investors, we take our ownership responsibilities seriously and routinely meet with the companies we invest in. As well as regular meetings with senior management and the Board, we may also hold ESG-specific engagement meetings with companies. We use ESG engagement to undertake deep-dive research on certain topics and advocate for improved environmental or social performance in areas that we assess to be beneficial to real world outcomes. This may include, for example, the setting and disclosure of decarbonisation targets, improved safety outcomes, greater gender equity or reduced waste. Insights from these meetings are incorporated into our investment research and portfolio decision-making.

Investment review process

All potential investments are reviewed by the Maple-Brown Abbott Sustainable Investment Committee prior to investment to ensure they are consistent with the negative and positive screening criteria set out in this charter. The committee consists of the co-portfolio managers of the Fund and the Head of Australian Value Equities, with all stocks requiring unanimous approval for inclusion in the portfolio. All portfolio holdings are reviewed semi-annually to ensure they continue to be consistent with the negative and positive screening criteria. Should a company no longer comply with the negative and positive screening criteria, it will be divested as soon as reasonably practicable with consideration given to any market impact associated with its sale.

Signatory of:

PRI Principles for Responsible Investment

FAIRR A COLLER INITIATIVE

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Transition Pathway Initiative

IAST APAC

A proud participant of: Climate Action 100+

riaa Responsible Investment Association Australasia

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