



**MAPLE-BROWN ABBOTT**

# **CLIMATE CHANGE REPORT**

April 2021

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At Maple-Brown Abbott (MBA), we are committed to being transparent in our approach to managing the risks and opportunities presented by a changing climate. We acknowledge the science of climate change and support the goals of the Paris Agreement to limit global average temperature rise to well below 2°C above pre-industrial levels. We also recognise 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's investment portfolios are exposed to climate change risks. The physical impacts of climate change such as more extreme and frequent weather events and the transition risks associated with the move to a low-carbon economy will have an impact on the long-term viability of assets. Climate change also presents opportunities from an investment perspective such as emerging and low carbon technologies, circular economy innovation and offsetting schemes, along with strengthened regulatory and stakeholder relations.

Our inaugural TCFD-aligned report presents an overview of our approach to managing climate risks associated with our investments and presents a baseline of where risks may lie in the portfolios. We intend to evolve and mature our analysis over time and will keep stakeholders informed of our approach and performance through regular updates.

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## TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Maple Brown-Abbott is a supporter of the Task Force on Climate-related Financial Disclosures (TCFD).

Established by the Financial Stability Board, the TCFD is designed to improve and increase reporting of climate-related financial information. The objective is to provide financial markets with information on the impacts of climate change including the risks and opportunities presented by rising temperatures, climate-related policy, and emerging technologies.

The TCFD recommendations are applicable across sectors and jurisdictions and are structured around four thematic areas that are reflective of organisations' operational management" governance, strategy, risk management, and metrics and targets.





## Governance

The Maple-Brown Abbott Ltd (MBAL) and Maple-Brown Abbott Global Listed Infrastructure (GLI) Boards provide oversight of our investment climate change strategy. MBA operates a boutique model where investment teams independently determine their investment strategies including the manner in which they integrate climate change considerations. As such, the Chief Investment Officer and the Chief Executive Officer of MBA drive the firm-wide climate change policies, and the Managing Director of GLI and the Head of the Asian and Australian Equities teams determine and oversee their respective approach to climate change. In December 2019 we implemented our firm-wide Climate Change Policy, which details our approach to climate change integration and engagement.

The underlying responsibility for integrating climate risks and opportunities into our investment process lies with each investment analyst, who incorporates climate risks into financial assessment at a sector and stock level as relevant, while each portfolio manager incorporates this analysis into their trading decisions.

MBA has a dedicated ESG function which includes specialist ESG analysts and is responsible for coordinating the implementation of the firm's Climate Change Policy and associated ESG initiatives. To ensure we continually improve our ESG capabilities, MBA plans to annually set and review objectives for our climate change-related investment activities.

## Strategy

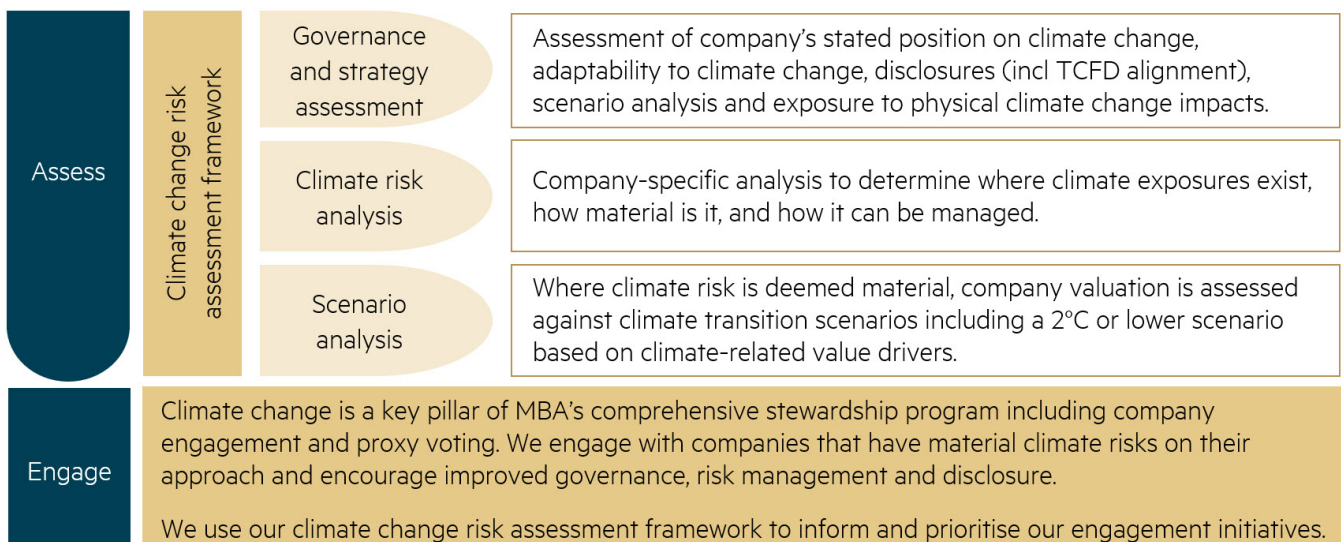
We believe companies that demonstrate strong climate risk management credentials, report progress transparently and strategically position themselves to tap into the opportunities of a low carbon world are more likely to deliver long-term sustainable returns.

MBA is continually working to understand and assess how climate-related impacts in our investment portfolios will develop over time, and we take this into account when making strategic decisions on behalf of our clients. Our approach to managing the risks associated with climate change is part of our broader approach to managing ESG factors across our investments.

Climate risks are integrated into company assessments and investment decision-making through our risk-return assessments alongside our ongoing stewardship activity. Engaging and encouraging portfolio companies to decarbonise is a key focus of our ongoing engagement program.

MBA works 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.

## Climate risk: MBA's approach



## Risk Management

Risks from climate change have consequences for both real and financial assets. MBA's portfolios are, to varying degrees, exposed to these risks. Where they are material we seek to price these risks into valuations before they materialise.

In assessing where climate risks may exist in our portfolio, MBA considers a range of factors, including the forward-looking physical and transition risks inherent under different climate scenarios, as well as current exposure to highly exposed sectors and companies. We use a range of data inputs including the IEA WEO scenarios to model company and portfolio level impacts under different warming outcomes.

Our Climate Change Risk Assessment, which is applied at a portfolio company level, includes valuation assessment against climate transition scenarios including a 2 degrees Celsius or lower scenario based on climate-related value drivers.

Examples of risks that we may consider include the impacts of potential carbon pricing or policy levers, future demand for fossil fuels in a carbon-constrained world, penetration of renewable technologies and the impacts of extreme weather events and other physical climate change impacts on assets and operations.

The Climate Change Risk Assessment is also instrumental in informing our company engagement activity. Climate change is one of the six pillars of our stewardship program and is intrinsic in our approach to managing risk.

## Metrics

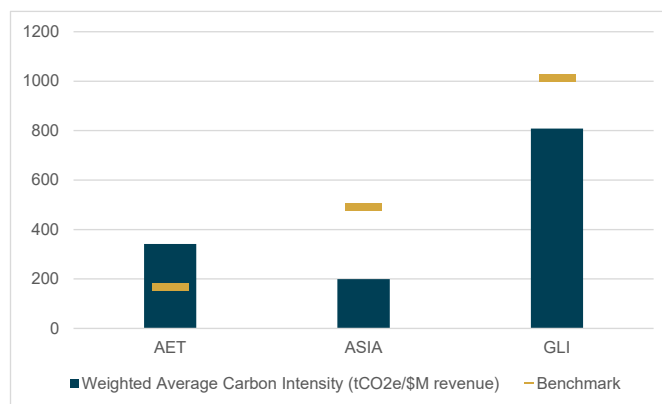
MBA has taken steps to calculate and disclose carbon intensity metrics for our equity portfolios to better understand where risks may lie within the portfolios and to provide clients and stakeholders with climate-related information. Unless requested by a client, MBA does not manage to a carbon benchmark.

Over the remainder of 2021, we will continue to analyse our portfolio and will share the results in a comprehensive, and forward-looking, update to this disclosure later in the year.

The following chart depicts the weighted average carbon intensity (WACI), being the exposure to carbon-intensive companies, expressed in tons CO<sub>2</sub>e per \$M revenue, of three flagship funds including Maple-Brown Abbott Australian Equity Trust (AET), Maple-Brown Abbott Asian Investment Trust (ASIA); and Maple-Brown Abbott Global Listed Infrastructure Fund (GLI).

### Maple-Brown Abbott portfolio carbon analysis

Portfolio data at 31 March 2021



Data source: ISS

## Disclaimer

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