

Responsible Investment Policy

EFFECTIVE DATE: 28 SEPTEMBER 2023



Introduction

Emit Capital Asset Management (ECAM) is a climate finance investment manager investing in listed equities that contribute to a reduction in climate change. Fundamental to Emit's approach is our commitment to ensuring our investments meet strong environmental, social and governance (ESG) and responsible investing principles.

This Responsible Investment Policy outlines our approach to identifying and managing our investments across our portfolio and aims to guide our analysis when assessing investments and constructing a portfolio reflecting a Net Zero emissions pathway. Our approach includes the following:

- climate change thematic screening
- carbon footprint measurement
- integration of ESG and impact investment principles
- exclusionary/negative screening
- additionality analysis
- stewardship

The ECAM Board of Directors has signed off on this Policy with the intent that the contents will be made public and clearly identify the processes we use to analyse and target responsible investments across our portfolio.

Principles

At the heart of our investment approach and strategy is the vision to reduce and/or mitigate the harmful impacts of climate change. We achieve this by focusing on our climate finance thematic as well as following ESG principles and adhering to impact and responsible investing.

We believe our investors can achieve a superior returns investing in diversified, sustainable, well-managed companies in sectors that are growing and are future-focused on decarbonisation. A future-focused sector suggests a desire to equate investing with a more sustainable outcome for society

MEMBER OF THE RESPONSIBLE INVESTMENT ASSOCIATION OF AUSTRALASIA

ECAM is a member of the Responsible Investment Association of Australasia (RIAA). The RIAA champions responsible investing and a sustainable financial system in Australia and New Zealand. The RIAA is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.



MEMBER OF THE RESPONSIBLE INVESTMENT ASSOCIATION OF AUSTRALASIA

Emit Capital is a member of Investors Against Slavery & Trafficking (IAST) Asia-Pacific. IAST APAC is an investor-led multistakeholder initiative convened to promote effective action among companies in the Asia-Pacific region to 'find, fix and prevent' modern slavery, labour exploitation, and human trafficking in their value chains.



SUPPORTER OF THE TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES

ECAM is a supporter of The Task Force on Climate-related Financial Disclosures (TCFD). The TCFD was established to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions.



Our Approach to Responsible Investment

ECAM's investment philosophy is to target those investments identified to contribute to a reduction in climate change and which will therefore generate a higher, sustainable return over the long term as the global economy transitions to net zero emissions.

Our belief is that financial markets can be a key driver of change through mobilising capital to efficient outcomes in the areas of energy transformation, transport and infrastructure, energy efficiency and storage and water management.

Through our climate finance investment fund, ECAM provides investors the opportunity to invest in emerging, clean-tech companies whose earnings are linked to the mitigation or reduction in climate change.

CLIMATE FINANCE - THEMATIC SCREENING

At the core of our investment philosophy is a focus on global equities that contribute to the reduction in climate change. This core theme sets the basis for our top-down sector and industry selection.

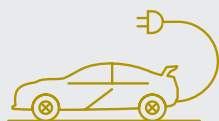
Our preference is to invest in our climate finance theme sectors where the identified companies have a 'pure' business model. 'Pure' means the company operates in an industry where 100% of its services or products contribute to a reduction in climate change. For example, an electricity generator which generates only renewable energy or an electric vehicle manufacturer which has no legacy of combustion engine production. Whilst every effort is made to focus on this pure business model, Companies that don't have a pure model will still be considered for inclusion in our portfolio if their current and future business model suggests a majority of their operations will target products and services that reduce climate change and they will transition to a pure business model over the near term..

Specifically, we focus on the following sectors/business models:



Energy Transformation

E.g. renewable energy



Transport & Related Infrastructure

E.g. electric vehicles



Energy Efficiency & Storage

E.g. Battery storage



Water Management

E.g. Water filtration

CARBON FOOTPRINT MEASUREMENT

In line with our primary thematic screening focused on companies that contribute to a meaningful reduction in climate change, our analysis addresses the carbon footprint of each individual investment and also the portfolio in aggregate.

This is an important element in our commitment to ensuring transparency of our Responsible Investments and aligns with our commitment to invest those companies with an alignment to a Net Zero emissions outcome over the period to 2050.

Once a particular investment has been assessed as adhering to one of our four (4) climate change themes, ECAM then measures its most recent reported carbon footprint as follows:

1. Absolute CO2 Equivalent Emission Totals

Calculated as a weighted average of the individual holdings as follows:

- Scope 1 – emissions from sources that an organisation owns or controls.
- Scope 2 – emissions that a company causes indirectly when the energy it purchases and uses is produced.
- Scope 3 – emissions produced indirectly up and down a company's value chain (note Scope 3 is a work in progress based on available data consistency)

2. Weighted Average Carbon Intensity (WACI)

The carbon intensity of each investment is calculated (tCO₂e/USD 1 million) and then multiplied by its weight in the portfolio

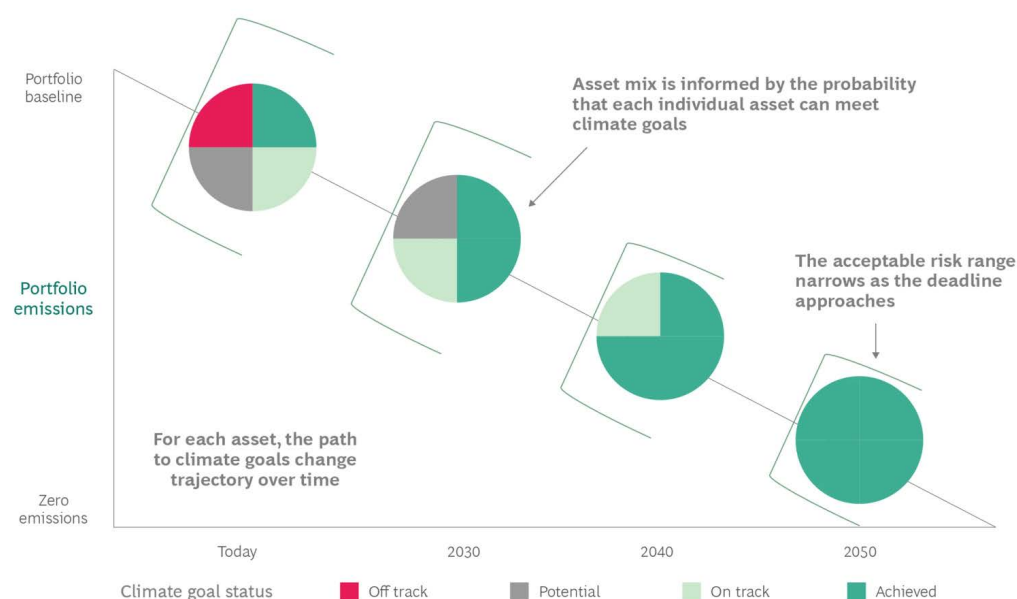
The total WACI is then aggregated across the portfolio.

The WACI provides an important assessment of the portfolio's exposure to carbon intensive companies and allows appropriate comparisons between benchmarks and other portfolio

PARIS ALIGNMENT

The absolute CO₂e and WACI provide the basis for assessing whether the portfolio aligns to the Paris Accord related to temperature rise of no more than 1.5 degrees by 2050.

A portfolio can be constructed now which accounts for a realistic transition towards net zero over the period to 2050 allowing for incremental changes in the overall carbon footprint of the portfolio. This equates to a net-zero pathway.



SOURCE BGC Analysis

ESG & IMPACT INVESTMENT FRAMEWORK

The secondary layer of our thematic screening is adherence to ESG principles and impact investing and the ability to achieve a sustainable 'score' for each company across the 3 key elements of environment, social and governance as well as an alignment to our pre-determined impact values.

ESG Screening

Our secondary layer of stock selection focuses on ESG principles and our expectation is the companies we select for our portfolio will have a minimum score across all 3 ESG aspects.

Our ESG screening process focuses on the following:

- Key principles we believe are important to achieving sound ESG principles for a company
- Specific areas of a companies practice we avoid due to the negative impact on ESG score
- Developing an overall scorecard for each company based on our key ESG focus and avoided practices

As part of our investment selection process, ECAM utilises proprietary ESG Data in its screening calculations. Our data providers offer a comprehensive data analytical service which covers 70% of the Global Market Cap in terms of ESG.

ESG Dashboard

- Each company we analyse receives an ESG score based upon their business activities across Environment, Social and Governance components
- Each identified activity across the E, S & the G components receives a score and is then aggregated to arrive at a blended ESG score for that company.
- In addition, we also focus on a 'controversies' score. This score factors in negative aspects of a business operations which contribute to an ESG Controversy Score or ESGC.
- The minimum individual and aggregate portfolio ESG/ESGC score we target is a five (5) out of ten (10). In the majority of cases this is the minimum value we will allow for inclusion. However, as ESG is a developing metric based upon adequate news flow there may be individual companies with a lower ESG/ESGC score than five (5) which are included. Justification for inclusion in the portfolio is provided and addressed at the Investment Committee level.
- ESG/ESGC scores at the individual and aggregate level are monitored regularly to determine any deviation away from our minimum values or transition principles.

Impact Investment Screening

The following Impact Investment values are business practices or outcomes we support, and which therefore form a key component of our stock selection process. They contribute to the **Impact** component of our analysis and determine whether a stock receives a High, Medium or Low overall **Impact Score**.

- Pure Water
- Clean Air
- Land Health
- Ocean Life
- Mindful Business Models

Impact Dashboard

- Each company we analyse receives an Impact Investment Value based upon the principles we identify as important and the values we support as a company.
- The minimum threshold for inclusion in the portfolio is a Medium Impact with anything below this excluded from further consideration.
- An overall impact score is then calculated for the entire portfolio and each individual stock component can be assessed for its relative contribution to the overall Impact score.

Each stock receives the following scorecard. This scorecard measures the carbon footprint, ESG and Impact Investment values at portfolio inclusion and is monitored over time to ensure a positive trend. The timeframe of this trend is determined for each investment based on specific characteristics of that company.

NEGATIVE SCREENING

The aim of our negative screening approach is to maintain a target level of exposure as highlighted in the table below. There are some business activities which we will NEVER hold exposures in such as tobacco and controversial weapon manufacturing. However, the portfolio may be exposed to some negative screens as long as those activities are evidenced as "transitory" as part of the company's efforts to reduce its emissions towards a net zero outcome. Exposure percentages are calculated by summing the weights of a portfolio's holdings in the companies involved in each area. Companies are only considered involved in an area if their revenue exposed to that area equals or exceeds a minimum involvement threshold. If a company is considered involved in an area, the entire weight of that company in a portfolio is counted as involved. The full list of minimum involvement thresholds is available in the [Morningstar Portfolio Product Involvement Methodology](#).

Industry	Target	
Tobacco Production	0.0%	Refers to the production of tobacco seedlings, growing tobacco on field, harvesting, drying, sorting and packing of tobacco by producer.
Tobacco, nicotine alternatives and tobacco-based products	0.0%	Nicotine alternatives and tobacco-based products include: • Electronic nicotine delivery systems (ENDS) as defined by the US Food and Drug Administration (e.g. 'vaping' devices, e-cigarettes) alternatively described as nicotine vaping products (NVP) • Dissolvable and non-combustible tobacco products (e.g. nicotine pouches, snuff) • Shisha and water pipes
Controversial Weapon Manufacturing	0.0%	Refers to cluster bombs, anti-personnel mines, chemical or biological weapons and other controversial weapons which are prohibited under applicable international treaties or conventions
Nuclear Weapon Manufacturing	0.0%	Refers to a device that uses a nuclear reaction to create an explosion.
Alcohol Production	0.0%	Refers to an establishment where beer, wine, and other spirits are prepared, bottled, stored and sold for on- or off-site consumption.
Animal Testing	0.0%	Refers to procedures performed on living animals for purposes of research into basic biology and diseases, assessing the effectiveness of new medicinal products, and testing the human health and/or environmental safety of consumer and industry products
Adult Entertainment	0.0%	Refers to the industry of sexual adult entertainment
Gambling	0.0%	The gambling market consists of sales of gambling services and related goods by entities (organizations, sole traders and partnerships) that operate gambling facilities, such as casinos, bingo halls, video gaming terminals, lotteries and off-track sports betting.
Thermal Coal Power Generation	0.0%	Thermal power generation consists of using steam power created by burning oil, liquid natural gas (LNG), coal, and other substances to rotate generators and create electricity.
Hazardous Waste	0.0%	Hazardous wastes are classified on the basis of their biological, chemical, and physical properties. These properties generate materials that are either toxic, reactive, ignitable, corrosive, infectious, or radioactive. Toxic wastes are poisons, even in very small or trace amounts.
Nuclear Power Generation	0.0%	Nuclear power plants use heat produced during nuclear fission to heat water. In nuclear fission, atoms are split apart to form smaller atoms, releasing energy.

ADDITIONALITY

A key characteristic of climate solutions investment in a net zero framework should be “additionality.” Investments should ideally provide new primary capital to fund innovation or expand businesses and infrastructure that will avoid current or future emissions.

Private investments are often additional if they are financing growth rather than refinancing existing investors.

Public investments can also be additional if deployed in situations, like in emerging markets economies or smaller, immature businesses (growth) with less liquid securities.

On the other hand, investing in large, liquid, and self-financing companies is unlikely to have much impact on their activity, and therefore additionality, even if they are in target sectors.

STEWARDSHIP

At ECAM, we recognize the vital role of stewardship in our investment process as it pertains to responsible and sustainable investing. We are committed to maximizing returns and managing risks for our investors through a focus on investments that have a realistic impact on climate change, incorporating carbon footprint, Environmental, Social, Governance (ESG), and Impact Investment analysis.

Our stewardship activity is structured around the overall responsible investment scorecard for each individual investee company.

ECAM's Stewardship activity includes the following:

- Proxy Voting
- Direct investee engagement
- Collaborative engagement



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