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Who is Magellan?

GLOBAL (A$15.3bn)

Founded 2006

INFRASTrUCTURE (A$15.1bn)

22 experienced investment experts

AIRLIE (A$4.6bn)

Australia, New Zealand, United States

ESG - integrated investment process

As at 31 December 2023
Agenda

Metrics and Targets

1. Approach – evolved over time
2. Metrics used – why were these selected?
3. Climate Targets & assessing credibility
4. Challenges
5. Resources, tools and training
6. Examples
Approach
Supported and guided by Responsible Investment associations and investor groups

Scope 1, 2, 3 emissions data, Climate targets
Carbon footprint
Climate targets, financed emissions, engagement metrics
Approach
Integrating climate metrics and targets across strategies

All strategies
• ESG integration: Materiality
• Portfolio Carbon intensity
• Net Zero investment Framework (NZIF) assessment
• Climate Stewardship strategy

Strategy specific (Sustainable)
• Low Carbon Framework
• Net Zero Asset Manager initiative targets

Strategy specific (Infrastructure)
• Proprietary Infrastructure climate transition framework (SAFE)

Strategy specific (Energy Transition)
• Proprietary Infrastructure climate transition framework (SAFE)
• Net Zero Asset Manager initiative targets
Approach
How it has evolved over time

Scope of industries has evolved and broadened

Expectations of companies has increased

Sector specialist approaches e.g. Infrastructure (bottom up)

Climate as a systemic financial risk over the long term across many industries (top down)

Source: https://www.netzeroassetmanagers.org/commitment/
Approach
How it has evolved over time – industry focus

Source: Net Zero Investment Framework Implementation Guide (iigcc.org)
# Climate metrics

## METRICS USED

### Company metrics
- Scope 1 & 2 carbon emissions
- Scope 3 carbon emissions
- Carbon intensity

### Portfolio Metrics
- Carbon footprint
- Weighted average carbon intensity (WACI)
- Financed emissions

### Engagement
- % financed emissions in high impact material sectors subject to engagement

## CONSIDERATIONS & CHALLENGES

### Accuracy and data availability
- Location vs market based
- Timeliness
- Actual vs estimated

### Carbon intensity
- Approach can differ (revenue vs EVIC)

### Portfolio carbon footprint
- Growth in issuer
- Growth in portfolio
- Goal of net zero and absolute emission reduction
Climate targets

**Company Targets**
- Emission reduction target – short, medium, long term
- External verification e.g. SBTi
- Net Zero emission target
- TCFD alignment

**Portfolio Targets**
- % AUM aligned to net zero
- % financed emissions in high impact material sectors assessed as aligned to net zero

**CONSIDERATIONS & CHALLENGES**

**Data**
- Accuracy and data availability
- Inconsistent disclosure
- Coverage of targets ... Scope 1, 2 AND material Scope 3

**External verification of targets**
- Sector methodology - Oil & gas sector

**Tracking progress**
- Progress towards emission reduction targets is not linear
- Resource intensive
# Resources, tools and training

<table>
<thead>
<tr>
<th>RESOURCES</th>
<th>TOOLS &amp; RESOURCES</th>
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<tbody>
<tr>
<td>• Company reports</td>
<td>• Training</td>
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<td>• Investment team &amp; engagement are your best resources</td>
<td>• Coordination across the investment team</td>
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<td>• 3rd party data providers</td>
<td>• Engagement tracking tools</td>
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<td>• PRI Guides</td>
<td>• Trends and progress towards targets</td>
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<td>• IGCC Reports</td>
<td>• Communication &amp; reporting</td>
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<td>• IIGCC Toolkits</td>
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<tr>
<td>• TCFDhub.org resources</td>
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<td>• CDP company reports</td>
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Climate targets and strategy
Just get started ...

% Companies with Net Zero Targets
- Yes: 87%
- No: 13%

% Companies with Science based targets*
- Yes: 67%
- Committed: 27%
- No: 7%

% Companies with TCFD reporting^*
- Yes: 60%
- In progress: 20%
- No: 20%
## Enhance target and credibility assessment

Measuring alignment using the Net Zero Investment Framework (NZIF)

<table>
<thead>
<tr>
<th>Achieving Net Zero</th>
<th>Interim target</th>
<th>Progress</th>
<th>Disclosure</th>
<th>Strategy</th>
<th>Capex alignment</th>
<th>Credibility</th>
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### Aligning

- **Committed**: ✓
- **Not Aligned**: 

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Use of climate targets and metrics
Engagement, voting and risk assessment

- Prioritise engagement (Letters, meetings)
- Consider escalating through voting
- Track progress towards targets

Example 1: American Water

Climate targets

- American Water - US utility

- **Objective** – 1. commit to a net zero target by 2050; 2. seek external validation of emission reduction targets.

- **New climate targets** – We saw positive progress over multiple years of engagement. Initially a commitment in the proxy statement that existing emissions goals were being reviewed.

- Further progress was achieved when AWK announced new, science-based targets; this included a long-term goal to achieve net zero emissions by 2050 and a medium term 50% absolute emission reduction goal by 2035.
Example 2: US power generation

Emission reduction is not linear

Xcel Energy’s carbon emissions trajectory for the electricity provided to customers aligns with science-based scenarios likely to limit global warming to 1.5°C.

Source: Leading_Clean_Energy_Transition_SR.pdf (xcelenergy.com)
Example 3: Chipotle
Credibility of climate strategy

**Engagement Objective**

1. Encourage to set a net zero target;
2. Understand the initiatives to meet current emission reduction targets.

**Outcome**

- Credibility of the actions and initiatives in place at Chipotle to achieve their SBTi emission reduction targets and rationale for not announcing a net zero target yet.
- Subsequent **announcement** of the Responsible restaurant design provides comfort on future capex alignment to net zero.

Image source: company website
1. Approach – start with disclosure, targets and build on it over time, bottom up and top down
2. Metrics used – More than one metric to tell the story
3. Climate Targets & assessing credibility – Industry frameworks and company engagement
4. Challenges – data, consistency and transparency is improving.
5. Resources, tools and training to support the team
Q&A
Thank you!