



# Climate Change Action Plan 2022-23

 **First Sentier**  
Investors



# Key Performance Indicators

This document sets out First Sentier Investors' progress on our Climate Change Action Plan for the period 1 July 2022 – 30 June 2023. We have put in place a number of key performance indicators (KPIs) to measure our progress on increasing the proportion of active strategies covered by net zero targets by 2050 (or sooner); and our operations by 2030 (or sooner). We have made good progress in most areas over the period, as outlined below.

These KPIs are aligned to our *5 C's of Climate Change Action*:

- **Collaboration** - We will continue to support climate-related industry collaborations, climate policies, and regulation, to drive systemic change.
- **Company engagement** - We aim to use our influence and proxy voting to influence companies and we will allocate capital to help accelerate the climate transition.
- **Clarity** - We will be transparent about our progress on reaching net zero, and provide evidence for climate-related claims we make.
- **Clients** - We aim to be a trusted partner who can support our clients in their transition to a low carbon economy.
- **Corporate sustainability** - We are decarbonising our business operations through a broad range of initiatives, and will report on progress.

Our progress is colour-coded as follows: green (KPI successfully met); amber (progress being made toward KPI) and red (KPI not met).

## Collaboration

Goal	KPI for 2023	Progress	KPI to be met for 2024 Reporting
<p>Continue to participate actively in climate-related initiatives and provide input on key climate policies in countries where we are active.</p>	<p>We will have reported to NZAM on progress made and submitted a case study on how we are aligned with the <i>Investor Climate Action Plans (ICAPs) Expectations Ladder Tier 2</i> on one of the priority areas.</p>	<p>We have met this target. Actions we took to meet this target included:</p> <ul style="list-style-type: none"><li>• Submitting our Net Zero Asset Managers (NZAM) progress report to NZAM's local partner Investor Group on Climate Change (IGCC).</li><li>• Publishing <a href="#">a case study</a> with IGCC on our ICAP.</li><li>• Responding to the Australian Sustainable Finance Institute (ASFI) survey for an Australian Taxonomy.</li><li>• Hosting a Safeguard Mechanism Briefing, an initiative by ASFI and IGCC, in our Sydney office.</li><li>• Making a submission to the Australian Treasury's consultation on climate-related disclosure, and to the Department of Climate Change, Energy, Environment and Water (DCCEEW) on the Safeguard Mechanism reforms. We also contributed to submissions by industry bodies, the Financial Services Council and IGCC.</li><li>• In March and April 2023, our Global Head of Investment Management joined the IGCC with a selected group of investors in Canberra to build relations with Australia's leading politicians, and was able to engage with members of parliament on climate-related disclosure and the reform of the safeguard mechanisms', Australia's response and alternative to carbon pricing.</li><li>• Submitting to the European Union (EU)'s call for evidence on greenwashing on the key drivers and risks associated with greenwashing.</li><li>• Contributing to the UK Sustainability Disclosure Requirements consultation paper.</li></ul>	<p>We will implement the Policy Advocacy Principles we are developing in 2023.</p> <p>We will participate in collaborative engagement initiatives hosted by the Principles for Responsible Investment (PRI) and Assessing Sovereign Climate-related Opportunities and Risk (ASCOR), in order to advance the creation of standardised methodologies for asset classes where currently unavailable.</p>

## Company Engagement

Goal	KPI for 2023	Progress	KPI to be met for 2024 Reporting
<p>Achieve a coverage of assets aligned, or under active engagement, to 70% of financed emissions from material sectors (also using a net zero alignment criteria) by 2030.</p>	<p>We will have engaged directly with at least 20 priority companies in high impact sectors and developed a number of representative case studies.</p>	<p>We have met this target.</p> <p>The FSI investment teams have met with over 20 companies, and a number of those engagement examples will be released in 2024.</p>	<p>We will develop a formal engagement plan that supports investment teams to better identify high impact companies for targeted engagement on net zero alignment.</p>

## Clarity

Goal	KPI for 2023	Progress	KPI to be met for 2024 Reporting
<p>Increase the proportion of AUM invested in assets that are <i>net zero</i>, <i>aligned</i> or <i>aligning to net zero</i> (using a net zero alignment criteria framework) (Baseline 2021).</p>	<p>We will have a higher proportion of AUM committed to be managed in line with our net zero by 2050 commitment.</p> <p>We will report on progress made towards our short-term targets set at investment team level.</p>	<p>We have partially met this target. The initial proportion of AUM<sup>2</sup> % managed in line with net zero commitments was 44.5%<sup>3</sup> (31 December 2021). By 31 December 2022 our AUM managed in line with net zero commitments had increased to 49.7%. The reason for this is our Global Listed Infrastructure team also committed to manage the majority of their assets in line with a target of net zero emissions by 2050.</p> <p>We have yet to publicly report on progress made towards team targets.</p>	<p>We will continue to work towards increasing the proportion of AUM that is managed in line with our net zero ambition.</p>

<sup>2</sup> The total proportion of AUM is based on First Sentier Investor's overall AUM. For NZAM purposes, Stewart Investors has a separate Net Zero commitment, and as such the NZAM reported numbers may look different. In our 2022 Climate Change Action Plan, the initial proportion of AUM committed to Net Zero (38%) was based on AUM per 31 December 2021 and did not include Stewart Investors' proportion, which has now been included.

<sup>3</sup> In order to be consistent, going forward, our Climate Change Action Plan will include the total AUM (inclusive of Stewart Investors). The AUM managed in line with net zero by 2050 on 31 December 2021 was 44.5%, and this proportion has since increased to 49.7%.

## Clients

Goal	KPI for 2023	Progress	KPI to be met for 2024 Reporting
<p>Position FSI as a key partner who can support and enable our clients' transition to a low carbon economy and the achievement of their own net zero commitments.</p>	<p>In-depth client engagement on net zero alignment with asset owners across Europe, Asia, Australia and the US, who have set their own targets, and others who have not yet set targets (to work towards target setting); report on progress made.</p>	<p>We have met this target.</p> <p>Over the course of fiscal year 2022-23, FSI met with clients - both individually and as part of roundtables; formally and informally - to discuss their approach and needs for net zero.</p> <p>For example, we met with an Australian asset owner client and exchanged our respective net zero approaches. This exercise was useful to understand client expectations.</p> <p>In April 2023, the Glasgow Financial Alliance for Net Zero (GFANZ) hosted a webinar covering the Net Zero Asset Managers initiative. Our Global Head of Responsible Investment shared First Sentier Investors' net zero experience with Asian-based asset owners.</p> <p>We were involved in multiple initiatives with the IGCC to present FSI's experience around our climate action plan. We presented and published our <a href="#">ICAPs case study</a>.</p> <p>We participated in the Paris-aligned working group and shared our experience with peers and clients, regarding our implementation of the Net Zero Investment* Framework.</p>	<p>We will continue to build on our engagement with clients across different jurisdictions and share our experiences of our net zero journey.</p>
<p>Create new investment products aligned with net zero emissions by 2050 and facilitate increased investment in climate solutions.</p>	<p>We will have developed firm-wide guidelines on new product development.</p>	<p>We have made progress towards this target.</p> <p>We commenced drafting and socialising these guidelines, however, given the rapid regulatory changes we have seen globally over the past 12 months, we decided not to finalise these guidelines until H2 2024. Accordingly, we will maintain the same target for 2024.</p>	<p>We will have developed firm-wide guidelines on new product development.</p>

## Corporate Sustainability

Goal	KPI for 2023	Progress	KPI to be met for 2024 Reporting
<p>Develop a corporate sustainability strategy with Scope 1, 2 and 3 (including travel) emissions; establish a baseline of GHG emissions for our office operations, aiming to reduce GHG and include 100% renewable energy across our offices.</p>	<p>We will have implemented a comprehensive GHG emissions reporting platform to monitor progress and published our emissions data.</p> <p>We will have developed a sustainable travel program.</p>	<p>We have met this target.</p> <p>The Corporate sustainability Team published our GHG emissions. These numbers are published in our first <a href="#">Sustainability Report</a>.</p> <p>We developed a Sustainable Travel reference guide for employees to provide practical information to support more sustainable travel. We also engaged with our corporate travel provider to enhance the provision of carbon reporting related to flights, hotels and car hire.</p>	<p>Develop a Net Zero Roadmap, outlining FSI's preliminary carbon abatement strategy to work towards Net Zero by 2030 or sooner for our own operations.</p> <p>Certify Edinburgh office against ISO 14001 global standards and extend the certification to other offices.</p>



## Note: Change from 2022 Climate Change Action Plan on fossil fuel exposure

In 2023, we aligned our definition of exposure to companies involved in fossil fuel related activities in accordance to globally recognized initiatives<sup>4</sup>. The FSI fossil fuel exposure calculations have been aligned with the SFDR definition<sup>5</sup>. As at 31 December 2022, FSI's overall exposure to companies involved in fossil fuels was 9.13% of total AUM, and while this is higher than the number quoted in the previous year (8.8%), the figure is not directly comparable due to the updated methodology<sup>6</sup>.

<sup>4</sup> Our agreed definition of companies 'active in the fossil fuel sector' means companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999.

<sup>5</sup> Defined as companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999.

<sup>6</sup> The CAP 2022 calculation defined fossil fuel companies as those with any involvement in coal, oil or gas production or power generation. We included the full value of companies in this figure, regardless of the proportion of their revenue that is derived from these activities.



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