Climate change

Energy transition | Emissions footprint | Physical climate risk

Thematic overview

We recognise that climate change and the disorderly transition pose a considerable systemic risk to the global economy, our investments, and our duty to maximise returns while minimising client risks. Consequently, we are committed in our support of the global objective of achieving net zero greenhouse gas emissions by 2050 or earlier, aligning with international efforts to maintain temperature increases well below 2°C (ideally 1.5°C) as outlined by the United Nations Paris Agreement.

We recognise that any such commitment must be supported with robust goals that are in our clients' best interests and which will not compromise our fiduciary responsibility to maximise risk-adjusted returns.

Climate change and the net zero transition pose both medium and long-term challenges and opportunities for investment environments and portfolio companies. Due to the uncertainty regarding the timing and pathways of the transition in certain sectors, companies impacted are encouraged to develop comprehensive, science-based, scenario-tested, and credible net zero transition plans. Companies should also aim to decarbonise and prepare for the net zero economy in a financially disciplined approach that supports the transition while managing the current energy network and economic conditions.

We complete our climate risk analysis by evaluating each company's specific risks and opportunities, such as their operating model, industry position, and applicable regulations, to determine the quality and appropriateness of their transition plans.

The five pillars of our approach to managing climate change were formalised in 2021 and include:

RISK ANALYSIS
We consider climate-related risks as part of our fundamental approach to ESG management and exclude thermal coal producers with a 10% revenue threshold across all investment strategies.[4]

BENCHMARKING
We complete portfolio-wide assessments on climate change risk and mitigation annually to identify trends, direct stewardship activities and research priorities.

CARBON METRICS
We use a range of carbon metrics across our portfolios to assess sector and company-level risks, and overall progress towards net zero.

STEWARDSHIP
Where we believe climate change factors present material risks or opportunities, we integrate priorities into our stewardship program. We are also members of several CA100+ collaborative engagements.

INVESTMENT CONSIDERATIONS
We consider climate change factors, how they are managed, and transition opportunities as part of a company's investment case.

In 2024, we undertook a project to enhance our approach to assessing transition risk.

We developed and have now implemented a bespoke Net Zero Alignment Framework across all Australian and global investment strategies to better assess company and portfolio alignment with net zero by 2050.

This assessment, coupled with company and portfolio-level emissions footprint analysis, helps us to better identify risks and opportunities and engagement priorities related to climate change.

Our Climate Change Statement presents more information about our approach and is aligned with the Task Force on Climate-related Financial Disclosures (TCFD). See Appendix 3 for a TCFD reference table.

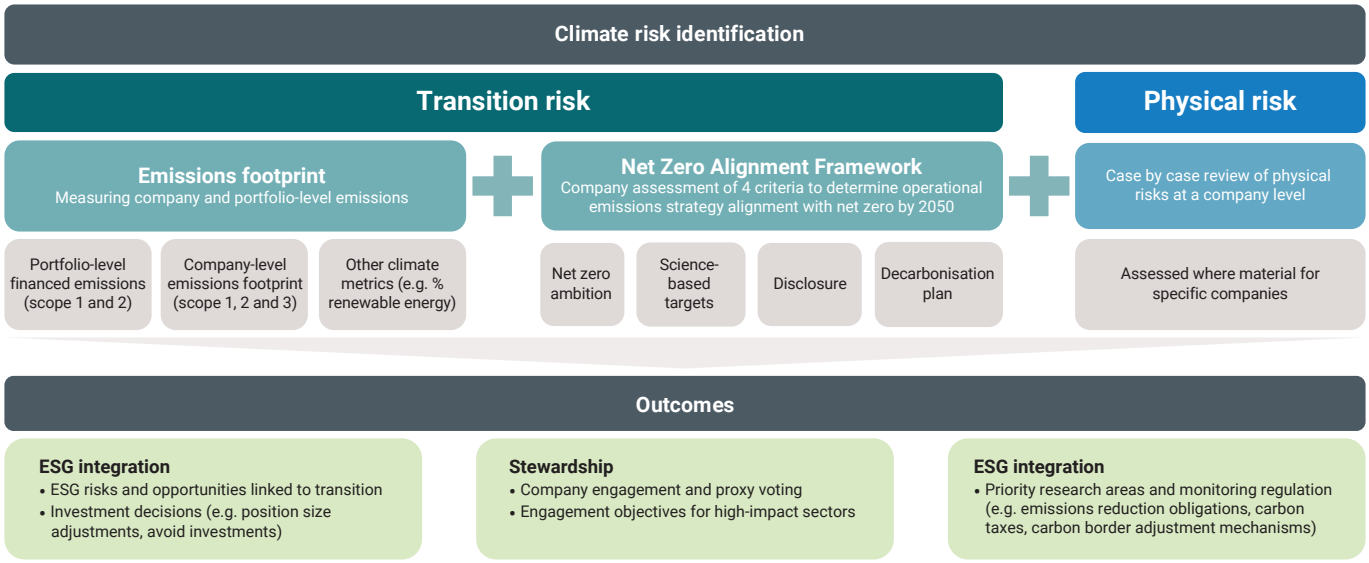
We also measure and disclose Alphinity's group-level financed emissions. These consist of all Alphinity's underlying individual funds. These metrics for the past three years are presented in Appendix 4.

[4] We also exclude fossil fuel producers and companies that generate energy using fossil fuels from our sustainable strategies (10% revenue threshold for the Australian Sustainable Share Fund and 5% for the Global Sustainable Equity Fund).

Considering transition and physical climate risks in investments

The graphic below illustrates the way that transition and physical climate risks are managed in our investments. This is the process by which we implement the five pillars of our approach to managing climate change.

Managing climate change risk in our investments



Transition risk

Emissions footprint

We use various carbon-related metrics to evaluate the transition risk of our investments (and prospects) and identify sector or company-level risks. The purpose of monitoring carbon emissions is to identify progress on emissions reduction and manage companies with a large emissions footprint or high carbon intensity, which are often more exposed to transition risks such as carbon pricing or changes in customer preference. This also helps us to prioritise companies for engagement and further research.

Net Zero Alignment Framework

Our Net Zero Alignment Framework is based on the second edition of the Paris Aligned Investment Initiative's Net Zero Investment Framework (NZIF 2.0) and includes a bespoke set of indicators and scoring methodology.

The goal of this framework is to measure the proportion of companies where operational emissions strategies are aligned with net zero by 2050. This contributes to more detailed analysis of company transition plans, benchmarks portfolio risk, and supports more effective stewardship and investment considerations related to climate change. Through this analysis we also consider the financial viability of different transition strategies or projects and integrate these aspects into our overall view of the plan quality.

Physical risk

Physical risks refer to the impacts of weather events, such as fires, storms, and floods. These risks vary by sector and depend significantly on each company's operating model and asset or supply chain locations. Physical climate risks can also present opportunities for companies, such as repair and maintenance contractors or insurers. This topic is integrated into our ESG Framework and is addressed, where material, for specific companies. We will seek to improve our analysis and reporting of this issue in 2025.

2024 update

Materiality

In 2024, transition risk, physical risk and operational emissions were assessed as some of the most material issues across our holdings. Climate change is well recognised as a systemic risk and the focus on reducing global emissions continued to gain momentum and increase in importance throughout the year.

The anti-ESG movement in the US, and re-election of President Trump, has changed the global sentiment around the energy transition. In 2024, there has been growing acceptance of gas as a transition fuel, a resurgence of nuclear energy as a clean source of baseload power and enabler for renewable energy, stronger support for carbon capture and storage, and reduced focus on 'transformational fuels' like green hydrogen.

Europe and most of Asia has maintained a consistent message on climate change and the energy transition throughout 2024. Under the European Green Deal, Europe has continued to implement policies which support the energy transition. For example, the Gas Regulation and Directive, and the Methane Regulation.

Due to these regional differences in energy transition policy and priorities, along with the good progress many companies have made to reduce their emissions, we have noted that the materiality for **operational emissions** has decreased this year, which in part reflects changes to our holdings compared to the year prior. Similarly, **energy transition** opportunities are less material overall due to a general deceleration in climate change priorities through the year. We still believe that scope 3 emissions, especially through the supply chain, could present a material impact to companies where regulations like the European Carbon Border Adjustment Mechanism are enforced.

Unfortunately, the world continued to warm throughout 2024 and there were reports citing record temperatures again. We saw many severe weather events and we have observed an increase in the importance of **physical risk** as an issue due to growing need for adaptation and resilience planning.

Despite the focus on climate change and the relative maturity in the transition risk space, the overall level of company disclosure on physical climate risks and scenario analysis remains low. This is also a key driver of physical risk being included in the top material topics in 2024, as the actual and residual risks are still challenging to assess.

Research

- Compared disclosures across diversified mining companies to determine transition risk and like-for-like performance. For companies that mine different metals, emissions intensity can be measured using a 'copper equivalent' metric that is adopted by organisations like the Transition Pathway Initiative. This normalises emissions across diversified mining companies and enables comparison within the sector. This analysis led us to identify disclosure gaps and begin engaging with relevant companies on industry positioning and competitiveness.
- Reviewed the remuneration structure of oil and gas companies to benchmark climate-related incentives and understand priorities, such as operational emissions reduction versus new energy investments. The outcomes of this review have been integrated into our stewardship activities.
- Met with companies involved in the Canadian Pathways Alliance and other energy and materials companies to better understand Carbon Capture and Storage solutions, and opportunities in low-carbon hydrogen and ammonia.
- Initiated a research project on data centre energy use and emissions. We undertook site visits and spoke with data centre operators and industry experts. This is part of our broader initiative to advance our responsible AI research and address additional ESG considerations throughout the AI value chain.

Transition risk assessment outcomes

Alphinity manages a range of funds across five different strategies. The following pages provide insights into our transition risk activities and shows the financed emissions and net zero alignment for the managed Fund within each strategy, as at 31 December 2024.

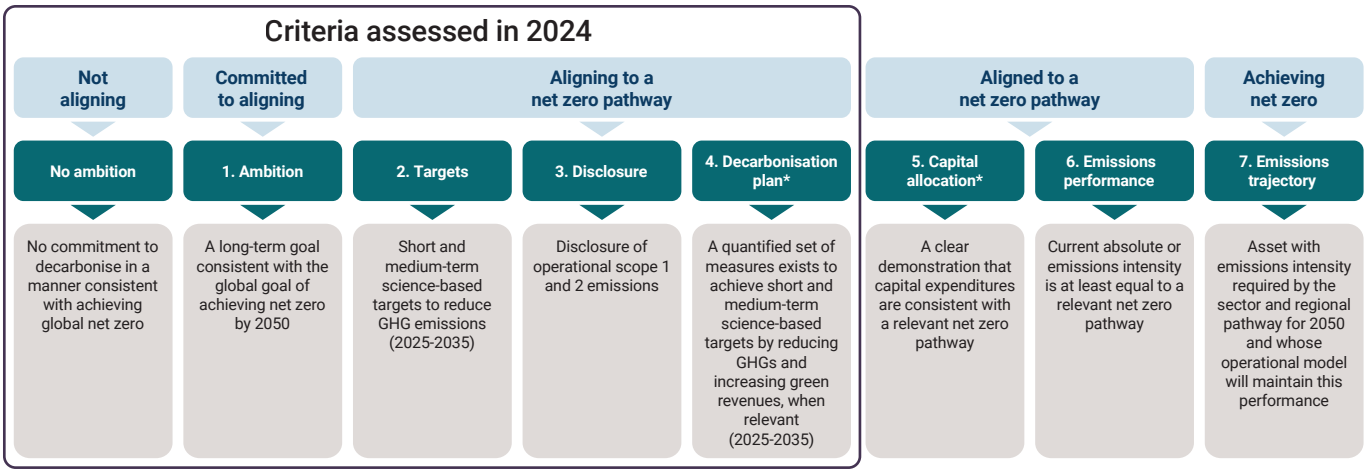
Financed emissions: The metrics we calculate are in line with the TCFD recommendations.[5] The combination of these metrics, company-level emissions data, and insights from our Net Zero Alignment Framework provides an overall assessment of transition risk in our investments.

- **Carbon Intensity:** Tonnes of carbon equivalents per million US dollars of revenue. This indicates the emissions associated with a company's operations, normalised by revenue. This is the most prominent metric used to represent transition risk globally.
- **Total Carbon Emissions:** Tonnes of carbon equivalents of the proportion of company equity owned. This represents the total share of a company's emissions we own through our equity holding.
- **Carbon Footprint:** Tonnes of carbon equivalents per million US dollars invested. This represents the Total Carbon Emissions metric normalised by AUM.

Net Zero Alignment Framework: The framework has seven criteria which inform company 'alignment' level, as illustrated below. Assessments for the 2024 year-end holdings cover the first four criteria. This will broaden to include all criteria in 2025.

The framework currently covers Scope 1 and 2 emissions. Scope 3 emissions are not included as data quality is not considered sufficiently reliable. Given the importance of scope 3 emissions in some sectors (such as banks and auto manufacturing) our aim is to include these in future. Transition risks from scope 3 emissions are currently considered where material in our ESG Framework and stewardship activities.

We have adopted the NZIF definition of high-impact and material sectors and this has been integrated into our company assessments and scoring methodology. For example, only companies in high-impact material sectors, such as mining and energy, are required to pass criteria 4 (decarbonisation plan). See the Climate Change Statement for further detail.



**Additional criteria that a company within a high-impact material sector needs to meet.*

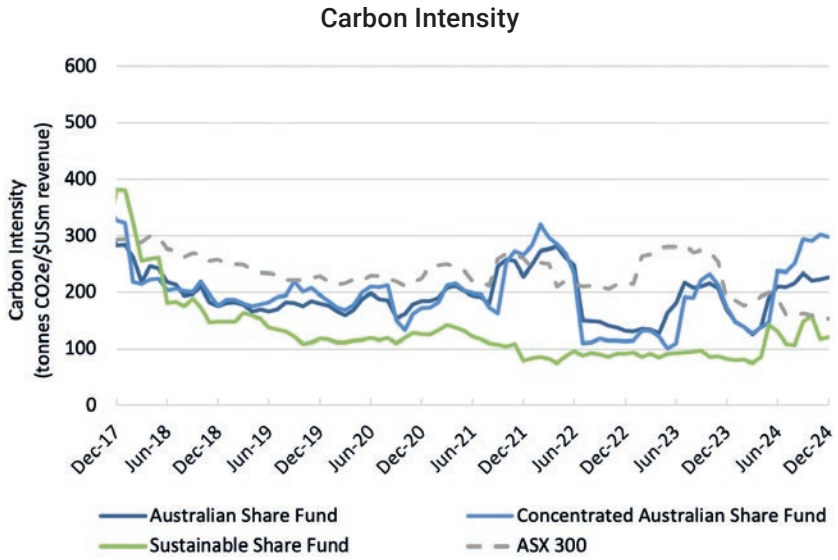
[5] These measures have limitations in identifying transition risk due to factors such as data availability, data quality, and the frequency of data updates. They may be influenced by fluctuations in currency or commodity prices, which do not necessarily indicate a change in transition risk.

Australian equities: Transition risk insights

The following insights present the carbon intensity and net zero alignment outcomes for the managed Fund within each Australian equities strategy, as at 31 December 2024. The other TCFD-aligned carbon metrics are provided for the last three years in Appendix 4.

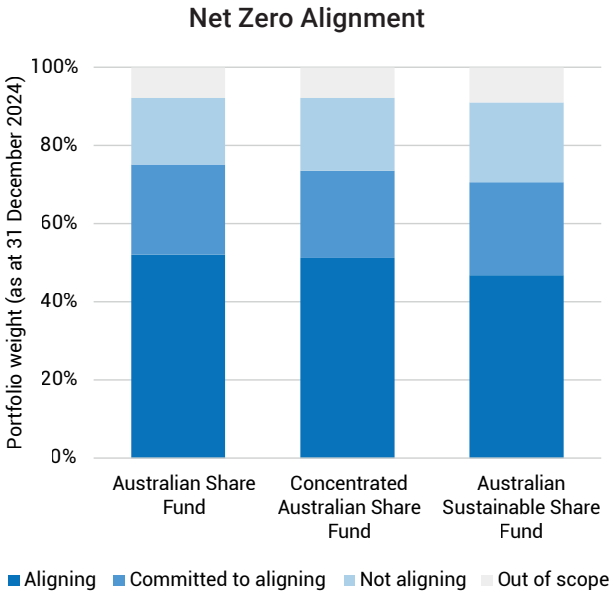
Additionally, the Net Zero Alignment assessment for the top contributors to the funds' carbon footprint in 2024 are presented in Appendix 5. These are AGL, South32, Santos, Qantas, Rio Tinto, BHP and BlueScope Steel. This represents our ownership share of the company's emissions, as determined by our equity holding in the managed funds through the year. We engaged with all of these companies in 2024 regarding transition risk. Information regarding their climate risks and our engagement priorities are also outlined in Appendix 5.

Carbon intensity: The carbon intensity across all funds increased in 2024 due to the inclusion of South32, a mining company with an energy-intensive aluminium smelting operations in South Africa. Across all funds, there were increases in position sizes of other large contributors such as BHP, Rio Tinto, Qantas and BlueScope Steel. The addition of AGL in the core and concentrated funds contribute to their emissions intensity being higher than the sustainable fund, which excludes energy generated from fossil fuels.



Net zero alignment: Between 45-55% of our Funds' by weight are 'Aligning' to net zero. This means that each company has at least a net zero ambition in place, has short-term science-based targets and good disclosure on its emissions footprint. For companies in high-impact sectors, they also have a good quality decarbonisation plan in place. It is important to recognise that transition risk is considered individually and those companies that are 'not aligning' may not necessarily present with more investment risks in the short-term. Understanding our Funds' net zero alignment, and where there are gaps, contributes to more detailed analysis of company transition plans, supports more effective stewardship and investment considerations related to climate change.

Approximately 10% of each fund is out of the scope of the assessment (e.g. non-material companies and non-equity holdings such as cash and futures).[6]



[6] Scope is defined by our internal methodology, which aligns with NZIF guidance indicating non-material sectors are not the recommended subject of the Net Zero Alignment Framework. The classification of companies (non-material, material, high-impact) is based on GICS Sub-Industries, and are reviewed where discretion should be applied. Excluded from scope are companies with absolute emissions below the threshold of 2000 tonnes, as well as cash and futures.

Insights

1. Financed emissions increased in 2024 along with targeted climate engagements

We continued to monitor financed emissions through 2024 and are cognisant of the Funds' increasing carbon intensity as an indicator of transition risk. We engaged in-depth on climate matters with companies like AGL, South32, BHP, Rio Tinto and Woodside Energy, and continue to monitor their emissions and climate strategies using the Net Zero Alignment Framework.

Although the Funds' carbon intensity has increased this year, there is still a decrease over time. The net zero transition will not be linear and the Funds' carbon intensity will vary depending on company emissions, portfolio constituents and weights. In 2024, we calculated portfolio carbon intensity on a rolling average basis, which provides additional insight across time periods.

In 2024, we initiated an engagement program with companies that were among the top ten carbon contributors, despite them having smaller emissions footprints relative to energy and mining companies. This involved productive discussions with CSL, Qube Holdings, and James Hardie.

2. Around 75% of the Funds' weight is 'aligning' or 'committed to aligning' to net zero

Most companies disclose their emissions and have net zero ambitions. While 70% of the Funds' weight already had science-based targets, this criterion has the most room for improvement. It is not common for Australian companies to seek validation from bodies like the Science-Based Targets Initiative, so the lack of science-based methodologies was a gap for some companies even where they had detailed climate transition disclosures.

Assessing the resilience of company transition plans over time and across different potential climate scenarios will continue to be an important focus in 2025.

3. Around 20% of the Funds' weight is not 'aligning' due to the absence of net zero ambitions

Despite relatively strong performance across emissions disclosure and even decarbonisation plans, lacking a long-term net zero ambition is a gap for some companies. Because this is the first criteria in the net zero alignment framework, this prevents them from improving in their performance as the methodology is sequential.

We evaluate net zero ambitions as it can indicate organisational commitment and senior management support. However, the absence of a long-term net zero policy does not necessarily imply that a company has high transition risk. Therefore, we will continue to engage with companies on this topic, particularly in high-impact sectors, and plan to engage all companies that did not meet this criteria in 2025.

4. Nearly half of the 44 companies invested in and assessed are considered 'high-impact' and present with more material transition risk

The Australian funds hold a relatively large mix of high-impact companies in the mining, energy, consumer and industrial sectors. The categorisation of high-impact companies aligns with our existing approach to guide stewardship and ESG risk management based on materiality. These companies present with more material transition risks than others. This is important as only five of these high-impact companies are presently 'aligning' to net zero, though the majority of the rest are 'committed to aligning'.

Various initiatives were implemented in 2024 to manage the transition risk of high-impact companies. We visited China and Canada to study the global transition and explore challenges and opportunities in key industries such as oil and gas, renewable energy, and batteries. Direct company engagement has always been an important part of our process to better understand risks, management strategies and progress. Once again, climate change was the most commonly discussed topic through the year and we have escalated concerns through our discussions with Directors, proxy votes and formal letters to Boards.

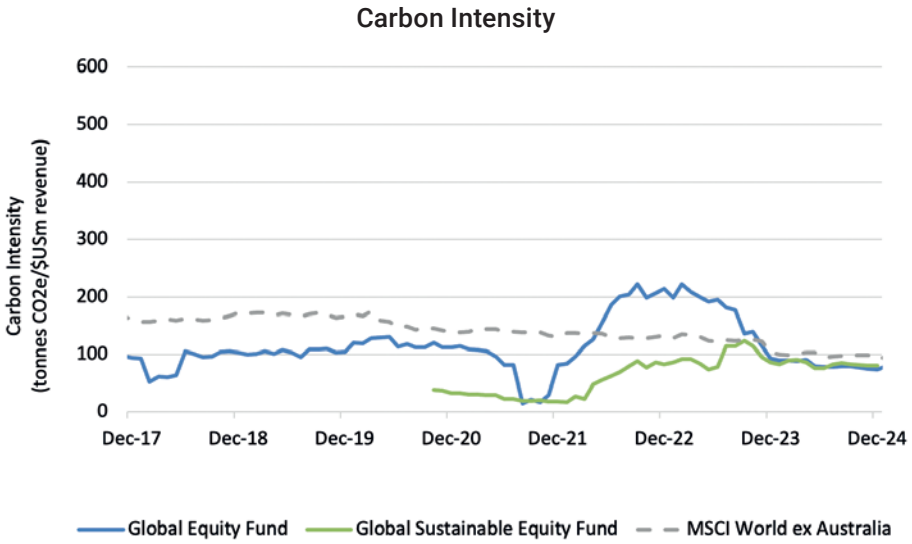
In 2025, we are implementing an updated engagement program to establish objectives for all high-impact companies (where they don't already exist), and material companies where notable gaps exist in their plans.

Global equities: Transition risk insights

The following insights present the carbon intensity and net zero alignment outcomes for the managed Fund within each Global equities strategy, as at 31 December 2024. The other TCFD-aligned carbon metrics are provided for the last three years in Appendix 4.

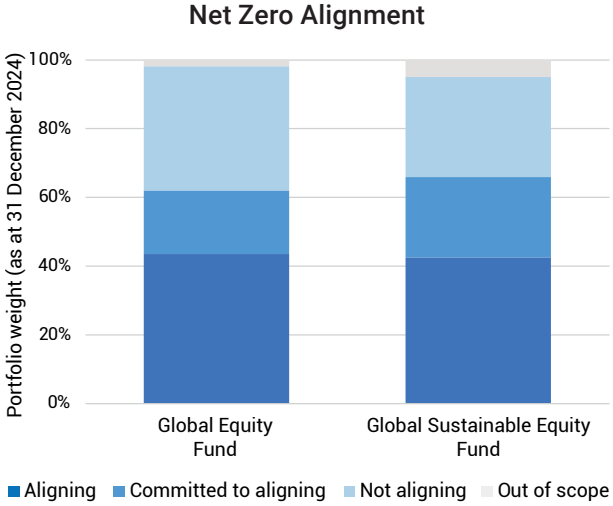
Additionally, the net zero alignment assessment for the top contributors to the Funds' carbon footprint in 2024 are presented in Appendix 5. This represents our ownership share of the company's emissions as determined by our equity holding in the managed funds through the year. These are Linde, Waste Connections, Conoco Phillips, SK Hynix, Sherwin Williams, Quanta Services and Procter & Gamble. We engaged with all of these companies in 2024 regarding transition risk. Additional information regarding their climate risks and our engagement priorities are provided in Appendix 5.

Carbon intensity: The carbon intensity across both funds remained relatively flat in 2024. The slight decrease for the core fund seen through the first half of 2024 was largely driven by selling out of Conoco Phillips, an oil and gas company. The primary carbon contributors to both funds through the year were Linde, an industrial gas company, and Waste Connections, a US waste management provider.



Net zero alignment: Approximately 40% of our Funds' by weight are 'Aligning' to net zero. This means that each company has at least a net zero ambition in place, has short-term science-based targets and good disclosure on its emissions footprint and progress. For companies in high-impact sectors, they also have a good quality decarbonisation plan in place. As stated earlier, transition risk is considered individually and companies that are 'not aligning' may not necessarily present with more investment risks in the short-term. Understanding our Funds' net zero alignment, and where there are gaps, contributes to more detailed analysis of company transition plans, supports more effective stewardship and investment considerations related to climate change.

Less than 5% of each Fund is outside the scope of the assessment (non-material companies and non-equity holdings such as cash and futures).[7]



[7] Scope is defined by our internal methodology, which aligns with NZIF guidance indicating non-material sectors are not the recommended subject of the Net Zero Alignment Framework. The classification of companies (non-material, material, high-impact) is based on GICS Sub-Industries, and are reviewed where discretion should be applied. Excluded from scope are companies with absolute emissions below the threshold of 10,000 tonnes, as well as cash and futures.

Insights

1. Financed emissions have remained steady in 2024

We continued to monitor financed emissions through 2024 and did not see a material change through the year. We engaged on in-depth climate matters with the largest emitters such as Linde and Waste Connections and continue to monitor both their emissions and their climate strategy. We also held productive discussions with other top contributors such as Novonesis, Cintas, SK Hynix and Sherwin Williams.

2. Around 65% of the Funds' weight is 'aligning' or 'committed to aligning' to net zero

A high percentage of our portfolios are 'aligning' or 'committed to aligning' to net zero, with the Global Sustainable Equity Fund slightly more aligned than the Global Equity Fund.

All companies disclose emissions, and more than 70% have net zero ambitions. However, unlike the Australian market where validation from the Science-Based-Targets-Initiative is rare, more than half of the companies assessed had certified emissions targets under the initiative which serves as a strong response to transition risk management.

Around 20-30% of the Funds' weight is not aligning to net zero. While 60% of the portfolios passed the decarbonisation plan, this criterion has the most room for improvement due to detail that is lacking in transition plans. Disclosures related to key milestones and emissions attributable to specific initiatives will form engagement priorities in 2025.

3. Over half of the 37 companies assessed are considered 'high-impact' and present with more material transition risk

High-impact companies in technology, industrial, and consumer sectors made up 40% of the holdings assessed. We have included big technology companies such as Alphabet and Microsoft because of their significant size and electricity use. Overall, a good proportion of these companies demonstrate net zero progress, with four considered 'aligning' to net zero and a further 10 'committed to aligning'.

Among the high-impact companies that are not aligning, most have net zero ambitions, emissions disclosure and short and medium-term science-based emissions targets. However, we identified that quality decarbonisation plans was the criteria with most room for improvement.

Various initiatives were implemented in 2024 to manage the transition risk of high-impact companies. We held multiple meetings with large emitters such as Conoco Phillips and Linde. We are active support investors for the CA100+ initiative on portfolio holding Trane Technologies and suggested engagement areas according to our climate change analysis. We engaged with companies like Intuitive Surgical on the merits of setting a long-term net zero commitment and will continue to do so in 2025.

Once again, climate change was the most commonly discussed topic through the year. Insights from research trips to Canada and China informed regional challenges and opportunities related to the transition. In 2025, we are implementing an updated engagement program to establish objectives for all high-impact companies, and material companies where notable gaps exist in their plans.

Examples of company engagement

Woodside Energy

ENERGY TRANSITION

We have had an ongoing **engagement objective** with Woodside to establish a clear climate change management plan, as its social license and future investment outlook are heavily influenced by its management of transition risk. We have done so whilst encouraging financial discipline in decarbonising the business. A meeting was held with the Chair of the Board in April 2024 before its AGM to discuss the Say on Climate proxy vote and Board oversight of climate change. We subsequently **voted** against this item and issued the Chair and CEO with a **letter** outlining our rationale and concerns about the decarbonisation plan. There were subsequent meetings held through 2024 to discuss this in more detail, as well as Woodside's opportunities in the new energy market. While it is not our role to dictate how Woodside should transition, our view is that investors require further details in order to have confidence that the company will be resilient under different climate scenarios, and whether the company is planning appropriately for the transition. This remains an ongoing priority area in 2025.

Linde

TRANSITION RISK AS A THREAT AND OPPORTUNITY

As a substantial producer of emissions through its grey hydrogen operations and energy-intensive production of essential gases such as oxygen, we consider transition risk to be a material ESG consideration for Linde. While it does have a sizeable emissions footprint, the company also helps customers achieve the avoidance and reduction of carbon emissions through technologies like carbon capture solutions and low carbon hydrogen. As such, we continue to prioritise **engagement** with Linde to monitor its emissions performance and progress towards net zero. The company's emissions footprint has remained relatively stable in recent years, which is quite an accomplishment considering the business growth. In addition to supporting various early-stage green hydrogen projects, in 2024, Linde also secured its first commercial Blue Ammonia project with Exxon and Woodside Energy. Linde has a number of threats and opportunities from a transition perspective, which contribute to the **ESG Risk Level** of 2.

MOODY'S

PHYSICAL CLIMATE RISK

Moody's, a global leader in credit ratings, research, and risk analysis, has recognised the growing importance of adaptation and expanded its offerings to include physical climate risk solutions. We **engaged** with the company to discuss the integration of ESG factors into its credit solutions, which also involved a demonstration of the physical risk product. This confirmed that Moody's is investing in predictive models which aid in underwriting, compliance with climate-related disclosures and risk management. It is an area we continue to monitor as this could be a meaningful business opportunity for Moody's given greater customer demands for adaptation and resilience solutions over time.

QUBE

IN-DEPTH ANALYSIS OF CLIMATE CHANGE MANAGEMENT

In 2024, we started a project to examine the transition risks of the top contributors to the carbon intensity of our Australian strategies. The objective was to assess the maturity of these companies against our **Net Zero Alignment Framework** and engage to better understand climate change strategies, as needed. Qube already has reasonable climate change disclosures, which include emission intensity targets and physical risk assessments. However, unlike most companies in our portfolios, Qube does not have an absolute emissions reduction target. A dedicated climate **engagement** was organised with the company to gain insight into its decarbonisation strategy and assess whether transition risk should be considered a more material short-term threat within our **ESG Framework**. The meeting was comprehensive, covering various programs aimed at decarbonising the business, such as electric trains and diesel fleet electrification. These responses were satisfactory and no change to the ESG risk level or materiality of transition risk was made. However, we recommended that Qube develop and disclose the pillars of its decarbonisation strategy and publish progress against climate milestones in future disclosures. This engagement remains ongoing.

Cochlear

INTEGRATING CLIMATE CHANGE IN REMUNERATION

We carefully evaluated the ESG factors which are included in executive remuneration, recognising that this practice has become increasingly common. We advocated for the inclusion of non-financial factors as they can serve as a useful mechanism to manage material ESG risks. However, we remain mindful of cases where the incentivised issues are not the most significant ESG priorities, or where the incentives lack ambition. Prior to Cochlear's AGM, we **engaged** with the Chair of the Board to better understand the activities rewarded within the climate change component of executive remuneration and whether it is suitable to continue incentivising emissions, as significant reductions have already been achieved, and the company does not have a high emissions footprint. It was the first time we had addressed this topic and we plan to revisit it in 2025. This is part of our broader interest in recent years to understand the quantum and scope of both short and long-term ESG components in remuneration of portfolio companies.

CASE STUDY

CSL, Schneider Electric: Benchmarking best practice on supplier decarbonisation

Transition risk exists not only in company operations but also in their supply chains. Supply chain decarbonisation targets can help manage these risks, serving to mitigate the impacts of potential carbon regulations, enhance energy efficiency and improve reliability where grid instability is an issue. However, this can also come with challenges such as higher procurement costs or unreasonable pressures placed on suppliers, especially those in emerging markets. This was revealed on a garment **supply chain trip** to Bangladesh and Vietnam in 2023, where factories were struggling to decarbonise due to financial constraints and technology availability.

In 2024, we continued **engaging** companies to learn how they implement transition risk assessments with their suppliers. This case study highlights two portfolio companies, CSL and Schneider Electric, as good practice examples:

- CSL, an Australian healthcare company, has more than 60% of its direct tier 1 suppliers with emissions targets validated by the Science-Based-Targets-Initiative. Its approach to integrate supplier transition risk is mature and involves collaborating with smaller suppliers on available frameworks to measure and manage emissions. Transition risks are being integrated into its tender process and assessed as a condition of supplier onboarding.
- Schneider Electric has a strong program around energy efficiency and automation to support its suppliers. It leverages its own products and services for customers, such as power purchase agreements and renewable energy certificates, and offers these to its suppliers. This collaborative approach has resulted in a 27% reduction in emissions from its top 1000 suppliers to date.

These company engagements have provided us with valuable insights into how businesses can tackle the task of scope 3 decarbonisation. Typically, they prioritise major suppliers first, and focus on collaboration to advance decarbonisation strategies and encourage measurement of emissions. As investors, we encourage companies to report on supplier progress in order to inform our own view of supplier transition risks. With the disclosure of scope 3 emissions still quite varied across the market, a focus in 2025 is to benchmark how companies disclose and manage different upstream and downstream emissions categories.

Schneider Electric, Waste Connections, Capstone Copper, Novonesis: Investing in climate change solutions and opportunities

While there is growing pressure to reduce carbon emissions, without investing in solutions the world will not achieve its net zero ambition. We consider opportunities brought by the transition that may create tailwinds for companies in our portfolios. Examples of opportunities within our portfolios include:

- **Schneider Electric:** The investment case is strongly supported by the world's transition to electrification, digitisation and sustainable industrialisation. Schneider's products and solutions service electrical distribution, energy efficient buildings, energy storage and grid automation. The industrial automation business provides a range of solutions for streamlining customer operations, optimising output, minimising energy use and collecting data with advanced software to achieve these objectives.
- **Waste Connections:** The gas produced naturally at Waste Connections' solid waste landfills represents a valuable resource that the company is diligently recovering for conversion into a form of green fuel. With an investment of US$200 million, resulting in the expected operation of a dozen new facilities over the next few years, the company is strategically positioned to reduce its emissions and capitalise on opportunities within the alternative fuel market.
- **Capstone Copper:** Copper is a vital commodity for energy systems and modern technology, particularly in the electrification of urban areas. Electric vehicles and data centres are expected to drive copper demand substantially by 2050. With a commitment to responsible copper mining in the Americas, Capstone is strategically positioned as both a facilitator and beneficiary of the climate transition.
- **Novonesis**: This company discovers, develops, and produces biosolutions that assist in various eco-friendly practices across climate solutions, human health, and sustainable agriculture. The company is active in the biofuels sector, promoting a transition from fossil fuels and enhancing the economic output from agricultural crops, other biomass, and waste residues. In recent years, the annual emissions reductions in the global transportation sector achieved through the use of biofuels produced by Novonesis solutions have been estimated at more than 60 million tonnes. This is comparable to removing more than 27 million cars from the roads.

Conoco Phillips, Santos: Carbon Capture and Storage as a transition enabler in oil and gas

In October 2024, our Head of ESG and Sustainability undertook a **research trip** to Canada to understand the state of Carbon Capture and Storage (CCS) projects. According to the Global CCS Institute, there are 48 new CCS projects moving toward realisation in Canada, making it second only to the United States in terms of the number of CCS projects. Canada has another 62 planned by 2030.

It became very clear from the company meetings that CCS provides a clear pathway for emissions-heavy industries like oil sands to keep operating in a low carbon world. Unlike Australia, the general sentiment in Canada towards CCS is very positive. There is less resistance or concern around the technical limitations, and the cost challenges have mostly been solved with a tax credit program.

An example of this is the CCS network and pipeline development proposed by the Pathways Alliance in Alberta. The Alliance is made up of Canada's largest oil sands companies which are working together to provide energy the world needs while advancing environmental innovation and projects. Once developed, the project would have the capacity to transport captured CO2 from multiple oil sands facilities to a hub in Alberta for permanent underground storage. Conoco Phillips is a part of this alliance and has positioned CCS as a key technological step change in its climate transition strategy.

Overall, CCS remains an important area of **engagement** for our portfolio companies, particularly in the oil and gas sector where early preparation for the net zero transition is important to remain resilient in future.