



PUBLIC CLIMATE REPORT

2023

Yarra Capital Management

Generated 15-12-2023

About this report

PRI reporting is the largest global reporting project on responsible investment. It was developed with investors, for investors.

PRI signatories are required to report publicly on their responsible investment activities each year. In turn, they receive a number of outputs, including a public and private Climate Report.

Climate change is recognised as a priority issue in the PRI's 2021-2024 Strategy and climate-specific indicators were introduced for the first time in the 2018 Reporting Framework. In the 2023 Reporting Framework, these indicators are aligned to the recommendations of the Task Force on Climate-Related Financial Disclosures and the Investor Climate Action Plans.

The public Climate Reports, which are produced using signatories' reported information, support signatories to have internal discussions about their climate-related practices and to discuss these with their clients, beneficiaries, and other stakeholders.

This public Climate Report is an export of the signatory's responses to core climate-related indicators (and any plus indicators it has agreed to make public) in the PRI Reporting Framework from the 2023 reporting period.

In response to signatory feedback, the PRI has not summarised signatories' responses – the information in this document is presented exactly as it was reported.

For each of the indicators in this document, all options selected by the signatory are presented, including links and qualitative responses. In some indicators, all applicable options are included for additional context.

Disclaimers

Responsible investment definitions

Within the PRI Reporting Framework Glossary, we provide definitions for key terms to guide reporting on responsible investment practices in the Reporting Framework. These definitions may differ from those used or proposed by other authorities and regulatory bodies due to evolving industry perspectives and changing legislative landscapes. Users of this report should be aware of these variations, as they may impact interpretations of the information provided.

Data accuracy

This document presents information reported directly by signatories in the 2023 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented.

The PRI has taken reasonable action to ensure that data submitted by signatories in the reporting tool is reflected in their official PRI reports accurately. However, it is possible that small data inaccuracies and/or gaps remain, and the PRI shall not be responsible or liable for such inaccuracies and gaps.

Table of Contents

Indicator	Page
PGS 2	4
PGS 3	4
PGS 11.1	5
PGS 16	6
PGS 17	6
PGS 41	7
PGS 41.1	8
PGS 42	9
PGS 43	10
PGS 44	10
PGS 45	12
PGS 46	12

POLICY

RESPONSIBLE INVESTMENT POLICY ELEMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 2	CORE	PGS 1	Multiple, see guidance	PUBLIC	Responsible investment policy elements	1

Does your formal responsible investment policy(ies) include specific guidelines on systematic sustainability issues?

- (A) Specific guidelines on climate change (may be part of guidelines on environmental factors)
- (B) Specific guidelines on human rights (may be part of guidelines on social factors)
- (C) Specific guidelines on other systematic sustainability issues
- (D) **Our formal responsible investment policy(ies) does not include guidelines on systematic sustainability issues**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 3	CORE	PGS 1, PGS 2	N/A	PUBLIC	Responsible investment policy elements	6

Which elements of your formal responsible investment policy(ies) are publicly available?

- (A) **Overall approach to responsible investment**
Add link:
<https://www.yarracm.com/tools-and-resources/literature-centre/esg-approach/>
- (E) Guidelines on sustainability outcomes
- (J) Guidelines on exclusions
- (K) Guidelines on managing conflicts of interest related to responsible investment
- (L) Stewardship: Guidelines on engagement with investees
- (N) Stewardship: Guidelines on engagement with other key stakeholders
- (O) Stewardship: Guidelines on (proxy) voting
- (Q) No elements of our formal responsible investment policy(ies) are publicly available

GOVERNANCE

ROLES AND RESPONSIBILITIES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.1	CORE	PGS 1, PGS 2, PGS 11	N/A	PUBLIC	Roles and responsibilities	1, 2

Does your organisation's senior level body(ies) or role(s) have formal oversight over and accountability for the elements covered in your responsible investment policy(ies)?

	(1) Board members, trustees, or equivalent	(2) Senior executive-level staff, investment committee, head of department, or equivalent
(A) Overall approach to responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Guidelines on sustainability outcomes	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(H) Guidelines on exclusions	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(I) Guidelines on managing conflicts of interest related to responsible investment	<input type="checkbox"/>	<input type="checkbox"/>
(J) Stewardship: Guidelines on engagement with investees	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(L) Stewardship: Guidelines on engagement with other key stakeholders	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(M) Stewardship: Guidelines on (proxy) voting	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(N) This role has no formal oversight over and accountability for any of the above elements covered in our responsible investment policy(ies)	<input type="radio"/>	<input type="radio"/>

EXTERNAL REPORTING AND DISCLOSURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 16	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

What elements are included in your regular reporting to clients and/or beneficiaries for the majority of your AUM?

- (A) Any changes in policies related to responsible investment
- (B) Any changes in governance or oversight related to responsible investment
- (C) Stewardship-related commitments
- (D) Progress towards stewardship-related commitments
- (E) Climate-related commitments
- (F) Progress towards climate-related commitments
- (G) Human rights-related commitments
- (H) Progress towards human rights-related commitments
- (I) Commitments to other systematic sustainability issues
- (J) Progress towards commitments on other systematic sustainability issues
- (K) We do not include any of these elements in our regular reporting to clients and/or beneficiaries for the majority of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 17	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, did your organisation publicly disclose climate-related information in line with the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations?

- (A) Yes, including all governance-related recommended disclosures
- (B) Yes, including all strategy-related recommended disclosures
- (C) Yes, including all risk management-related recommended disclosures
- (D) Yes, including all applicable metrics and targets-related recommended disclosures
- (E) None of the above
 - Explain why: (Voluntary)

We are a supporter of the TCFD. We routinely monitor the GHG emissions exposure of our portfolios to:

- Identify companies which are leaders and laggards in disclosing emissions, which helps prioritise board and management engagement on ESG issues (where we recommend they follow the TCFD framework);
- Record the trajectory of emissions (at both an absolute and intensity level) of companies, sectors and the portfolio, which we believe will become more useful as company disclosure improves and more data points accumulate over time.

We continue to explore signing various initiatives we view as important to improve ESG disclosure and accountability. Given our high engagement with companies (more than 2,500 meetings per year), we believe we are well positioned to influence management to adopt TCFD disclosures. We believe this will improve the accuracy of climate change risk assessment across ASX listed companies.

STRATEGY

CLIMATE CHANGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41	CORE	N/A	PGS 41.1	PUBLIC	Climate change	General

Has your organisation identified climate-related risks and opportunities affecting your investments?

(A) Yes, within our standard planning horizon

Specify the risks and opportunities identified and your relevant standard planning horizon:

YCM has an organisational net zero emissions goal and is working through how we might commit to an investment portfolio net zero goal.

- (1) climate positive, i.e. part of the solution, taking carbon out of the atmosphere
- (2) low emitters, i.e. low absolute and relative emissions profiles relative to peers and within the portfolio
- (3) middle of the pack, following, i.e. somewhere between low/high emissions and identifying which factors we are honing in to understand better or watching
- (4) high emitters, but positive, i.e. while they are contributing to high emissions today, we feel confident either about pathways, credible targets, business model transitions, and/or our engagement strategy to keep backing these companies from a climate perspective or
- (5) high emitters, watchlist, i.e. we are monitoring or aware that these companies may have insufficient targets or strategies to continue to hold over the long term.

(B) Yes, beyond our standard planning horizon

- (C) No, we have not identified climate-related risks and/or opportunities affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41.1	CORE	PGS 41	N/A	PUBLIC	Climate change	General

Does your organisation integrate climate-related risks and opportunities affecting your investments in its overall investment strategy, financial planning and (if relevant) products?

● (A) Yes, our overall investment strategy, financial planning and (if relevant) products integrate climate-related risks and opportunities

Describe how climate-related risks and opportunities have affected or are expected to affect your investment strategy, financial planning and (if relevant) products:

We recognise moving toward a net zero strategy will require using differentiated levers, including building a more robust understanding of baseline data and pathways forward that will suit our client mandates. While we already understand the largest emitters by investment strategy and practice active engagement toward the thesis of supporting decarbonisation and the energy transition required, we will be working through a more coordinated approach to line up client expectations and targets with portfolio management strategies over the next year or so.

Climate change risks are material inputs to our company valuations and overall investment theses. When assessing climate risks, we undertake in-depth analysis to go beyond tracking disclosure to understand the integrity and feasibility of pathways toward company emissions targets. As active managers, we engage regularly and use meetings as a key tool to understand companies' targets and transition strategies as well as to advocate for what we believe constitutes best practice within the company's industry peer group. We have also built both point in time emissions analysis (absolute emissions and emissions intensity) as well as climate action and leadership (forward strategy, targets, alignment with capex etc) into our standard ESG integration process and scorecard. We understand and are aligned with a net zero imperative and have built climate analysis and reporting into our investment process.

As a bottom-up fund manager, we do not currently actively target the investment strategy's carbon footprint at a portfolio level. Instead, we continue to focus on climate change risks and opportunities at a stock and sector level, where portfolio positioning is determined by robust company analysis. Climate change risks are material inputs to our company valuations and overall investment theses, with the adequacy of emissions targets (or lack thereof) a key component.

We primarily source our ESG research internally, through direct, one-on-one engagement with companies and industry participants. A high percentage of these meetings will have at least one agenda item that relates to the identification or discussion of ESG issues, given this is an integral part of our due diligence process. Often the research on individual topics is aggregated by the relevant analysts and presented to the broader team, raising awareness of the issue (e.g. modern slavery) or opportunity (e.g. hydrogen). However, we continue to monitor portfolio level emissions versus the benchmark.

- (B) No, our organisation has not yet integrated climate-related risks and opportunities into its investment strategy, financial planning and (if relevant) products

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 42	PLUS	N/A	N/A	PUBLIC	Climate change	General

Which sectors are covered by your organisation's strategy addressing high-emitting sectors?

(A) Coal

Describe your strategy:

YCM has set a target to phase out thermal coal holdings completely from its portfolios by 2030 and will not make new thermal coal investments between now and 2030. Maximum 10% revenue threshold applies to existing holdings.

(B) Gas

Describe your strategy:

Exclude by 2040; ESG screen and higher threshold for any new investments into oil & gas exploration and production from 2023 to 2040; Active management and engagement to reduce ESG risks and promote orderly energy transition toward decarbonisation

(C) Oil

Describe your strategy:

Exclude by 2040; ESG screen and higher threshold for any new investments into oil & gas exploration and production from 2023 to 2040; Active management and engagement to reduce ESG risks and promote orderly energy transition toward decarbonisation

(D) Utilities

Describe your strategy:

Supporting those actively moving toward energy transition and decarbonisation. Active engagement.

(E) Cement

(F) Steel

Describe your strategy:

Back those proactively moving toward lower carbon tech solutions, including hydrogen and recycled scrap metals. Continue to invest in iron ore and revisit technological solutions with metallurgical coal.

(G) Aviation

Describe your strategy:

Preferencing companies that are proactively investing in meaningful solutions (benchmarking to global best practice peers) such as SAFs; Engaging actively

(H) Heavy duty road

(I) Light duty road

(J) Shipping

Describe your strategy:

Do not invest in pure play or significant majority thermal coal logistics companies. Others are run through our ESG scorecard to identify material risks.

(K) Aluminium

(L) Agriculture, forestry, fishery

(M) Chemicals

Describe your strategy:

Take a case-by-case approach to portfolio of chemicals of concern and emerging research/regulatory environment. Do not invest where known proven carcinogens.

(N) Construction and buildings

Describe your strategy:

Only supporting those companies that are proactively investing in meaningful solutions (benchmarking to global best practice peers) such as lower carbon cement/concrete; Engaging actively

- (O) Textile and leather
- (P) Water
- (Q) Other
- (R) We do not have a strategy addressing high-emitting sectors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 43	CORE	N/A	N/A	PUBLIC	Climate change	General

Has your organisation assessed the resilience of its investment strategy in different climate scenarios, including one in which the average temperature rise is held to below 2 degrees Celsius (preferably to 1.5 degrees Celsius) above pre-industrial levels?

- (A) Yes, using the Inevitable Policy Response Forecast Policy Scenario (FPS) or Required Policy Scenario (RPS)
- (B) Yes, using the One Earth Climate Model scenario
- (C) Yes, using the International Energy Agency (IEA) Net Zero scenario**
- (D) Yes, using other scenarios
- (E) No, we have not assessed the resilience of our investment strategy in different climate scenarios, including one that holds temperature rise to below 2 degrees

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 44	CORE	N/A	N/A	PUBLIC	Climate change	General

Does your organisation have a process to identify, assess, and manage the climate-related risks (potentially) affecting your investments?

(A) Yes, we have a process to identify and assess climate-related risks

(1) Describe your process

Climate-related risks are explicitly factored into our ESG research is ingrained in how our processes for our Australian Equity and Fixed Income analysts, invest and are a mainstream part of the ongoing bottom-up fundamental research processes.

ESG research is ingrained in how our Australian Equity and Fixed Income analysts invest and are a mainstream part of the ongoing research process.

(2) Describe how this process is integrated into your overall risk management

At the Australian Equity level, our process is as follows:

- Firstly, we identify ESG issues through extensive company and industry due diligence including a proactive program of engaging company boards, reviewing board structures/compensation guidelines and engaging third party consultants/brokers to undertake bespoke research.
- ESG issues which are identified are included in our one-page investment thesis produced for each company, which is an effective tool to monitor these ESG issues.
- If we assess the ESG issues identified to be sufficiently material and a threshold issue, we will not invest in that company.
- ESG issues identified and found not to be threshold issues are incorporated into our valuation work. They may be included as a specific charge to the cash flows (e.g. a potential environmental liability) or an adjustment to the weighted average cost of capital calculation.
- Our policy includes a requirement that we vote on all resolutions put forward by companies that we invest in. We incorporate the advice of an external research firm when deciding on how to vote, however we are not bound to follow their advice if we believe it is inconsistent with the overall objective of voting in our clients' interests.
- We are committed to including ESG considerations in our brokerage panel structure.

At the Fixed Income level, our process is as follows:

- Firstly, we identify ESG issues through extensive sovereign, company and industry due diligence including a proactive program of engaging all stakeholders and third party consultants/brokers to undertake bespoke research.
- ESG issues which are identified are included in our one-page investment thesis produced for each issuer, and factored into our credit assessments.
- If we assess the ESG issues identified to be sufficiently material and a threshold issue, we will not invest in that company.
- ESG issues identified and found not to be threshold issues are incorporated into our valuation work. This will typically result in a lower than otherwise credit rating, which will typically require greater compensation/return to justify the investment.

As part of our research process, we utilise multiple channels to remain abreast of ESG issues:

- Company and industry contact (as noted above).
- Meetings with industry experts, consultants and market participants including regulators and government.
- Meetings with brokers around specific ESG issues (note: our panel vote includes a specific allocation for ESG research).
- Use of the GLG and Guidepoint and Primary Insight expert networks to identify and target meetings around specific topics, particularly in offshore markets.
- Attendance at industry meetings

(B) Yes, we have a process to manage climate-related risks

(C) No, we do not have any processes to identify, assess, or manage the climate-related risks affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 45	CORE	N/A	N/A	PUBLIC	Climate change	General

During the reporting year, which of the following climate risk metrics or variables affecting your investments did your organisation use and disclose?

- (A) Exposure to physical risk
- (B) Exposure to transition risk
- (C) Internal carbon price
- (D) Total carbon emissions**
 - (1) Indicate whether this metric or variable was used and disclosed, including the methodology
 - (1) Metric or variable used**
 - (2) Metric or variable used and disclosed
 - (3) Metric or variable used and disclosed, including methodology
- (E) Weighted average carbon intensity**
 - (1) Indicate whether this metric or variable was used and disclosed, including the methodology
 - (1) Metric or variable used**
 - (2) Metric or variable used and disclosed
 - (3) Metric or variable used and disclosed, including methodology
- (F) Avoided emissions
- (G) Implied Temperature Rise (ITR)
- (H) Non-ITR measure of portfolio alignment with UNFCCC Paris Agreement goals
- (I) Proportion of assets or other business activities aligned with climate-related opportunities
- (J) Other metrics or variables
 - (K) Our organisation did not use or disclose any climate risk metrics or variables affecting our investments during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 46	CORE	N/A	N/A	PUBLIC	Climate change	General

During the reporting year, did your organisation disclose its Scope 1, Scope 2, and/or Scope 3 greenhouse gas emissions?

- (A) Scope 1 emissions
- (B) Scope 2 emissions
- (C) Scope 3 emissions (including financed emissions)
- (D) Our organisation did not disclose its Scope 1, Scope 2, or Scope 3 greenhouse gas emissions during the reporting year**