

ADAMANTEM CAPITAL

# CLIMATE POLICY

POLICY APPROVED - SEPTEMBER 2021

# 1. INTRODUCTION

This Climate Policy outlines Adamantem’s approach to integrating climate change considerations into investment decisions, portfolio company management activities and our own operations. It applies to all funds managed by Adamantem.

The specific consideration of climate change risks and opportunities forms part of Adamantem’s broader approach to responsible investing, and this Climate Policy should be read in conjunction with Adamantem’s Responsible Investing Policy.

# 2. CLIMATE CHANGE APPROACH

In order to deliver outstanding financial returns for our investors and positively contribute to social and environmental impacts, it is critical for us to assess and address risks and opportunities that may result from a changing climate.

Climate change is one of the most important components of the “Environmental Sustainability” pillar of our responsible investing strategy, which we define as “responsible involvement with the environment to avoid deterioration of natural resources and support long-term quality for future generations”.

This Climate Policy sets out how we incorporate climate change considerations across the full investment cycle as well as within our own operations. It is structured around the four thematic areas of the Task Force on Climate-Related Financial Disclosure’s recommendations:

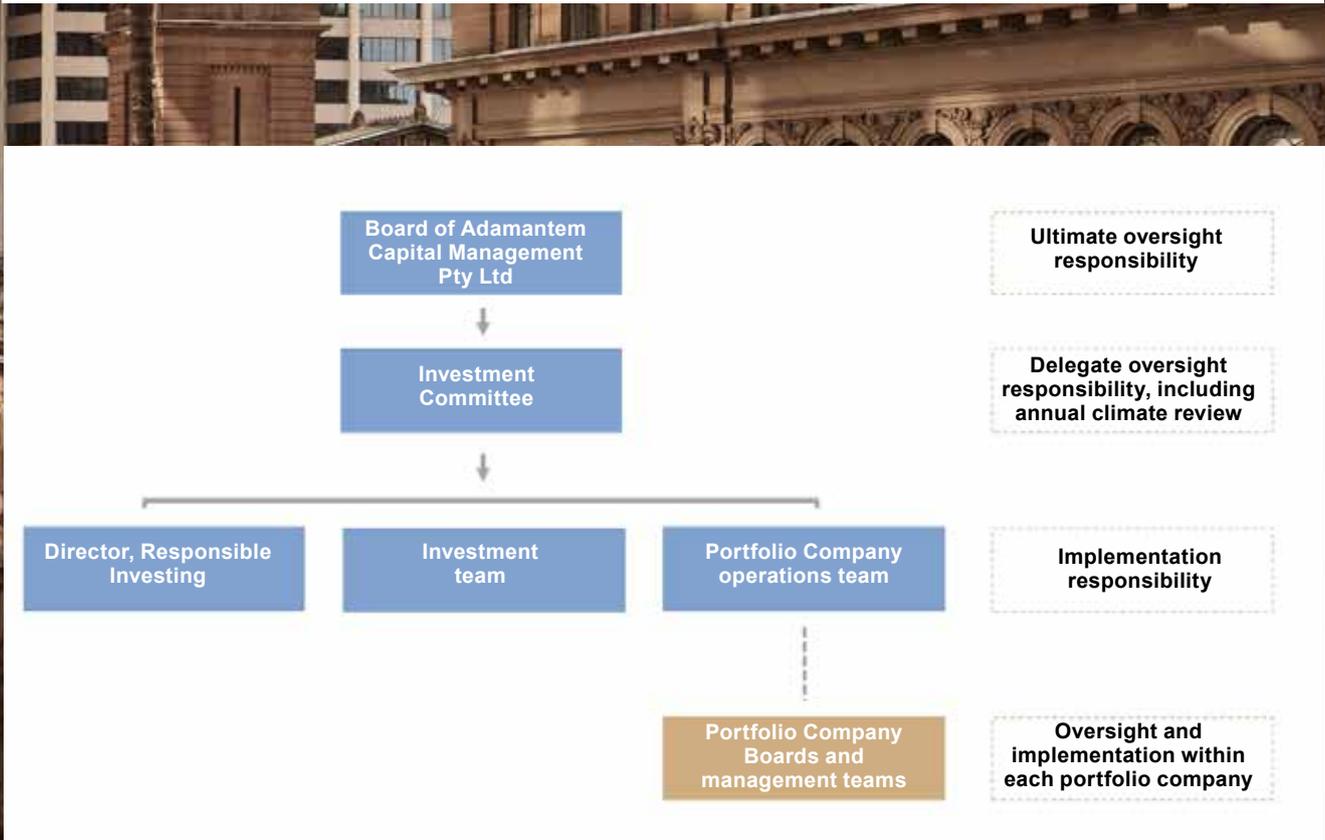
- Governance
- Strategy
- Risk Management
- Metrics and Targets



# 3. GOVERNANCE

We have a robust climate governance structure with clear allocation of oversight and implementation responsibility for the consideration and management of climate change risks and opportunities:

- The Board of Adamantem Capital Management Pty Limited (“Board”), as the manager of the Adamantem Funds, holds ultimate oversight responsibility for:
  - ◊ managing climate change risks and opportunities within the Adamantem Funds (“Fund Climate Change Considerations”); and
  - ◊ managing climate change risks and opportunities within Adamantem’s own operations through the Adamantem risk management framework.
- The Board delegates the oversight responsibility for Fund Climate Change Considerations to the Investment Committee, which considers climate change risk and opportunities in investment decisions, portfolio company performance reviews and through the annual Fund climate risk review described in Section 4B of this Policy.
- The Investment Team is responsible for integrating climate change considerations in pre-investment due diligence, with the support of the Director, Responsible Investing.
- The Portfolio Company Operations Team is responsible for ensuring climate change considerations are managed during the ownership period, with the support of the Director, Responsible Investing. This is practically done through the Boards and management teams of each individual portfolio company.



# 4. STRATEGY AND RISK MANAGEMENT

## A. Investment decision-making

We carry out climate risk assessments for every potential investment that reaches the final stages of our Investment Committee process.

Our climate risk assessments use scenario analysis, taking into account the recommendations of the Task Force on Climate-Related Financial Disclosures, to enable us to analyse how climate-related risks and opportunities might impact an investment under a range of possible climate scenarios. This analysis may be qualitative or quantitative depending on the nature of the investment, the level of climate risk exposure and data available.

We use a minimum of two scenarios to assess both transition risks and physical risk:

1. A Transition Risk Scenario, with a high transition risk and low physical risk profile
2. A Physical Risk Scenario, with a high physical risk and low transition risk profile

This allows us to stress test company performance under a range of conditions and exposures reflecting the different risk profiles of the companies we invest in. For each scenario we consider short, medium and long term impacts, taking into account our likely hold period.

We review our scenario selection at least annually.

## B. Portfolio company management<sup>1</sup>

The climate risk assessment carried out in the investment-decision making phase is presented to the Board of each portfolio company as part of our 500 Day Planning process, and is used as the basis for developing a strategy for climate transition and resilience within each portfolio company under different scenarios. Each portfolio company undertakes an annual deep dive review of its climate change risks and opportunities.

The Director, Responsible Investing presents a Fund-level climate risk review to the Investment Committee annually based on the scenarios used at that time in the investment decision-making process. This Fund-level review takes an aggregated view to assess the potential climate risk and opportunity interdependencies between portfolio companies. The results of this review are reported to investor in the Annual Responsible Investing Report.

## C. Exit

Climate considerations are also integrated into exit decision-making, where material, to ensure efficient pricing of climate risks and opportunities.

## D. Risk management - our operations

We manage climate-related risks within our own business in accordance with our Australian Standard ISO 31000:2018-aligned risk management framework, including specific identification of climate change risks in the risk register. These risks are managed through control measures which are assessed and reviewed on at least an annual basis.

<sup>1</sup> This section 4B applies to portfolio company investments made after 1 January 2020.

# 5. METRICS AND TARGETS

## A. Portfolio Companies - net zero commitments

Adamantem publicly supports the goals of the Paris Agreement.

We will:

- make Paris Agreement-aligned net zero commitments for Fund investments and disclose these commitments to investors; and
- report on our progress against those commitments in our Annual Responsible Investing Report.

At a minimum these net zero commitments will be made in respect of Scope 1 and Scope 2 emissions. While portfolio company net zero strategies will seek to prioritise emissions reduction opportunities, they may also include the purchase of carbon offsets in certain circumstances.

## B. Adamantem - net zero commitments

Adamantem will:

- have an emissions reduction plan in place with respect to our own operations, to be reviewed at least annually
- maintain Climate Active carbon neutral status in the manner contemplated by Climate Active's approach at the date of this Policy, through the purchase of high quality carbon offsets for any organisational emissions that we cannot fully eliminate

# 6. ENGAGEMENT

Adamantem is a:

- signatory to the United Nations Principles for Responsible Investment and a member of the United Nations Global Compact Network Australia
- public supporter of the Task Force on Climate-Related Financial Disclosures
- member of the Initiative Climat International: a private equity commitment to understand and reduce carbon emissions of private equity-backed companies and secure sustainable investment performance
- member of the Climate Active Network

## Contact

This Policy has been designed to help Adamantem Capital adhere to our responsible investing beliefs. For any enquiries about this Policy please do not hesitate to contact us or Julia Koop, Director Investor Relations.

Yours sincerely



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*Adamantem acknowledges the Traditional Owners of country throughout Australia and recognises their continuing connection to land, waters and culture. We pay our respects to their Elders past, present and emerging.*