Climate and Nature Report
2024

First Sentier Investors

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Message from our CEO

As a global fund manager committed to responsible investing, we have long recognised the critical importance of climate change in shaping our investment strategies and delivering sustainable investment success. Over the years, we have diligently reported on the climate-related risks and opportunities we face in our investments and our operations, striving to align our practices with the Task Force on Climate-related Financial Disclosures (TCFD) framework as well as regulatory requirements around the world, and more recently the IFRS S2 Climate-related Disclosures.[1] Today, we are proud to take a significant step forward by integrating nature-related considerations into our reporting for the first time, aligning with the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations.

Climate change is one of the key drivers of nature loss and is inextricably linked in cause and effect to the other drivers. The cascading impacts of climate change and society's overexploitation of nature are giving rise to the unprecedented devastation of nature and biodiversity. Addressing nature loss and land, water and ocean degradation is therefore crucial to achieving a net zero and climate resilient future. However, if not planned in a holistic way, efforts to mitigate climate change can sometimes harm nature.

Nature has been a priority area for First Sentier Investors since 2020, and this commitment reflects our belief that a holistic approach is essential for long-term value creation.

As we embark on this journey, we invite you to explore our inaugural TNFD-aligned report, which outlines the different effects that climate and nature-related dependencies, impacts, risks and opportunities are having, or we believe will have, on our investments and operations. We also discuss how we can safeguard our business from potential losses and capitalise on opportunities arising from the transition to a low-carbon and nature-positive economy.

Mark Steinberg

CEO, First Sentier Investors

About us

First Sentier Investors is a global asset management group and the home of investment teams AlbaCore Capital Group Limited (Albacore), FSSA Investment Managers, Igneo Infrastructure Partners, RQI Investors and Stewart Investors. All our investment teams – whether in-house or individually branded – operate with discrete investment autonomy and investment processes, according to their investment objectives.

We are stewards of assets under management (AUM) of AUD 217.9 billion (as at 31 Dec 2024), across asset classes including global and regional equities, cash and fixed income, infrastructure, listed property and alternative credit, on behalf of institutional investors, pension funds, wholesale distributors and platforms, financial advisers and their clients.

Each investment team integrates environmental, social and governance (ESG) considerations in a way that is suited to their investment philosophy and style, meaning that teams may approach the same issues in different ways. This tailored approach allows the teams to make decisions in line with their investment objectives, while still benefiting from the resources and governance structures provided by the wider business.

Figure 1: First Sentier Investors ownership structure

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1 IFRS SE is a standard developed by the International Financial Reporting Standards (IFRS) Foundation's International Sustainability Standards Board (ISSB). It aims to provide a framework for companies to disclose relevant climate-related information in their financial statements and reports. IFRS S2 is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which provides a framework for companies to disclose climate-related financial information. This alignment aims to facilitate consistency and comparability in climate-related reporting.

2 In order to comply with the regulatory requirements of the US Federal Reserve Board, First Sentier Investors (US) LLC is held under MUFG Americas Holdings Corporation.

3 First Sentier Investors group completed its majority investment into strategic partnership with AlbaCore Capital Group in November 2023.

Our vision, purpose and values

Our vision
At First Sentier Investors, our vision is to be a provider of world-leading investment expertise and client solutions, led by our responsible investment principles.

Our purpose
Our purpose is to deliver sustainable investment success for the benefit of our clients, employees, society and our shareholder.

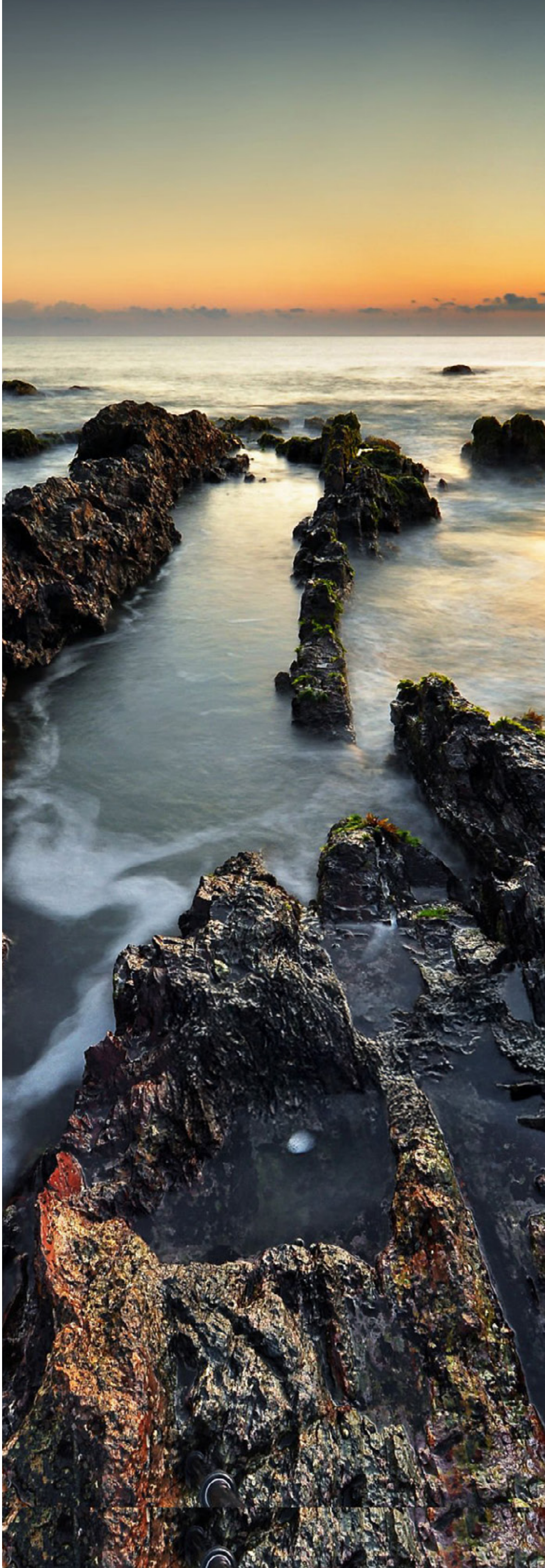
Our values

Care – We care about our clients, society and each other

Openness – We are open with each other and to different ways of thinking

Collaboration – We collaborate to deliver the best solutions

Dedication – We are dedicated to being experts in our respective fields



01 | Our approach

01 | Our approach

At First Sentier Investors, we believe that society must drastically reduce greenhouse gas emissions if we are to avoid the worst consequences of the climate crisis. We accept the science of climate change and support the transition to a low carbon economy, in line with the goals of the Paris Agreement, that is already underway. We also acknowledge the interconnectedness of climate and nature. In the simplest terms, climate change exacerbates biodiversity loss, while the degradation of natural ecosystems can further intensify climate impacts.

As stewards of our clients' assets, we understand that our investments are inextricably linked to the health of our planet. Healthy ecosystems provide essential services, such as clean air and water, pollination and carbon sequestration, that are vital for sustainable economic growth and resilience. By recognising and addressing these interdependencies, we can better manage risks and seize opportunities that arise from the transition to a more sustainable economy.

As allocators of capital and active shareholders in companies, we acknowledge that we have a wider responsibility to contribute to a sustainable economy and society through our investment activities and business operations. We understand that different assets will be affected by this transition in different ways, both in relation to their contribution to these issues, but also their exposure to changes occurring in the physical environment.

In addition to managing these risks, we are focused on the opportunities presented by the transition to a low carbon and nature positive economy. Some companies are well positioned to contribute to, or provide solutions, and adapt to a changing climate. These companies can offer compelling, long-term, risk-adjusted investment returns aided by changes in policy, technology and consumer demand. Since 2007, we have provided case studies on both risks and opportunities in our responsible investment and stewardship reports annually.

Despite the urgency of these issues, challenges abound. There is a significant gap between the capital investment required to meet the climate change objectives of the Paris Agreement and the amount currently being deployed across the globe. As nature provides ecosystem services for free, natural resources are regularly overexploited as their true value is not captured in economic terms. Investors require support from policymakers to shift capital at the speed and scale required. However, as the long-term interests of our clients are tied to a stable climate and environment, we cannot simply wait for this to occur. We are committed to training and developing our employees, working closely with relevant stakeholders and deploying capital towards achieving positive financial, social and environmental objectives.

This shared responsibility requires transparency from all stakeholders. While we have reported on our approach to climate-related risks and opportunities since 2017, this year marks our inaugural **Integrated Climate and Nature Report**, where we set out how we integrate and consider these dual systemic risks and opportunities. This report leverages the IFRS S2 Climate-related Disclosures and the Taskforce on Nature Related Disclosures (TNFD) framework to provide an update on First Sentier Investors' approach and progress to date, considering both our investments and our own business operations.

Covering the year to 31 December 2024, our updates group into the following sections:

- **Governance**
- **Strategy**
- **Risk and impact management**
- **Metrics and targets**

The table below provides a mapping of the content within this report to the IFRS S2 Climate-related Disclosures and the TNFD framework.

Table 1: Mapping of report content to disclosure requirements

Governance

Disclose the organisation's governance of climate and nature-related dependencies, impacts, risks and opportunities.			Pages
a)	Describe the board's oversight of **climate and nature**-related dependencies, impacts, risks and opportunities.	The board of First Sentier Investors Holdings Pty Limited (FSIH) sets the overall business and responsible investment strategy (including climate and nature) of the business. The board receives reporting and training on these topics. Our current governance structure comprises: The board of First Sentier Investors Holdings Pty Limited (FSIH), First Sentier Investors Audit and Risk Committee, Global subsidiary boards.	24
b)	Describe management's role in assessing and managing **climate and nature**-related dependencies, impacts, risks and opportunities.	First Sentier Investors' overall management responsibility is delegated to the CEO to integrate climate and nature-related risks and opportunities into business strategy, operations, risk management and oversight functions. The CEO provides reporting to the FSIH board and has established a number of management committees, with responsibility for the assessment and management of climate and nature-related risks and opportunities forming part of their overall responsibilities.	24–25
c)	Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	We began our formal human rights journey in 2016 with the launch of our internal Human Rights Working Group of investment team members, establishing an early Human Rights Toolkit. At a firm level we have focused on areas including modern slavery, First Nations people's rights and conflict-affected and high-risk areas and more recently, interdependence with climate and nature-related risks and opportunities. The FSIH board receives periodic reporting on responsible investment (RI) issues including human rights (similar to climate and nature reporting).	25

Strategy

Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.			Pages
a)	Describe the **climate and nature**-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	First Sentier Investors has identified firm-wide climate and nature-related risks across business and market transition risk, regulatory and legal risk, reputational risk and physical risk over the short, medium and long term. Climate and nature are key features of our group-wide RI strategy and fundamental considerations in our investment beliefs, applied across our business model. Key climate-related risks we identify and manage across our investments, and how we assess the impact of these risks on investment performance, are outlined in our individual investment team Climate Change Statements. We have also taken a range of steps to identify nature-related dependencies, impacts, risks and opportunities. We have assessed a focused group of listed equities and corporate fixed income asset classes, covering roughly 66% of our assets under management (AUM) and TNFD's 16 priority sectors.	13–16 and Investment team Climate Change Statements

b)	Describe the effect **climate and nature**-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	Our view is that the firm's climate-change related risks and opportunities are most concentrated in our financed emissions and investment portfolios. Each of our investment teams has their own climate change strategy to enable them to effectively manage these effects and risks across their investments. We acknowledge the nature-related dependencies, impacts and risks to our investment performance, including the value of our security holdings. Our climate change transition plan is set out in our Climate Change Action Plan, an update on which is included in *Appendix 3* of this report.	17–21, 45–47
c)	Describe the resilience of the organisation's strategy and business model to **climate and nature**-related risks and opportunities, taking into consideration different scenarios.	We use scenario analysis to better understand how climate-related risks may impact our strategy, financial and operational resilience and consider the management actions we might take in response. Given the nature of our business, the diversification of our assets and the regional flexibility of our staff and ways of operating, First Sentier Investors consider its abilities to adapt and adjust its business model to climate-related impacts over time to be advanced. At the present time there is no similar "off the shelf" quantitative nature scenarios. We refer to the TNFD's critical uncertainties matrix and focus on understanding nature-related dependencies, impacts, risks and opportunities qualitatively at this stage.	17, 22
d)	Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	We map our investment exposure to biodiversity sensitive locations and have sought to identify the locations where investee companies' activities may affect negatively to these areas. We have disclosed the combined company-level impacts and controversies data to identify the location of incidents to biodiversity sensitive locations across our portfolios, noting crossover between environmentally and socially sensitive controversies.	20, 43–44

Risk and impact assessment

Describe the processes used by the organisation to identify, assess, prioritise and monitor climate and nature-related dependencies, impacts, risks and opportunities.			Pages
a)	Describe the organisation's **processes for identifying, assessing and prioritising** climate and nature-related dependencies, impacts, risks and opportunities in its **direct operations, and upstream and downstream value chain(s)**.	In relation to our operations, climate physical and transition risks have been identified and assessed for all of our geographical locations, involving analysis of current and projected climate conditions, international regulatory frameworks, market trends and stakeholder expectations. Following TNFD's LEAP (which stands for Locate, Evaluate, Assess, Prepare) approach, we mapped sensitivities across our global office locations and found none of them to be in key biodiversity areas. As part of this assessment we also analysed nature-related dependencies, impacts, risks and opportunities across our corporate operations. In relation to our investments, the key climate-related risks we **identify** across our investments, and how we assess the impact of these risks on investment performance, are outlined in the individual team Climate Change Statements on our website. The approach to identifying nature-related risks also varies between investment teams, however, at firm level we started this process with a sector-level assessment to understand our exposure on dependencies and impacts and followed this with company prioritisation based on available nature-related databases and metrics. This process led us to prioritise issues related to deforestation and freshwater.	29–30 and Investment team Climate Change Statements

b)	Describe the organisation's processes for **managing** climate and nature-related dependencies, impacts, risks and opportunities.	Our business operations climate and nature risks, impacts and dependencies are considered low across both physical and transition risks. However, how we mitigate and manage our identified risks is set out in *Appendix 2*. In relation to our investments, climate-related risks are **managed** through combining this top-down governance and monitoring with investment team integration of climate-related considerations within their investment processes. We **manage** nature-related dependencies, impacts, risks and opportunities through research, due diligence, company engagement, industry collaboration, policy advocacy, target setting and business activities supporting improved nature outcomes.	29–30
c)	Describe how processes for identifying, assessing, prioritising and monitoring climate and nature-related risks are integrated into and inform the organisation's overall risk management processes.	First Sentier Investors' Risk Management Framework (RMF) provides a consistent and integrated approach to risk management that supports the First Sentier Investors group business and strategic objectives, while ensuring the First Sentier Investors group operates within its risk appetite and in compliance with relevant laws, regulations, and standards. The RMF covers the systems, policies and processes within First Sentier Investors that identify and assess, evaluate, mitigate, monitor and report on all internal and external sources of material risk, including climate and nature risk.	27–28

Metrics and targets

Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.			Pages
a)	Disclose the metrics used by the organisation to assess and manage material climate and nature-related risks, opportunities in line with its strategy and risk management process. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.	Our metrics to assess climate and nature-related risks and opportunities across our investment portfolios include: • Weighted average carbon intensity • Carbon footprints • Absolute carbon emissions • Exposure to TNFD material sectors Our metrics to assess nature-related impacts and dependencies across our investment portfolios include: • Potentially disappeared fraction (weighted average intensity) • Exposure to biodiversity sensitive locations	33–34, 38
b)	Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.	First Sentier Investors discloses asset class level scope 1, 2 and 3 for equities, fixed income and direct infrastructure. In addition, we disclose emissions for our direct operations.	33–34
c)	Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	First Sentier Investors has the ambition to reduce greenhouse gas emissions across its investment portfolios in line with a target of progressing towards net zero emissions by 2050 (or sooner) and across its business operations in line with a target of net zero emissions by 2030 (or sooner). Our initial nature targets span governance, assessment and training. We disclose performance against these targets in the 'Metrics and targets' section of this report.	35

Key 2024 climate and nature-related updates

Governance

- We integrated nature into our existing Responsible Investment governance framework including provision of reporting to internal boards/committees to support the oversight and management of nature risks.
- Our centralised Responsible Investment (RI) team has evolved to better serve the needs and requirements of our clients and investment teams. The team focuses on three major workstreams. These are: (i) system stewardship and supporting our investment teams to integrate sustainability factors into the investment process, (ii) continuing excellence in reporting, regulatory and risk management activities, as well as (iii) thought leadership, including on climate and nature issues, to support the industry through our First Sentier MUFG Sustainable Investment Institute.

Risk and impact management

- We integrated a more granular physical risk assessment into our scenario analysis model and started to review additional scenarios.
- We continued to deliver climate and nature-related learning and development activities.
- We conducted research on 17 companies' disclosure and performance related to deforestation. The results of the assessment were prepared in case studies and shared with our investment teams, to support their research, risk identification and engagement with these companies.
- An initial group of investment teams commenced implementing First Sentier Investors' nature and biodiversity toolkit. This included support with prioritising sectors and companies, assessing water and deforestation risks, and interpreting engagement plans.

Strategy

- First Sentier Investors became a TNFD adopter, furthering our commitment to transparency and disclosure.
- We enhanced our net zero model in accordance with the updated Net Zero Investment Framework (NZIF) 2.0 Guidelines and engaged an external consultant to perform an effectiveness review of our proprietary net zero model.
- We identified our exposure to the 16 priority sectors (as recommended by the TNFD) that should be considered in the assessments of nature-related dependencies and impact assessments (further detail in the Strategy section).
- We launched improved external climate dashboards.

Metrics and targets

- We set firm-level nature initiation targets.
- We extended our climate data universe with additional physical climate risk and targets and metrics indicators (including data on sources) to increase the robustness and transparency of our internal scenario analysis and net zero models.
- We reported initial set of nature metrics for two core sector metrics recommended by the TNFD for the financial services industry.
- We disclosed our first regional mandatory climate metrics in the United Kingdom and New Zealand[1] for our regional entities and products as required.

1 FundRock NZ Limited act as the manager of the First Sentier Investors (NZ) Scheme and Stewart Investors (NZ) Managed Investment scheme. First Sentier Investors acts as the Investment Manager of both schemes. The New Zealand climate statements are prepared by FundRock.NZ Limited in collaboration with First Sentier Investors and in compliance with the requirements of the Aotearoa New Zealand climate standards.

02 | Our journey

02 | Our journey

Table 2: First Sentier Investors' key climate and nature-related milestones

Year	Milestones
2007	• Became a signatory to the UN Principles for Responsible Investment (PRI) and established an RI team
2013	• Joined Investor Group on Climate Change
2014	• Established stranded assets working group and toolkit
2016	• Established internal climate change working group
2017	• Published our first TCFD-aligned disclosures • Published a series of whitepapers on different aspects of climate change (2017–2019) • Joined Climate Action 100+
2018	• Disclosed carbon footprints of our listed equities portfolios
2020	• Completed our initial climate change scenario analysis • Integrated climate risks into Global Investment Committee reporting • Agreed on a set of four RI key focus areas, including climate change and nature and biodiversity • Began leading the microplastic pollution collaborative engagement with UK's Marine Conservation Society
2021	• Became a signatory to the Finance for Biodiversity pledge • Prepared our first Climate Risk Management Plan (CRMP) • Became a TCFD supporter
2022	• Made a public commitment in relation to net zero targets • Launched our Climate Change Action Plan • Became a member of the Net Zero Asset Managers Initiative • Published our first mandatory climate-related disclosures to meet the requirements of the Hong Kong Securities and Futures Commission Circular on the Management and Disclosure of Climate-related Risks by Fund Managers • Became a TNFD Forum member • Established an internal Nature and Biodiversity Working Group and toolkit covering freshwater and forests • Joined the Responsible Investment Association Australia Nature Working Group
2023	• Published Investors Can Assess Nature Now guide • Joined several collaborative engagements and industry initiatives, including Net Zero Asset Managers Initiative Advisory Group and Nature Action 100 as an investor participant • Conducted a nature sector materiality assessment and developed a heatmap across our listed holdings
2024	• Became a TNFD adopter • Set our first nature initiation targets • Published mandatory climate-related disclosures in the UK and New Zealand • A number of investment teams implemented the nature and biodiversity toolkit • Joined the Finance for Biodiversity Target Setting Group

03 | Strategy

03 | Strategy

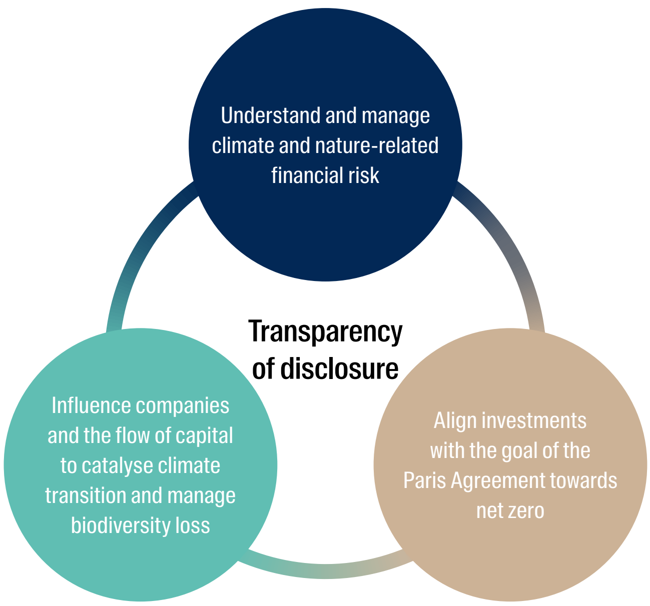
The Strategy section of this report is divided into; 3.1) First Sentier Investors' overarching RI strategy as it applies to climate change and nature; 3.2) climate-related risks and opportunities faced by our investments; and 3.3) nature-related dependencies, impacts, risks and opportunities faced by our business (with additional information included in *Appendix 1*). For more information climate-related risks and opportunities and nature-related dependencies, impacts, risks and opportunities faced by our business operations, see *Appendix 2*.

3.1 Our strategy as it relates to climate and nature

At First Sentier Investors, our purpose is to deliver sustainable investment success[1] for the benefit of our clients, employees, society and our shareholder. Our vision is to be a provider of world-leading investment expertise and client solutions, led by our responsible investment principles. Whilst our investment teams provide quite differentiated investment capabilities, they all share a common commitment to responsible investment, with climate change and nature being two of the four key themes that we prioritise as a firm.

Our **climate and nature strategy**, which is part of our broader RI strategy, is centred on ensuring transparency of disclosure with the aim of aligning investments with the goals of the Paris Agreement,[2] to understand and manage climate and nature-related financial risks, and influence companies and flow of capital to accelerate climate transition and manage biodiversity loss.

Figure 2: Transparency of disclosure



Climate change has been a key feature of our group-wide RI strategy for over a decade. It is also a fundamental consideration within our ESG investment beliefs, which were first set in 2017. These beliefs articulate First Sentier Investors' collective "why" for integrating responsible investment practices across our organisation. They apply across our business model and are mutually reinforced at the firm level by our governance frameworks.

Our existing RI framework ensures that complex issues, which have implications for multiple investment teams, are captured and managed through the governance structures and committees outlined in the Governance section below. Our governance structures and strategy are designed to be flexible enough to cater to the needs of our diverse investment capabilities, while remaining clear and practical. Given the diversity of our investment capabilities, and consequently the range of risks and opportunities posed by climate change, we believe this integrated approach is the most effective way forward.

Our **Climate Change Action Plan** details our approach to addressing the impacts of climate on our business as well as the targets and milestones established to achieving our net zero commitment. Our progress against the 2024 key performance indicators outlined in our Climate Change Action Plan is set out in *Appendix 3*.

Nature was identified as a priority area for the firm in 2020. Since that time the RI team and investment teams have worked to identify and address nature-related dependencies, impacts, risks and opportunities in our investments (noting that a number of investment teams were already addressing nature-related risks and opportunities prior to this date). While the approach taken varies between investment teams, at a firm-level we have focused primarily on freshwater and deforestation issues (see further details in sections 3.3 and 5.3 below), launching a working group covering these topics in 2022 and an internal toolkit with key outputs of this work in 2023. We also launched an external toolkit sharing these insights with the market more broadly in 2023, the Investors Can Assess Nature Now (ICANN) guide.

1 As a global asset manager, we have the opportunity and responsibility to allocate our clients' capital in a way that drives what we believe to be positive social and environmental outcomes.

2 The Paris Agreement | UNFCCC

The elements of our RI strategy that are directly related to climate change and nature are:

RI Learning & Development program: this provides targeted training to different stakeholder groups across the firm (board and executive leadership; investment teams; distribution; marketing; product; legal; communications; compliance and risk management; and whole of firm). **Climate change** and **nature** education is a key part of this program and includes inviting external experts to present and engage with the different stakeholder groups.

ESG Data Strategy: this aims to enhance the environmental, social and governance (ESG) data (including **climate and nature-related data**) that is available for investment teams, clients and management, to make more informed decisions and to allow us to be more transparent. We continued to deliver on the ESG data strategy in 2024, by implementing a net zero dashboard on Bloomberg, a third-party data provider, to make net zero data more accessible for our investment teams. We also subscribed to additional nature-related data sources to support our assessment work.

Investment integration: each First Sentier Investors investment team incorporates climate change considerations into the investment process and portfolio company engagement activities, along with other ESG issues. Our integration of nature considerations is at an earlier stage of development, however, a core focus for 2024 was supporting certain investment teams in implementing First Sentier Investors' nature and biodiversity toolkit to support some of their work in prioritising sectors/companies, assessing water and deforestation risks and engagement plans. Some investment teams that have identified freshwater and deforestation as material issues for their investments have engaged with companies directly using the toolkit.

Global Responsible Investment & Stewardship Policy and Principles: these documents set out the key investment team standards in relation to RI generally, and **climate change** and **nature** specifically.

Client engagement: in 2024, we continued to actively engage with our institutional clients to ensure we understand their approach to RI (including but not limited to **climate change** and **nature**), so that we can anticipate and meet their needs regarding disclosure, reporting and strategy. For example, in 2024 we hosted biodiversity-themed client roundtables in Melbourne and London, where we shared insights from the 'Investors Can Assess Nature Now' (ICANN) guide and the Sustainable Investment Institute's biodiversity research series.

Policy advocacy: we continue to actively engage with stakeholders including regulators, industry bodies, civil society organisations and other investors, to raise awareness and advocate for the necessary policy settings to enable us to deploy capital to meet global **climate** and **nature** objectives. In 2024, we conducted a review of our memberships to trade associations and assessed the alignment of their lobbying activities with the goals of the Paris Agreement. Further details on our 2024 policy advocacy activities and industry initiatives we are actively involved in is included in *Appendix 4*.

3.2 Climate-related risks and opportunities

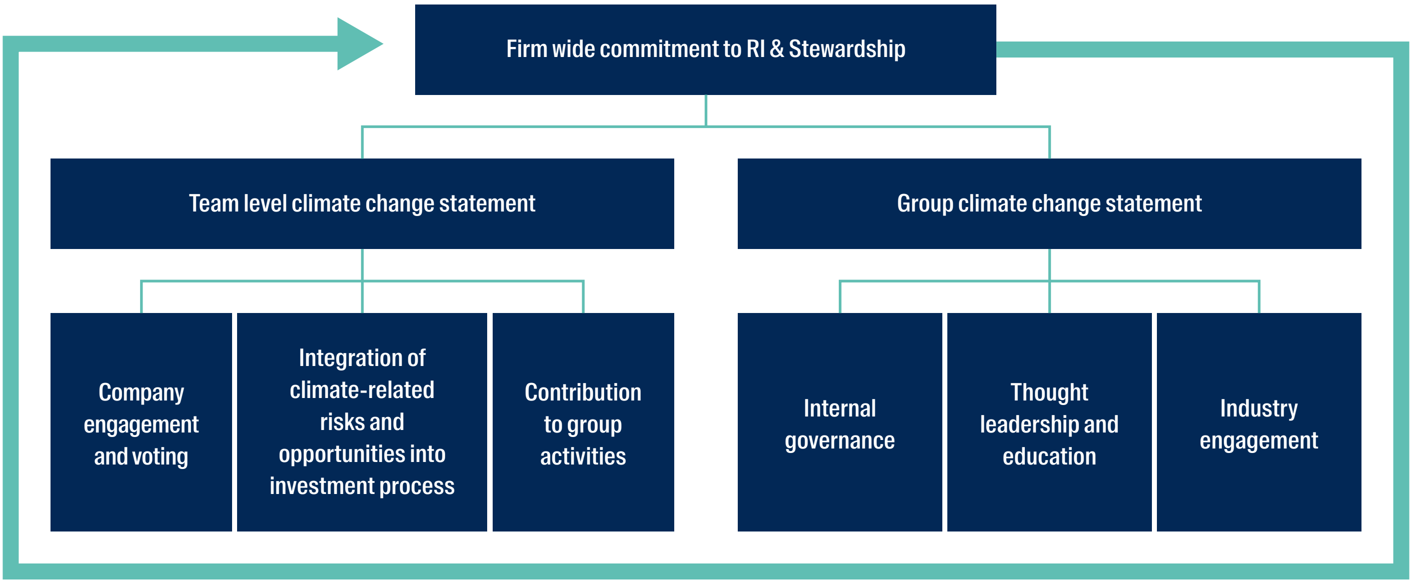
This section sets out First Sentier Investors' approach to **climate-related risks and opportunities** for our investments (for information on our direct operations see *Appendix 2*). At a firm level, we take a decentralised approach to RI, where individual investment teams are primarily responsible for ESG integration and active ownership in relation to their investments.

We have broadly categorised climate risks across:

- Market and business transition risk
- Regulatory and legal risk
- Reputational risk
- Physical risk

The way in which climate change, among other ESG factors, is incorporated into our investment decision-making and ownership practices is described in our annual Responsible Investment and Stewardship Report and in each investment team's profile on our website.

Figure 3: First Sentier Investors' decentralised approach to RI



3.2.1 Investment team strategies

As a diverse group of primarily bottom-up, active investment teams, we believe that the investment experts within each team are best placed to factor in and manage the specific ways in which climate change will manifest itself for their investments.

Each investment team has developed its own Climate Change Statement, available on their respective website profiles, which are designed to show how they **identify and address** climate-related risks and opportunities in the investment process and the targets they have set. This includes identifying which climate-related issues are considered relevant and material for which time horizon; how they are expected to impact the team's portfolios and underlying investee companies; what data and inputs they use to identify risks and opportunities; and how this is addressed in the investment process. Separately, AlbaCore Capital Group published their inaugural TCFD-aligned report in 2024.

We provide interactive carbon footprints for each of our listed equity and fixed income investment teams. Both of our internal and external dashboards allow stakeholders to drill down into portfolio level metrics. These dashboards have been built in-house and use third-party data sources.

Table 3 below presents an aggregated view of our identified climate-related risk exposures and is grounded and managed alongside other investment risks as part of our group risk management framework. The information presented within the table is used as a basis to instruct ongoing support and engagement with our investment teams regarding the climate-related risks they manage. Looking forward, the RI team will formalise these further with investment teams as part of ongoing engagement on climate-related risk and opportunity management.

Table 3: Climate-related risks for our investments

Climate-related risk category	Risk event	Type	Term	Description
Market and business transition Transitioning to a lower-carbon economy may entail extensive changes to the underlying companies we invest in	Increased carbon price	Transition	Medium/ long	• Emissions may be subject to carbon price, increasing operational costs. • Energy, materials, operations, or transport/distribution increasing in cost due to carbon price.
	Stranded assets (transition)	Transition	Short/ medium	• Emissions-intensive assets becoming costly to run due to increased carbon price (e.g., coal burners and diesel-fuelled tractors). • Failure to or unsuccessful investment in low-emissions technologies during adaptation phase.
	Technology adoption & implementation	Transition	Medium/ long	• Failure to or unsuccessful investment in low-emissions technologies during adaptation phase.
Regulatory and legal risk Climate-related regulation either attempts to constrain actions that contribute to climate change or to promote adaptation to or investment in climate change solutions	Litigation risk	Transition	Short/ medium	• Lawsuits being raised against companies failing to meet climate expectations or requirements.
	Policy intervention & regulatory impacts	Transition	Short/ medium	• Increasingly stringent climate change regulations (e.g. disclosure, emissions reduction, green buildings requirements, etc.) creating additional processes and costs. • Policy intervention (e.g. high carbon price, large climate funds, disclosure requirements, emission reduction targets) reducing an economy's greenhouse gas (GHG) emissions intensity and driving innovation. • Minimal policy intervention, leading to GHG emissions intensity likely remaining and entities likely continuing operations as usual. The economy may face second order impacts.
Reputational risk Changing client and/or community perceptions of an organisation's contribution to or detraction from the transition to a lower-carbon economy	Social license to operate	Transition	Short/ medium	• Companies and industries connected to expansion of fossil fuels, high emissions and failure to transition to a low carbon economy all risk losing their social licence to operate and becoming stranded assets.

Physical impacts Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns	Environmental damage	Physical	Medium/ long	• Increased flooding increasing the risks of discharge by coal mines of contaminated water into surrounding areas, causing environmental damage and impacting on community health and safety. • Increased rainfall leading to chemical releases and oil spills (oil and gas), causing environmental damage and impacting on community health and safety.
	Stranded assets (physical)	Physical	Medium/ long	• Extreme weather events (such as inundation, storm surge, wildfires, or floods) damaging or devaluing assets or properties.
	Disruption to business operations	Physical	Medium/ long	• Increase in extreme weather events causing damage to physical assets [e.g., facilities, equipment, infrastructure (such as roads, airports, ports, or data centres)], disabling utilities (such as energy), or otherwise disrupting services or operations. • Increase in temperature increasing demand for energy. • Increase in extreme weather events impacting employees' ability to work or customers' ability to access services.
	Disruption to production & supply chain	Physical	Medium/ long	• Disruptions to production caused by extreme weather events closing facilities, causing loss of power, damaging equipment, impairing employees' ability to work (e.g., because of Health and Safety issues), affecting productivity (e.g., decreased crop yield or machinery performance caused by excess heat), or requiring additional controls. • Physical impacts upstream (supply chain) and downstream impacting employee access to facilities, ability to get required materials, or ability to get products or services to market. • Droughts impacting water availability, affecting manufacturing processes. • Impacts to health of employees through heat stress, rise in infectious diseases, poorer water quality, and injury in extreme weather events, impacting on ability to work.
	Increased demand for services/ products	Physical	Medium/ long	• Increased demand caused by industry-specific factors [e.g., cardiovascular and respiratory illnesses, malnutrition, skin cancer, climate anxiety, and heat stress for health industry], creating overload risk.
	Wildfires	Physical	Medium/ long	Wildfires can cause significant damage to infrastructure, including: • Deterioration of air quality. • Loss of property, crops, resources, animals, and human lives. • Damage to utility infrastructure, power lines, and homes.
	Sea level rise	Physical	Medium/ Long	• Sea levels rising due to the thermal expansion of the oceans and the melting of ice sheets and glaciers.
	Increasing temperatures	Physical	Medium/ long	• Increasing mean temperatures (i) making pests and pathogens (human, animal, and plant-based) outbreaks more frequent and severe, posing a threat to both human health and food security; (ii) negatively impacting agriculture yields due to the increased heat stress experienced by plants and animals; and (iii) increasing the risk of geographical movement disruption (people and goods) due to a desire to minimise spread of disease.
	Floods	Physical	Medium/ long	• Flood can damage property and local infrastructure, spread diseases, impact the fertility of soil, cause large destruction of infrastructure, and lead to an increase in refugees.
	Water stress & drought	Physical	Medium/ long	• Lack of adequate precipitation causing reduced soil moisture or groundwater, diminished stream flow, crop damage, and general water shortage.

3.2.2 Resilience of our strategy and business model to climate-related risks and opportunities

Given the nature of our business, the diversification of our assets and the regional flexibility of our staff and ways of operating, First Sentier Investors consider its abilities to adapt and adjust its business model to climate-related impacts over time to be advanced. As an asset manager, we also recognise that our most material exposure comes from our investments. To help us better understand how these risks might materialise, First Sentier Investors use scenarios to understand how climate-related risks might impact our strategy, financial and operational resilience and the management actions we might need to take as a result.

Having piloted the use of climate scenario analysis over several years for a number of funds, in 2021 we appointed ISS as a transition scenario analysis provider to understand the potential alignment of our portfolios with various pathways to a low-carbon economy, using the IEA Sustainable Development Scenario (SDS), Announced Pledges Scenario (APS), and Stated Policies Scenario (STEPS). In 2024, ISS expanded the range of scenarios to include the updated International Energy Agency (IEA) energy scenarios such as net zero as well as Network for Greening the Financial System. This has enabled the enhancement of our own risk measurement and monitoring practices.

Top-down climate scenario analysis poses challenges, including a large number of assumptions and the lack of available and up-to-date data. However, forward-looking analysis does allow us to gain a more complete picture of a portfolio's expected carbon emissions over time, the improvements on the commitments the underlying companies have made for the future, as well as a view on how a portfolio aligns with a pathway equivalent to an orderly and consistent transition to a 1.5 degree world. This is particularly the case when combined with backward looking metrics such as historical carbon emissions, together with an assessment of how prepared a company is to transition to a low carbon economy. The extent to which individual investment teams use this analysis is outlined in their respective Climate Change Statements.

However, we still face challenges. These include uncertainty around consistency in definitions on underlying criteria of the net zero alignment model across the various climate initiatives; company net zero disclosure; access to capital expenditure data; lack of scope 3 disclosure; and limited target setting.

3.3 Nature-related dependencies, impacts, risks and opportunities

This section sets out First Sentier Investors' **nature-related dependencies, impacts, risks and opportunities** for our investments including our sector and geographic exposures (for information on our direct operations see *Appendix 2*). Given that nature is a relatively new focus area for investors, we have undertaken a number of centralised assessments to support investment teams in identifying nature-related dependencies, impacts, risks and opportunities. This allowed us to determine our focus areas at a firm level. Our 2023 RI report[3] showcased our initial scoping results following the guidance from TNFD's recommendations.

Nature-related dependencies, impacts and risks can impact and effect our investment performance in several ways, including:

- Decline in the value of security holdings associated with deterioration in business (e.g. disruption in supplies, degradation in key production inputs, increase in non-performing assets, etc.).
- Impact to infrastructure and real assets, ranging from business discontinuity costs, refurbishments and rebuilding costs to **obsolescence** and destruction, particularly stemming from physical nature risks.
- Increase in market risk, including risks related to the costs of goods and services (including risks related to the availability of raw materials).
- Obsolescence and **stranded assets** across a range of strategies, sectors and geographies due to regulatory changes and/or market transformation.

We note that the financial impact of nature-related risks, if not properly managed, can escalate over time. This will be more pronounced for investments in sectors with high dependence on nature (including water) and where negative impacts from business activities further affect dependencies (e.g. polluting a local river with wastewater then using the same water resource for cleaning during manufacturing).

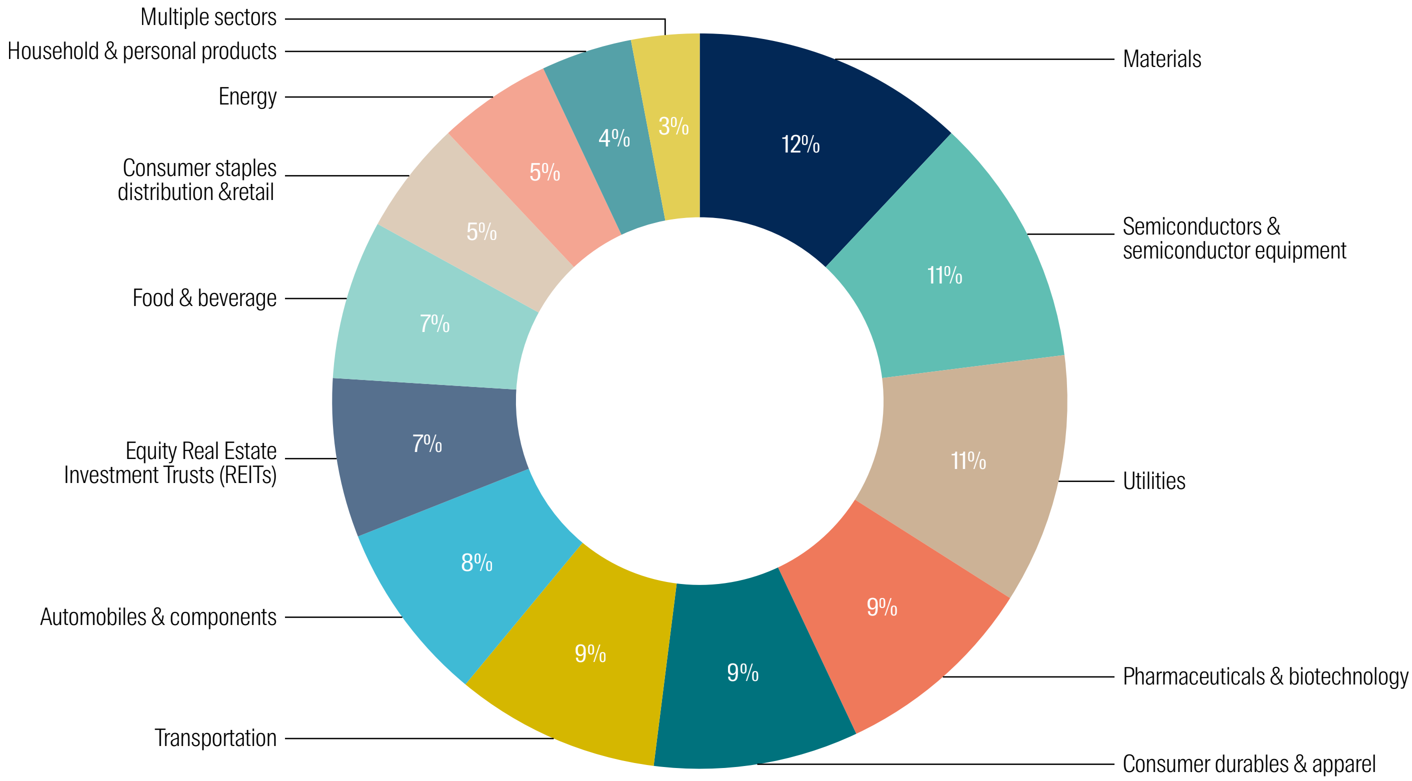
Below, we report on our assessments of dependencies, impacts, risks and opportunities across listed equities and corporate fixed income asset classes (excluding cash, derivatives, futures, options, short positions and sovereign/government bonds), covering approximately 66% of our total AUM (as at 31 December 2024).

3 https://www.firstsentierinvestors.com.au/content/dam/web/global/responsible-investment/documentation/global-documents/fsi-responsible-investment-report.pdf

3.3.1 Our sector exposure

The TNFD has identified 16 priority sectors[4] to be considered in nature-related dependencies and impact assessments. Our in-scope companies' AUM exposure[5] to these identified material sectors comprised 25% of our firm's total AUM. Of our in-scope AUM, 38% was identified as material to the TNFD's priority sectors, of which we were largely exposed to semiconductors and semiconductor equipment, metals and mining (within Materials sector), household durables[6] (within Consumer Durables & Apparel sector) and automobiles (within Automobiles & Components sector).[7]

Figure 4: First Sentier Investors' AUM exposure to the TNFD's priority sectors[8]



Note: Multiple sectors include consumer services, capital goods, real estate management & development, and commercial & professional services. These have been grouped together as we have 2% or less exposure to each of them.
Source: First Sentier Investors, 31 December 2024

4 TNFD, Additional guidance for financial institutions, version 2.0, February 2025, Annex 1. This guidance for financial institutions includes a sector list for exposure mapping. The TNFD defined the sectors in the first instance according to GICS 6-digit industry codes (42 identified industries), with any relevant sub-industry exceptions described. We assessed our exposure to these sectors using the GICS 6-digit industry codes and sub-industry exceptions detailed in the guidance. Any reference to TNFD's 16 priority sectors refers to the 16 GICS Industry Groups (4-digit codes) identified by the TNFD as material, per Annex 1 of the guidance.
5 As at 31 December 2024.
6 Excluding the 'Homebuilding' subindustry as per the TNFD guidance for financial institutions.
7 Categorised by the TNFD's identified 6-digit GICS Industries.
8 This pie graph represents First Sentier Investors' in-scope AUM exposure (only listed equities and corporate fixed income holdings, excluding Igneo and AlbaCore holdings) to the TNFD's 16 priority sectors, categorised by their 4-digit GICS industry Groups. The data takes into account the GICS Industry and Sub-Industry exceptions, as per the TNFD's guidance.

We also conducted a heatmap exercise to better understand our sector-level exposure in addition to key areas of impact and dependency. This was disclosed in our ICANN guide[9] published in September 2023. The exercise deepened our understanding of the key dependencies on terrestrial ecosystem use and water use, as well as the impacts of water and soil pollutants and soil waste to our listed equity investments. We also learned that financial institutions' dependencies and negative impacts on nature tend to be highly concentrated, highlighting that we should prioritise work on the worst contributors.

Figure 5: Nature heatmap disclosed in the ICANN guide (2023)

GICS Subindustry	Terrestrial ecosystem use	Freshwater ecosystem use	Marine ecosystem use	Water use	GHG emissions	Non-GHG air pollutants	Water pollutants	Soil pollutants	Solid waste	Disturbances	AUM (% of FSI total)
Diversified metals & mining	High	High	Moderate	High	High	Moderate	Moderate	Moderate	Moderate	Moderate	2.3%
Packaged foods & meats	High	Moderate	Moderate	High	High	Moderate	Moderate	Moderate	High	Low	2.1%
Biotechnology	Moderate	Moderate	Moderate	High	High	Moderate	High	High	Moderate	Moderate	2.1%
Industrial machinery	Moderate	Moderate	Moderate	High	High	Moderate	High	High	High	Moderate	1.4%
Semiconductors	Low	Low	Low	Moderate	High	Moderate	High	High	Moderate	Moderate	1.4%
Personal products	High	Moderate	Moderate	High	High	Moderate	Moderate	Moderate	High	Low	1.3%
Household appliances	Moderate	Moderate	Moderate	High	High	Moderate	High	High	High	Moderate	1.0%
Automobile manufacturers	Moderate	Moderate	Moderate	High	High	Moderate	High	High	High	Moderate	1.0%
Highways & railtracks	High	High	Moderate	High	High	High	Moderate	Moderate	High	High	1.0%
Technology hardware storage & peripherals	Low	Low	Low	Moderate	High	Moderate	High	High	Moderate	Moderate	1.0%
Food retail	High	Moderate	Moderate	High	High	Moderate	High	Moderate	Moderate	Low	0.9%
Oil & gas exploration & production	High	High	Moderate	High	High	High	High	High	Moderate	High	0.7%
Airport services	Moderate	Moderate	Moderate	Moderate	High	High	High	High	High	High	0.6%
Apparel accessories & luxury goods	High	Moderate	Moderate	High	High	High	Moderate	Moderate	Moderate	Moderate	0.6%
Auto parts & equipment	Moderate	Moderate	Moderate	High	High	Moderate	High	High	High	Moderate	0.5%
											17.7%

Heatmap exercise on First Sentier Investors' listed equity holdings (AUM based on December 2022)

9 https://www.firstsentierinvestors.com.au/content/dam/web/global/responsible-investment/documentation/global-documents/fsi-nature-and-biodiversity-toolkit.pdf

3.3.2 Our geographic exposure

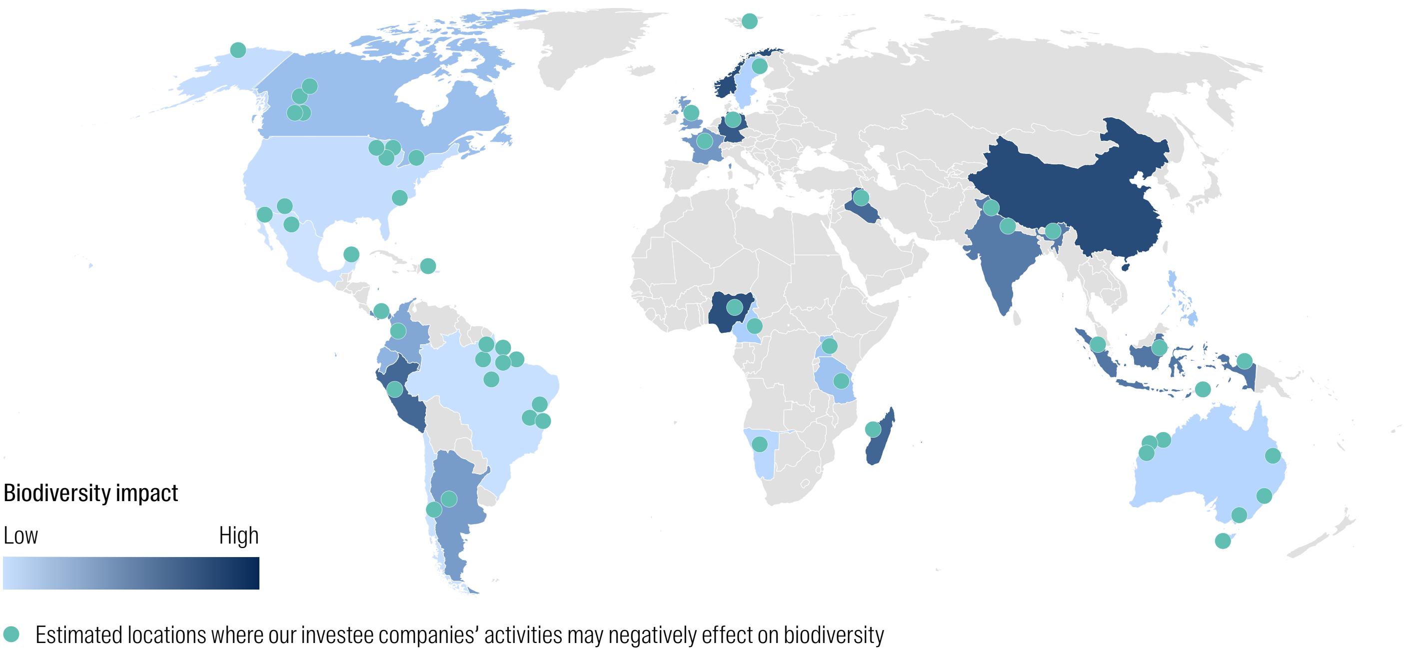
In line with TNFD recommendations, we disclose our investment exposure to biodiversity-sensitive locations (see additional information in the Metrics and targets section) and have sought to identify where investee companies' activities may negatively affect those areas. We also disclose the geographical representation of the 10 countries with the highest biodiversity impact from First Sentier Investors' investee companies' direct operations and supply chain activities. This representation is based on a biodiversity impact assessment across our in-scope portfolios covering over 15,500 securities using ISS' Biodiversity Impact Assessment Tool (BIAT) , based on our holdings as of 31 December 2024 and covering approximately 93% of our in-scope holdings. The BIAT uses many models, assumptions and databases to estimate environmental pressures that negatively impact biodiversity; hence it cannot accurately measure the number of lost species.

Current lack of visibility, transparency or incomplete location data from investee companies are all key challenges with these biodiversity-sensitive locations. For our listed equities and fixed income teams, we have linked investee holding companies' activities to reported controversies and incidents to identify locations where nature is potentially being negatively impacted. Our direct infrastructure team, Igneo Infrastructure Partners, has access to location data given the nature of the portfolio and assets held. Accordingly, the team partnered with an external consultancy to conduct a portfolio-wide biodiversity risk assessment in 2023 using location data and following the LEAP methodology.

The locations identified on the map below show the results of our assessment for our listed equities and fixed income teams. We identified 70 companies with flagged incidents involving 54 biodiversity-sensitive areas. We noted that many locations are in biodiversity hotspots and some of the controversies are not only environmentally sensitive but also socially sensitive.

Our biodiversity impact assessment, also represented on the map below with colour shading (darker colour = higher impact), shows that while the largest portion (34%) of our capital allocation (listed equities and fixed income) was in Australia, it only represented 10% of the overall adverse impact on nature, on an absolute **potentially disappeared fraction** (PDF)/km²/year. However, 44.4% of the adverse biodiversity impact takes place in mainland China, even though it only represents 4% of our overall investments. The other most impacted countries were Brazil, Japan, the United States, India, Indonesia, Korea and Canada. Other than in China, these results show a strong correlation between impact and activities negatively affecting biodiversity-sensitive areas.

Figure 6: Geographic exposure to biodiversity-sensitive areas and biodiversity impact assessment



Source: First Sentier Investors, ISS ESG's BIAT, 31 December 2024

Table 4 below sets out a summary and key findings of our investment-related dependencies, impacts, risks and opportunities assessments to date (additional information is included in *Appendix 1* 'Additional nature-related Disclosures'. This information is based on our sector exposure assessment and heat maps (outlined above), together with country- and company-level assessments as well our biodiversity impact assessment using the BIAT tool.[10]

Table 4: Summary of investment-related dependencies, impacts, risks and opportunities

Risks

Key nature-related physical risks we are exposed to include:

- Physical water risk (**water scarcity** and **pollution**) and land use risk in the metals and mining sector, predominantly in Australia.
- Physical water risk (water scarcity, drastic water use, and flooding) risk in the utilities and infrastructure sector, mainly in Australia and the US.
- Land use risk, physical water risk (water scarcity and pollution), and climate change-driven commodity supply risk in the food products and consumer staples sector mainly in China.
- Waste and pollution-related risks and relevant risks to endangered species and local biodiversity in China.

We view the risks of our investments negatively affecting biodiversity sensitive areas to be relatively immaterial given that our exposure as of December 2024 was approximately 4%, data collected is controversy-based and is therefore qualitative rather than a quantification of impact. We will continue monitoring our exposure to and the severity of impacts related to these risks. Given the nature of our business, negative impacts from our direct operations are less material relative to the potential scale of downstream impacts from our investing activities. This is consistent across our industry.

Impacts

Our in-scope portfolios' impacts on biodiversity in terms of **Potentially Disappeared Fraction (PDF)** weighted average intensity was 61.67 PDF/km^2/year/million euros. 8.7% of this impact is attributed to companies with very high impact, and 22% to companies with high impact. Since these two categories account for about 31% of our weighted average PDF intensity, we noted that companies in these categories should be prioritised for further research and engagement. The absolute PDF/km^2/yr is estimated to be 3,637,450.20 and weighted average 1,315,741.98.

*The BIAT assessment primarily uses PDF of species as a metric.

Opportunities

Our assessment of nature-related opportunities is based on the assessment results on our impacts. Our greatest impact driver identified by the BIAT assessment is land use and land transformation (others being pollution and climate change). We have opportunities to engage with companies involved in business activities which negatively impact on land use and land conversion. Following this, we developed a priority list of companies in the Food and Beverage and Food Retail sector for engagement to support meaningful action to reduce their impacts on deforestation.

Dependencies

Our invested sectors depend relatively highly on provisioning ecosystem services from surface water and groundwater, while about 70% of our investee companies' revenues depend on regulation and maintenance ecosystem services that nature provides such as flood and storm protection.

* The BIAT assessment assesses dependencies on three ecosystem services groups (Regulation & Maintenance, Provisioning, Cultural), which are broken down into 22 granular ecosystem services such as surface water, disease control, and pollination.

10 To do this assessment, ISS uses company revenue, activity and location data, and incorporates supply chain modelling based on environmentally extended Input-output database (EXIOBASE) to assess the impact on water use, land use, resources, etc. Upstream/downstream impacts are assessed by using Life Cycle Assessment (LCA) methodology based on recognized databases (e.g., ecoinvent). Then the tool evaluates companies' impacts on species variability based on 10 impact indicators such as Marine Acidification, Freshwater Ecotoxicity or Land Transformation in each country, which are then aggregated then presented as PDF absolute metrics. ISS refines the results based on company specific proprietary ISS ESG data as well as relevant external databases (WWF, SBTN, etc.) and calculates biodiversity impact intensity ratios using financial information.

3.3.4 Resilience of our strategy to nature-related risks and opportunities

As the TNFD notes in its Guidance on Scenario Analysis, "there are not yet 'off the shelf' quantitative nature scenarios akin to the climate scenarios developed by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and the International Energy Agency (IEA)". And due to the difference between climate scenarios and nature scenarios (complexity of the natural system beyond climate, diversity in metrics, location-specific risks, etc.), it is not appropriate to copy existing climate scenarios for use in nature risk assessments. We do note, however, the TNFD's critical uncertainties matrix, with four possible narratives of plausible futures. To date, we have been focusing on understanding and identifying nature-related dependencies, impacts, risks and opportunities qualitatively first before making any quantitative assessments.

04 | Governance

04 | Governance

We have governance structures in place to oversee our approach to climate and nature-related dependencies, impacts, risks and opportunities and the connection to human rights. In response to the fast-changing regulatory environment, we recently updated our governance structure to better support our board and senior management with oversight and advisory functions. In 2024, our Global Investment Committee and Global Responsible Investment Executive Committee continued to provide oversight of our climate change and nature strategy.[1]

Board responsibility:

At the Board level, our governance structure as at 31 December 2024, as it relates to assessing and managing climate-related risks and opportunities, and nature-related dependencies, impacts, risks and opportunities is as follows:

First Sentier Investors Holdings Pty Limited (FSIH) Board: The board's role, which is reflected in its board charter, is to ensure that management assesses the short, medium and long-term materiality of climate-related risks and opportunities to our operations and investment portfolios on an ongoing basis and ensure responses are proportionate to **climate and nature materiality**. The board receives biannual reporting and discussion on RI (which includes an update on activities in relation **to climate change and nature**) and approves our **climate and nature-related** strategy and risk appetite for the overall business.

- **Audit and Risk Committee:** this FSIH board committee is responsible for overseeing processes for identifying and managing risk, including climate-related risk. Receives biannual reporting and discussion on ESG risk.
- **Relevant Global Subsidiary Boards:** receive biannual reporting in relation to RI (which includes an update on activities in relation to climate change and nature), where they are regulated entities or otherwise, as required by local law.

Management responsibility:

The FSIH board has delegated to First Sentier Investors' Chief Executive Officer (CEO) overall management responsibility for ensuring climate-related risks and opportunities are integrated into First Sentier Investors' business strategy, risk management, business operations and oversight functions. The CEO provides reporting to the FSIH board and has established the following management committees, with responsibility for the assessment and management of climate and nature-related risks and opportunities forming part of their overall responsibilities:

Global Investment Committee (GIC): responsible for monitoring the management of investment risks, including sustainability risk (which includes climate-related risks) across our global business. This committee met quarterly and was chaired by our CEO. The GIC includes regular reporting on a number of ESG metrics, including a series of climate-related metrics.

Global Risk Committee (GRC): responsible for oversight of risks assumed by First Sentier Investors in the course of managing its business, including climate and nature-related risks to the business.

Global Responsible Investment Executive Committee (GRIEC): responsible for ensuring climate and nature-related risks and opportunities are addressed across the business and their specific areas of responsibility, and approval of the firm's operational climate disclosures.

Specific committees have also been established to ensure appropriate assessment and management of ESG issues (including climate and nature-related risks and opportunities):

ESG Impacts Committee: comprising representatives from each investment team (RI representatives, including a representative from AlbaCore Capital Group from the second half of 2024), the ESG Impacts Committee is a forum for identifying research areas to deepen our understanding of how ESG issues impact investment and business performance. The focus is on crosscutting issues that affect multiple investment teams, such as climate change and human rights risks, and creating working groups to deepen our knowledge of these issues. The ESG Impacts Committee meets twice yearly. The RI representatives are a key pillar of our governance strategy. In the reporting period, the committee's climate and nature-related focus was centred around the greenwashing risk associated with public disclosure.

1 The GRIEC, GIC and GRC were dissolved 01/2025. Our Executive Leadership Team has also been replaced by an Executive Committee established by the Group CEO as First Sentier Investors' central decision-making and executive leadership oversight forum, responsible for shaping strategic direction, policies, governance and operations.

ESG Regulatory Advisory Group: established in 2022 for the purpose of monitoring and advising on the implementation of global ESG regulations including product/strategy classifications.

Management of climate and nature-related risks and opportunities are also supported by:

- **Policy and process framework:** key documents in this framework include this Climate and Nature Report, each individual investment team's Climate Change Statement, our Climate Change Action Plan, our Global Responsible Investment and Stewardship Policy and Global Responsible Investment and Stewardship Principles. Additionally, First Sentier Investors' remuneration policy sets out how we include sustainability metrics in investment professionals' performance reviews.
- **Specialist RI team:** engages and coordinates with the entire business to deliver the RI strategy. The team consists of 10 staff located across our offices in Australia, Hong Kong, Ireland and the UK, and reports into the Chief Commercial Officer. The team is structured across three lines of function: advisory (providing system stewardship and investment team support), regulatory and reporting, and research from the MUFG First Sentier Investors Sustainable Investment Institute.
- **Corporate Sustainability team:** works in partnership with teams across First Sentier Investors' global business to manage the ESG impacts of our own operations and by doing so, supports our position as a responsible investor.

4.1 Human rights and governance

Our approach to human rights is set out in our Global Responsible Investment and Stewardship Principles and is informed by the UN Guiding Principles on Business and Human Rights, the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the International Labour Organization labour standards.

We started our formal human rights journey in 2016 with an internal Human Rights Working Group of investment team members who worked with the RI team and experts in the field to better understand a range of human rights issues and how they may impact investment portfolios. The output of that working group was a Human Rights Toolkit, a set of tools to support investment team members to identify and address human rights risks in the investment process.

We have deepened this work over the years since then, with a focus on topics like modern slavery, First Nations people's rights and conflict-affected and high-risk areas, but there has been a limited connection to nature-related dependencies, impacts, risks and opportunities until we started working on deforestation in 2023.

Our ICANN guide highlights how issues related to nature, climate change and human rights abuses are often intertwined. At times, there may be synergies between these issues, and at other times there may be trade-offs to be addressed.

For example, deforestation and forced labour often go hand in hand, as they both often happen in countries with a weak rule of law, in remote areas where oversight is minimal. Illegal logging and land clearing frequently exploits vulnerable populations, subjecting them to coercive labour practices in the pursuit of profit and resource extraction.

Given the lack of information on deforestation at portfolio company level, when assessing company level risk exposure to this issue, we used a number of human rights-related data points, including country-based modern slavery risk indicators from the Global Slavery Index.

Over time we have increasingly recognised the interdependencies between these issues and how considering this can help us as investors to identify opportunities and points of leverage that might otherwise be missed.

The FSIH board receives bi-annual updates on responsible investment issues which includes human rights (similar to climate and nature).

05 | Risk and impact management

05 | Risk and impact management

The Risk and Impact Management section of this report is divided into; 5.1) First Sentier Investors' general risk management framework, 5.2) our approach to climate-related risk identification and management, and 5.3) our approach to nature-related risk identification and management. Sections 5.2 and 5.3 focus on our investments, for more information on our operations, see *Appendix 2*.

5.1 General risk management framework

The below diagram provides a holistic view of how risk management is embedded across First Sentier Investors.

Figure 7: First Sentier Investors' risk management framework

RMS	Risk Management Strategy (RMS) – Articulates how risk is to be effectively managed
Risk appetite statement	Articulates the Board level risk apetite
Risk management framework	Provides a consistent and integrated approach to managing risk
Group policies and supporting framework	Articulates key principles and requirements
Operational risk / Compliance risk / Investment risk	Covers material enterprise risk categories
Risk systems	Riskonnect, Compliance Alpha, Investment Systems
Line 1 Business management / Line 2 Risk support functions / Line 3 Internal & external audit	Defined roles and responsibilities
Risk culture	Doing the right thing by our clients, employees, society and shareholders

The First Sentier Investors Risk Appetite Statement (RAS) articulates the board level risk appetite for First Sentier Investors i.e. the degree of risk that First Sentier Investors is willing to accept to achieve its business and strategic objectives. The RAS plays a key role in uplifting First Sentier Investors' risk culture by providing clear parameters for the management of risks and key triggers for the escalation and enhanced monitoring of risks across its operations. The First Sentier Investors risk appetite is monitored through qualitative and quantitative metrics (KRIs) with defined boundaries.

First Sentier Investors' philosophy with respect to responsibilities for risk management can be articulated in the **3 Lines of Accountability/Defence Model:**

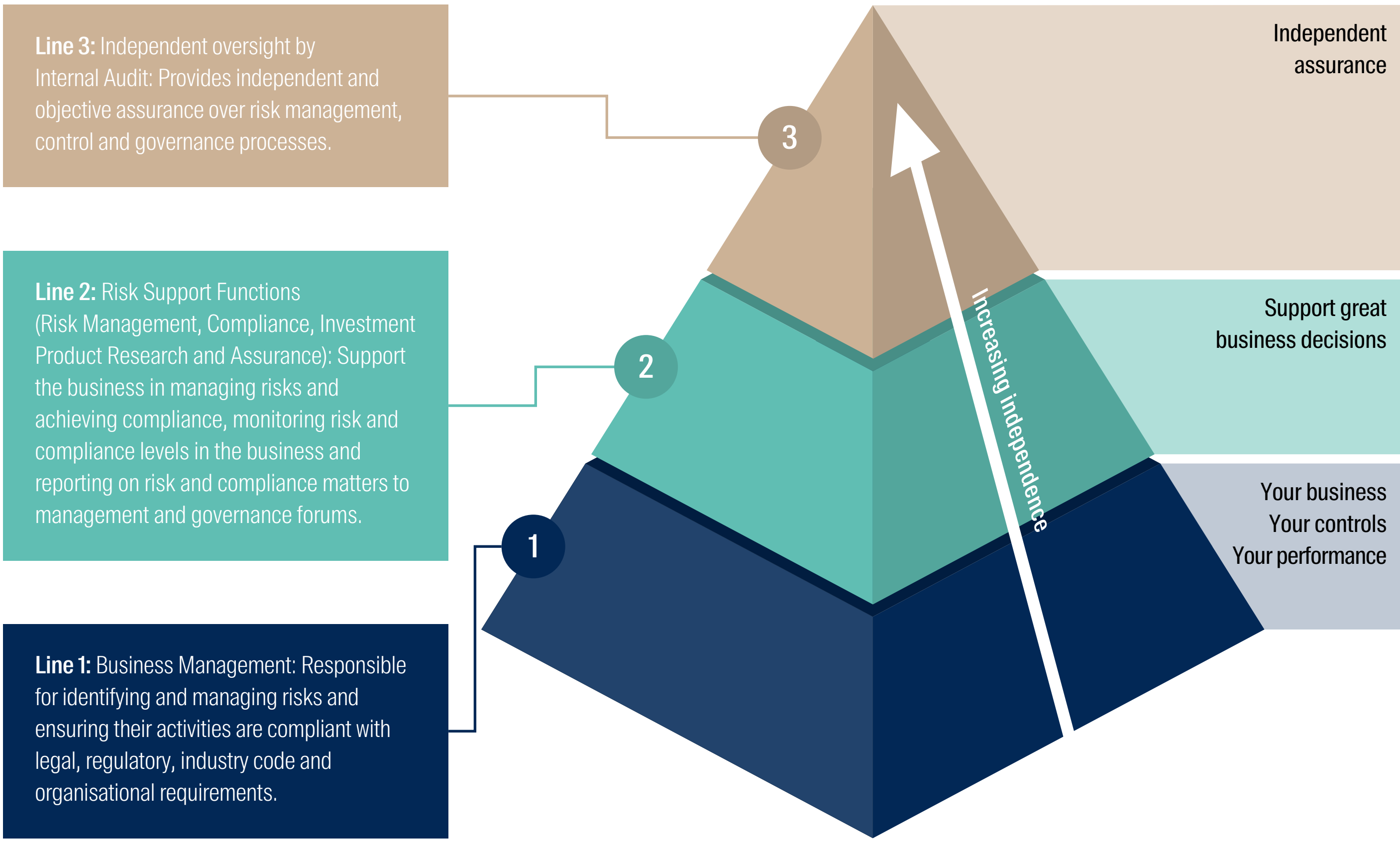
Line 1: Business Management: Responsible for identifying and managing risks and ensuring their activities are compliant with legal, regulatory, industry code and organisational requirements.

Line 2: Risk Support Functions (Risk Management, Compliance, Investment Product Research and Assurance (IPRA)): Supports the business in managing risks and achieving compliance, monitoring risk and compliance levels in the business and reporting on risk and compliance matters to management and governance forums.

Line 3: Independent oversight by Internal Audit: Provide independent and objective assurance over risk management controls and governance processes.

This model applies to climate-related risks within our business and investment strategies as follows.

Figure 8: First Sentier Investors' three lines of defence model



This model applies to climate-related risks within our business and investment strategies as follows.

	Climate-related operational risks	Climate-related investment risks
Line 1	Corporate Sustainability	Investment team, RI team
Line 2	Risk Management Compliance	Investment Product Research and Assurance
Line 3	Internal audit	

We continue to leverage and further enhance our ESG processes, controls and assurance to ensure we continue to meet the swiftly evolving ESG regulatory requirements and expectations around the globe.

We use a range of third-party data sources, further enhanced by internal research, to help us identify climate and nature risks.

5.2 Identifying, assessing, prioritising and managing climate-related risks and opportunities

Identification and management of climate-related risks for our investments is understood and addressed through combining top-down governance and monitoring (as outlined above) and investment team integration of climate-related considerations within their investment processes.

As outlined in the Strategy section of this report, the key climate-related risks we identify and manage across our investments, and how we assess the impact of these risks on investment performance, are disclosed in the individual team Climate Change Statements on our website. We take a proportionate approach to managing climate-related risks, and the climate information we disclose is proportionate to the amount of data available, the degree that climate-related risks are considered in each investment team's investment and our risk management processes.

5.3 Identifying, assessing, prioritising and managing nature-related dependencies, impacts, risks and opportunities

As a global asset manager, our key exposure to dependencies, impacts, risks and opportunities is in our downstream value chains.

Below, we describe our processes in identifying, assessing, prioritising and managing these issues in our in-scope portfolios, as further set out in the ICANN guide.

Figure 9: ICANN guides steps for assessment and engagement framework

Steps in the guide	
1	Sector-level assessment of exposure, dependency and impacts
2	Company prioritisation and assessments
3	Company engagement on material issues

Each investment team takes a differing approach to managing these issues depending on their asset class and investment philosophy, as well as the sectors/companies they invest in, and the materiality and/or impact of the issues to those companies. This may range from no formal approach to managing nature-related issues to formal integration of nature-related issues into investment decision making. As shown in Figure 9, at firm-level we started this process with a sector-level assessment to understand our exposure on dependencies and impacts, which gives us a high-level understanding of material sectors. We have disclosed our process of conducting sector-level assessments in our 2022[1] and 2023 RI Reports, as well as in the ICANN guide. Company prioritisation is based on our AUM, country-level and sector-level data, and utilising available nature-related databases and metrics.

At a firm level, our decision to prioritise deforestation and freshwater issues was based on various factors, such as our sector exposure, availability of data and tools, relevance to climate change, our impact drivers and dependencies. The ICANN Guide and our Global Responsible Investment and Stewardship Principles document further describe our approach to managing dependencies, impacts, risks and opportunities related to these two topics, as well as our general expectations from investee companies.

We have also identified material sectors and commodities to understand our investee companies' impact and response to these two topics. While these frameworks serve as a guide on due diligence for investment teams, each investment team determines what is a material issue for a given company, based on its sector, country exposure and any controversial activities.

1 https://www.firstsentierinvestors.com/content/dam/web/global/responsible-investment/documentation/global-documents/fsi-responsible-investment-report-2022.pdf

Our infrastructure and real assets focus teams (e.g. Global Listed Infrastructure and Global Properties team) face a set of nature-related dependencies, impacts, risks and opportunities that are specific to their sector exposure, such as water use and pollutants, ocean-related risks or air pollutants. The RI team has developed dedicated guidance for these teams focused on sectors including electric utilities, ports, linear infrastructure, data centres, and property management.

We also continue to expand our efforts in collaborating and engaging with industry initiatives on nature and biodiversity. Our focus is on improving nature and biodiversity reporting as well as sharing our approach and experience with peers and key stakeholders. In order to support these initiatives and stakeholders, we continued collaborating closely with the First Sentier MUFG Sustainable Investment Institute to produce research papers on nature and biodiversity:

- **State of nature-related disclosures:** Assessing TNFD alignment of nature-related disclosures of firms in high-risk sectors
- **PFAS: Forever Chemicals** – Investor Briefing

Our approach to managing nature-related dependencies, impacts, risks and opportunities is through research, due diligence, company engagement, industry collaboration, policy advocacy, target setting and business activities supporting improved nature outcomes.

A core focus for the RI team in 2024 was supporting an initial group of investment teams in implementing First Sentier Investors' nature and biodiversity toolkit. This included support with prioritising sectors and companies, assessing water and deforestation risks, and interpreting engagement plans. Investment teams which identified freshwater and deforestation as material issues for their investments have also engaged with companies directly using the toolkit.

For example, the Asia Fixed Income team raised the topic of biodiversity during an engagement with Indofood, to assess Indofood's progress related to deforestation, whilst the Australia Equity Growth team discussed land use, water and responsible sourcing with BHP, and waste and scope 3 Forest, Land and Agriculture (FLAG) climate targets with a large Australian FMCG (fast-moving consumer goods) company. We also shared our detailed analysis of the FMCG company's TNFD alignment for the company to use in preparation of their TNFD aligned reporting.

06 | Metrics and targets

06 | Metrics and targets

This section outlines the key climate and nature related metrics that we monitor, in addition to our targets for investments and operations and our targets for our investments (6.2).

6.1 Climate-related metrics and targets

We have the ambition to reduce greenhouse gas emissions across our investment portfolios in line with a target of progressing towards net zero emissions by 2050 (or sooner) and across our business operations in line with a target of net zero emissions by 2030 (or sooner). This includes a range of targets committed to by investment teams over the short, medium and long term and an aim to increase the proportion of assets covered by formal net zero commitments over time. As outlined in *Appendix 3*, our proportion of total assets under management managed in line with our net zero ambition increased to 67.8% as at 31 December 2024 (this appendix also includes progress against our 2024 key performance indicators as set out in our Climate Action Plan).

A key focus for us has been on creating a bespoke net zero model to measure and track our team's portfolio coverage with the different stages of net zero alignment, drawing from widely recognised climate initiatives such as the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+, Transition Pathway Initiative (TPI), the Science Based Targets initiative and third-party vendor research. As net zero data sets and corporate disclosures have improved since we began this journey, the model has gone through different iterations reflecting those rapid changes. The model was subsequently enhanced with the integration of new data sets available through our vendor. Following the publication of the Paris Aligned Investment Initiative Net Zero Investment Framework 2.0 Guidelines in June 2024, we aligned our model to the updated criteria.

Financed emissions

Data is critical to helping us understand climate-related risks and opportunities, measure where we are, how far we have come and our progress against targets. We use a range of metrics to assess climate-related risks and opportunities for our investments. We publish these annually in this report but also provide interactive disclosure for our listed equities on our website.

Table 5 shows the key financed emission metrics for all investment teams (other than AlbaCore where carbon emissions are disclosed in their own TCFD report), as recommended by IFRS S2.

Operational emissions

Table 6 shows our operational emissions, calculated in alignment with the World Business Council for Sustainable Development (WBCSD)[1] and World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition).[2]

1 https://ghgprotocol.org/about-wri-wbcsd
2 https://ghgprotocol.org/

Table 5: Financed emissions for investment teams

	Listed equities	Fixed income	Direct infrastructure
Coverage (AUM)	94.2%	Corporate fixed income: 92.3% Sovereign debt: 87.4%	97.0%
Weighted average carbon intensity (tCO_2e/\$m sales OR tCO_2e/\$m PPP-adjusted GDP for sovereign)	138.5	Corporate fixed income: 97.25 Sovereign debt: 227.35.4	421.0
Difference weighted average carbon intensity vs benchmark (aggregated)	(52.3%)	Corporate fixed income: (73.8%) Sovereign debt: (8.4%)	n/a
Exposure to fossil fuel companies (%)	9.55%	2.06%	27.7%
Relative carbon footprint (tCO_2e/\$m invested)	49.3	41.3	95
Difference carbon footprint vs benchmark	(52.0%)	(65.9%)	n/a
Total carbon emissions (tCO_2e, scope 1&2)	3,652,449	483,833	1,409,902
Scope 1 (tCO_2e)	2,853,823	451,907	1,337,211
Scope 2 (tCO_2e)	798,676	31,926	72,691
Scope 3 (tCO_2e)	35,409,016	2,967,480	3,641,722

Source: First Sentier Investors, ISS ESG, Sustainalytics, data as at 31 December 2024

The data set out above are estimates based on data sourced by First Sentier Investors. This data is current at 31 December 2024. It is based on information and representations sourced from third parties (including investee companies), which may ultimately prove to be inaccurate. No assurance is given or liability accepted regarding the accuracy, validity or completeness of this data and no reliance should be placed on it by any third party.

Definitions:
Carbon footprint: The carbon emissions of a portfolio per \$m invested. Scope 1 and 2 emissions are allocated to investors based on an ownership approach (if an investor owns 10% of a company's total Enterprise Value Including Cash (EVIC), then they own 10% of the company and therefore 10% of the company's emissions). This is then normalised by portfolio value.
Weighted average carbon intensity: Portfolio weighted average of each company's greenhouse gas emissions intensity (scope 1 & 2) per US\$M of sales.
Total carbon (financed) emissions: This metric measures the absolute carbon emissions associated with a portfolio (scope 1 & 2) expressed in tCO_2e. Scope 1 and 2 emissions are allocated to investors based on an enterprise value ownership (as with the carbon footprint)
Fossil fuel companies: This indicator measures the portion of exposure to companies involved in fossil fuels as defined by Sustainalytics, this includes (i) exploration, mining, extraction, distribution or refining of hard coal and lignite; (ii) exploration, extraction, distribution (including transportation, storage and trade) or refining of liquid fossil fuels; and (iii) exploration, extraction, distribution (including transportation, storage and trade) of gaseous fossil fuels.
Carbon footprint reports for each investment team, and an explanation of how each measure is calculated, are available on First Sentier Investors' website.

Note: Portfolio emissions and carbon footprint are now based off Enterprise Value as a proxy for company size, as recommended in the most recent Partnership for Carbon Accounting Financials (PCAF) Standard.

Table 6: First Sentier Investors' operational emissions

First Sentier Investors emissions	tCO_2e				
	2024	2023	2022	2021	2020
Scope 1 (direct emissions)	5	12	41	57	41
Scope 2 (indirect emissions)					
Purchased electricity – location method	400	413	422	397	425
Purchased electricity – market method	0	1	153	210	224
Purchased heat and steam	34	33	34	27	28
Scope 3 (indirect emissions – value chain)					
Category 1 – Purchased goods and services	7,983	9,689[3]	8,027[4]	–	–
Category 1 – Water	1	2	2	–	–
Category 3 – Fuel and energy related activities (not included in Scope 1 or 2)	113	141	147	–	–
Category 5 – Waste	7	4	2	–	–
Category 6 – Business travel	7,842	5,992	5,595	–	–
Category 7 – Employee commuting and telecommuting emissions	409	404	286	316	957
Biogenic emissions	50	32	14	–	–
Total emissions (Scope 1 & 2 – location based, Scope 3 and biogenic)	16,845	16,722	14,570	798	1,452
Total emissions (Scope 1 & 2 – market based, Scope 3 and biogenic)	16,445	16,310	14,300	611	1,250
Emission intensity[5]	tCO_2e per sqm				
Emission intensity (Scope 1 & 2 – location based)	0.032	0.034	0.037	0.036	0.037
Emission intensity (Scope 1 & 2 – market based)	0.003	0.003	0.017	0.022	0.022

Data may differ from that reported in prior First Sentier Investors reports due to improvements in our calculation methodology, and update from global warming potentials (GWP) AR4 to AR5. We have restated all years for comparability.
In 2023, we expanded our scope 3 reporting to category, 1, 3, 5, 7 and 8. These emissions are reported for the first time in 2023.

For further details on how we calculate our operational emissions, please refer to the Corporate Sustainability Report.

3 In FY24, data centre emissions have been aggregated in scope 3, category 1 to align with our operational control approach. In previous FY22 and FY23 reporting, data centre emissions were separately reported as scope 3, category 8.

4 Ibid.

5 The emissions intensity is a metric used to measure the amount of GHG emissions per unit.

6.2 Nature-related metrics and targets

As a signatory to Finance for Biodiversity, First Sentier Investors has set three types of initiation targets following the recommended framework, which relate to governance, assessment and training. Whilst our governance and training targets cover all asset classes, our initial asset class scope for the assessment target is listed equities and fixed income but we will continue seeking guidance in relation to private markets and short-term investments and work with the relevant teams once further guidance is available. Details of our targets set and progress made to date are outlined in the table below.

Table 7: Progress on First Sentier Investors' nature targets

Target	Target	Progress made
Governance	By the end of 2025, First Sentier Investors will disclose a clear firm-wide governance structure for nature outlining board oversight and management responsibilities in an integrated manner with the existing governance structure for broader ESG issues.	As outlined in the Governance section of this report, nature has been integrated into the existing RI governance framework.
Assessment	By the end of 2025, a dependencies, impacts, risks and opportunities assessment for our in-scope investments (listed equities and corporate bonds) will be conducted and publicly disclosed.	We disclosed our sector-level impacts and dependencies across our listed equities investment, and our exposure and approach to nature in 2022 and 2023 RI reports, as well as in the ICANN guide (2023). Using ISS's Biodiversity Impact Assessment Tool, we conducted a quantitative assessment of our impacts and dependencies for in-scope investment portfolios in Q1 2025. Its results and our analysis are disclosed in this report.
Training	By the end of 2025, all relevant employees will have completed training on the relation between nature loss and investment.	Two training sessions were held for all staff on nature, in addition to a number of smaller sessions tailored to investment teams since 2022. In 2023, First Sentier Investors launched a nature and biodiversity toolkit, which has been developed through discussions with investment teams. Dedicated training for investment teams on biodiversity impact assessments took place in Q1 2025, followed by a tailored in-depth discussion with three investment teams.

6.2.1 Nature-related metrics (investments)

Table 8 below summarises the two core sector metrics recommended by the TNFD for financial institutions. Due to data limitations and coverage, we are, as yet, unable to measure further TNFD core global disclosure metrics.

Table 8: Disclosure of two core sector metrics recommended by the TNFD for financial institutions

Two core sector metrics recommended by the TNFD for financial institutions	Metric (in-scope investments only i.e listed equities and corporate fixed income asset classes (excluding cash, derivatives, futures, options, short positions and sovereign/government bonds)	Results (based on December 31 2024 AUM data)
Exposure to the TNFD material sectors, relevant to the firm's total AUM	Share of AUM with exposure to material sectors/ First Sentier Investors' total AUM	25% A further breakdown by sector is included in the Strategy section above
Share of investments in investee companies with sites/ operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas (SFDR Core PAI 7)	Share of listed AUM only	4.08% (88% data coverage)

6.2.2 Nature-related metrics (operations)

As a financial institution, we acknowledge that the materiality of our nature-related dependencies, impacts, risks, and opportunities within our direct operations is relatively limited. For our corporate operations we use the following metrics:

- In 2024, we estimated our offices generated an estimated 32 tonnes of waste globally.
- In 2024, we estimated our offices consumed 8,600 kL of water globally.

Our priorities for the year ahead and beyond across climate and nature include:

- RI team to support investment teams to review, set and/or reset net zero targets in line with their ambitions.[6]
- Develop a responsible investment client strategy for institutional clients in two key target markets to identify opportunities to better support our clients achieve their net zero objectives as well as opportunities to further engage and collaborate.
- Support completion of an external review of our net zero model and address any findings.
- Increase the percentage of our AUM that we wish to manage in line with a target of net zero by 2050.
- Continue to drive advocacy and support industry progression through our contributions to key industry working groups and initiatives.
- Progress our ESG data priorities, enhancing data quality, accuracy and timeliness whilst supporting greater process efficiency and investment integration for investment teams, and better visibility to management and clients.
- Use research from external research providers to further understand our biodiversity footprints, inform company assessments, prioritisation and engagements.
- Work on additional nature disclosure in line with TNFD recommendations, integrate governance oversight on nature with our existing RI governance structure, and make further progress in meeting our nature targets.

6 First Sentier Investors formally assesses team performance against their targets and reviews these periodically for continued relevance, achievability and alignment to our organisational strategy. 2025 is a milestone year for many of our investment teams, therefore continuing review and potential refinement of these net zero targets is anticipated over the coming period.

Appendices

07 | Appendix 1 – Additional nature-related disclosures

7.1 First Sentier Investors in-scope investments' nature impact and dependencies assessment

As noted in the Strategy section, we conducted biodiversity impact assessments across our in-scope portfolios (i.e our firm's total AUM exposed to the 16 priority sectors identified by the TNFD) covering over 15,500 issuers using the ISS Biodiversity Impact Assessment Tool (BIAT), based on our holdings data as of 31 December 2024, covering approximately 93% of our in-scope holdings.

ISS BIAT primarily uses potentially disappeared fraction (PDF) of species and reports on the following metrics:

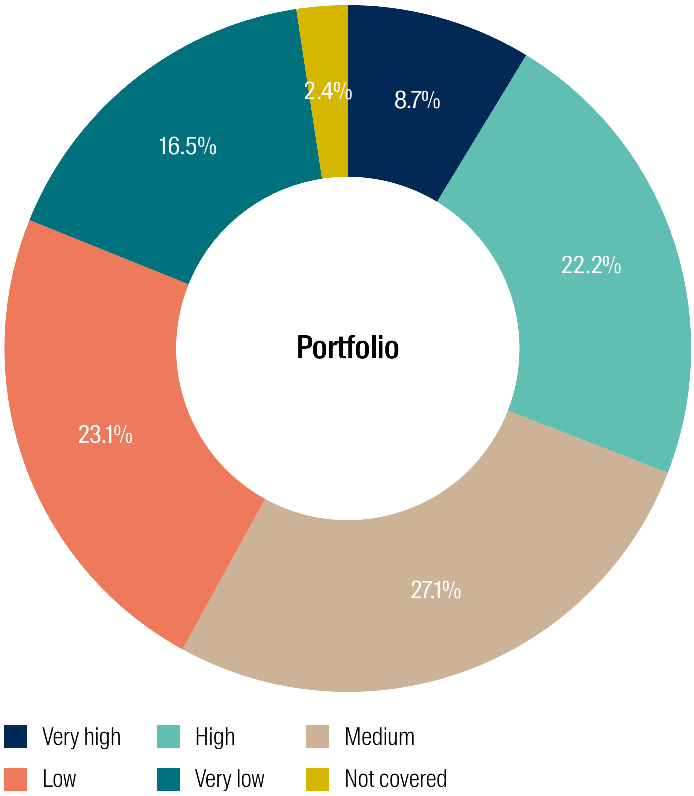
- Absolute Impact, which quantifies the portfolio's aggregated biodiversity impact in PDF/km²/yr by ownership ratio. 10 PDF/km²/yr can be interpreted as either 10km² has lost all its species over a year or 100km² has lost 10% of its species over a year.
- Weighted Average, which quantifies the overall biodiversity impact in PDF/km²/yr by weight of the holding.
- Weighted Average Intensity, which quantifies the biodiversity intensity (PDF/km²/€M of revenues) of the impact by weight of the holding.

Table 9: Results of the BIAT assessment (in terms of PDF)

Metric	Result for our in-scope portfolios
Absolute PDF	3,637,450.20 PDF/km²/year
PDF Weighted Average	1,315,741.98 PDF/km²/year
PDF Weighted Average Intensity	61.67 PDF/km²/year/million euros 8.7% of this impact is attributed to companies with very high impact, and 22% to companies with high impact. Since these two categories account for about 31% of our weighted average PDF intensity, we noted that companies in these categories are can potentially be prioritised for further research and engagement.

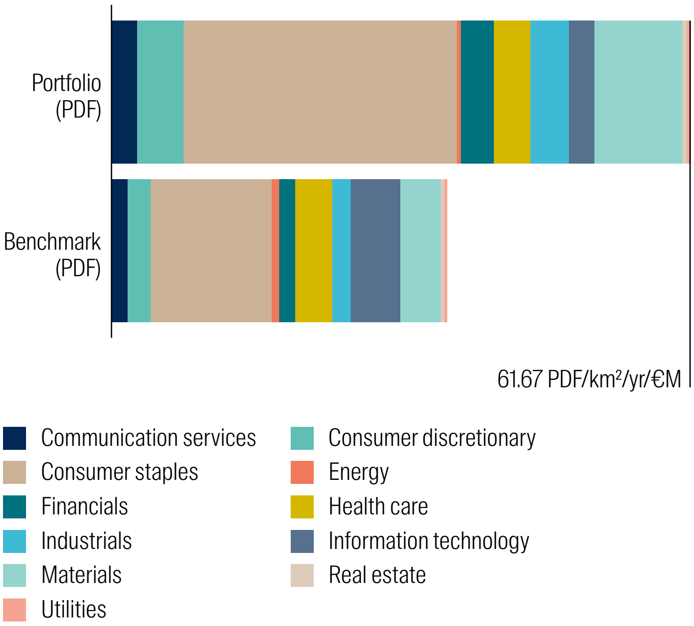
Figure 10: ISS BIAT PDF impact intensity of First Sentier Investors' in-scope investments (AUM data as of 31 December 2024)

61.67 PDF/km²/yr/€M weighted average intensity



Source: First Sentier Investors, ISS BIAT data as at 31 December 2024

Figure 11: ISS BIAT biodiversity intensity breakdown by sector



Source: First Sentier Investors, ISS BIAT data as at 31 December 2024

This bar chart illustrates the weighted average biodiversity intensity (PDF/km²/yr/€M weighted across holdings) grouped by the 12 sectors in the Global Industry Classification Standard (GICS) Level 1, illustrating which sectors in the portfolio have the largest/smallest impact and to compare the performance against the benchmark (MSCI ACWI).

Our negative impact presented as weighted average biodiversity intensity (PDF/km²/yr/€M weighted across holdings) is higher than the benchmark, as our holdings have a higher concentration of companies in consumer staples (including food products) where negative impacts are higher. This is an interesting result, given that our in-scope investment to the sector exposure to food and beverage sector accounted for only 7% (see First Sentier Investors' AUM exposure to the TNFD's priority sectors on page 18). Through this assessment, we learned that there is a higher effect from issuer allocation rather than sector allocation causing this discrepancy, and identified which companies mainly contributed to the negative impacts.

The BIAT report also enabled us to understand that the main biodiversity impact driver (as defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES)[1]) of our absolute biodiversity impact is land use and land use change (over 93% of our absolute biodiversity impact). However, impact drivers differ at investment team level.

Combining the results (both impacts and dependencies) from the BIAT report demonstrated that our nature-related impacts and dependencies are highly concentrated in a relatively small number of sectors. For example, of the top 50 companies with the highest biodiversity impact intensity (calculated as weighted PDF/km²/year/€ million revenue using 31 December 2024 holdings data), 34 of them (68%) are in the agricultural products & services and packaged foods & meats industries. This supports the identification of priority companies to target for further research and engagement, as well as broader issues and areas for engagement. Our main impact pressure driver is land conversion and land use – we have been focusing on deforestation issues, targeting some priority companies in the food sector.

We also learned that many of our portfolio companies depend on provisioning, regulation and maintenance services that freshwater provides.

1 IPBES identified the following main drivers of biodiversity loss: Land use change and nature deterioration, Overexploitation, Climate change, Invasive species and Pollution.

7.2 Additional nature-related transition risks

Our assessment process identified material transition risks including nature-related regulatory, technology, reputational, and legal risks as outlined below.

Nature-related regulations and policies: The risk associated with changing regulations such as EU Deforestation Regulation (EUDR),[2] the EU Nature Restoration Law,[3] or Australia's Nature Repair Act.[4] For example, companies not providing evidence that their products did not contribute to deforestation may not be able to export their goods to Europe, due to the EUDR. These regulatory and policy changes may lead to increases in operational costs for companies or expose them to penalties, impacting finances, and potentially affecting the reputation of asset management institutions.

Technology and consumer demand-based market transformation: The transformation can increase risks and opportunities, obsolescence of certain products and services affecting certain sectors. For example, companies producing beef may be affected by consumer demand shift, while companies producing alternative protein may benefit from it. Such shifts can impact companies' performance and may even change industry direction.

Advancement in nature data leading to scrutiny: Nature-related data is advancing fast with artificial intelligence and better utilisation of satellite-based images. Whilst this presents opportunities for investors to process large-scale data and monitor company practices better without solely relying on voluntary disclosure, it also means that investee companies may face greater scrutiny, with a potential increase in reputational risk if these companies' lack of management or mitigation action becomes known through better availability of data. For example, more companies in sectors material to nature (e.g. food or textile) are being scrutinised on their contribution to deforestation or water pollution.

Heightened expectation to not cause harm: Better awareness of nature-related issues and advancement in nature-related disclosures could put more companies and financial institutions at risk if they exhibit a high exposure to biodiversity sensitive areas or report high levels of negative impact on nature, which could lead to an increase in reputational or legal risks. Investors are also increasingly expected to demonstrate that their investments do not harm nature (if not conserve/protect/restore nature). Companies that do not meet such expectations are likely to face pressure from communities and/or non-governmental organisations.

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2 The European Union (EU) banned imported goods that contribute to deforestation or are produced in deforested lands, to encourage companies to better understand this issue. The EUDR is applicable to a list of forest-risk commodities (including palm oil, beef, timber, coffee, cocoa, rubber and soy). https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en

3 The Nature Restoration Law is a regulation of the European Union to protect the EU environments and restore its nature to a good ecological state through renaturation. https://environment.ec.europa.eu/topics/nature-and-biodiversity/nature-restoration-law_en

4 The Nature Repair Act 2023 (the Act) came into effect on 15 December 2023, establishing a world-first legislated, national, voluntary biodiversity market. https://consult.dcceew.gov.au/nature-repair-market

08 | Appendix 2 – Our direct operations

This section of the report sets out how we consider climate-related risks and opportunities and nature-related dependencies, impacts, risks and opportunities faced by our operations. Our view is that the firm's climate-related risks and opportunities are most concentrated in our financed emissions and investment portfolios, and our corporate climate change risk is considered low across both physical and transition risks.

8.1 Climate-related risks and opportunities in First Sentier Investors' direct operations

Tables 10 and *11* below outline key physical and transition climate-related risks and opportunities and their implications, timeframes and effects for our company operations.

Table 10: Physical and transition climate-related risks for First Sentier Investors operations

Risk Type	Timeframe	Description of risk and business impact	Mitigation or adaptation efforts
Market (Transition risk)	Medium and long term	Risk of increased carbon price in global markets, increase in energy tariffs and rates, and increased cost of raw materials resulting in higher operating costs for our operations.	First Sentier Investors has set a target of net zero by 2030 in our business operations. We have developed an internal transition plan to identify key initiatives to meet this target – several of which are outlined within this table. We endeavour to embed sustainability criteria into our corporate real estate initiatives. This includes situating offices in resource-efficient buildings that meet green building standards[1] to potentially reduce business operating costs, and fit-outs that consider sustainability in their design and operation. We also monitor and reduce GHG emissions across the firm. In 2024, we continued to mature our scopes 1, 2 and relevant scope 3 emissions methodology and reporting. We have transitioned offices to 100% renewable electricity through energy retailers or by purchasing renewable energy certificates. We have allocated annual budget to procure local renewable energy within the same market boundary that we consume energy. Additionally, we have allocated annual budget for carbon offsets for our residual emissions from scopes 1 and 2 and our scope 3 (business travel).
Reputation (Transition risk)	Ongoing (short, medium and long term)	Inability to meet expectations from stakeholders (clients, employees, wider society and shareholder) to sufficiently address climate change within own operations, resulting in: • misalignment with firm's Responsible Investment philosophy • loss of competitive advantage • clients/investors withdrawing funds and new investments • negative media coverage for not following Responsible Investment principles for own operations and potential "Greenwashing".	Through this framework, we have assessed and monitored the potential physical and transition risks and opportunities on our operations. We have developed targets and initiatives to reduce the environmental impact of our operations including monitoring and publishing the firm's operational GHG emissions and progress against our targets and commitments, attaining relevant environmental certifications,[2] and continuing to embed sustainability learning and development programs to upskill our people. We have also resourced our Corporate Sustainability team to develop, monitor and lead our sustainability program. We have identified opportunities to certify our own offices against recognised green building standards and have certified a number of them.[3]

1 Examples of recognised green building frameworks include ISO 14001 EMS, LEED, BREEAM, WELL and NABERS.
2 This includes certifications that cover our corporate sustainability program and office space. Examples of relevant environmental certifications include ISO 14001, LEED, NABERS and WELL.
3 Examples of recognised green building frameworks include ISO 14001 EMS, LEED, BREEAM, WELL and NABERS.

Policy and legal (Transition risk)	Medium and long term	There is a risk that in the jurisdictions where the firm operates, policies and/or regulations are introduced that results in either a direct or indirect price on GHG emissions (i.e. a carbon price). Combined with the complex global regulatory landscape, this could result in potentially higher operating costs and enhanced emissions reporting obligations.	We have dedicated roles across ESG policy and regulation to continually monitor and horizon scan for evolving ESG regulations. We also have committees and frameworks in place to oversee ESG-related activity, reporting and regulation. We engage with our building management and landlords to decarbonise and electrify our offices. We continue to monitor our energy consumption and implement energy efficiency initiatives to reduce our operating costs. We engaged in a pre-assurance exercise in preparation of the mandatory sustainability reporting policy introduction in Australia and have resourced this ongoing requirement through budget and a cross-functional working group.
Acute (Physical risk)	Long term	Extreme weather events impact First Sentier Investors' offices, forcing closure and/or relocation of staff, resulting in disruption to business operations, potential impacts to our staff safety and potential physical damage to our offices.	We embed sustainability criteria into our corporate real estate initiatives, including when we seek new office locations to consider the building's resilience to extreme weather events and their climate change resilience and adaption planning (where appropriate). As a tenant, we continue to engage with building management and relevant stakeholders to assess building adaptation measures and assessments to ensure our facilities are fit for purpose and can manage extreme weather events.
Chronic (Physical risk)	Long term	Inability of offices to cope with long term climate change impacts such as sustained higher temperatures and sea-level rise. This may result in impacts to worker commutes, inability of the office to maintain a comfortable or safe working environment, increased operational costs associated with energy and water supply, and impacts to building infrastructure, security and IT systems.	Our business continuity program considers site-specific emergency management/ business continuity plans for incidents affecting local operations requiring local responses. We embed sustainability criteria into our corporate real estate initiatives by prioritising the selection of buildings that have high energy and water efficiency ratings and certifications. These buildings are better equipped to manage increased heat loads. Additionally, we maintain ongoing engagement with building management and our landlords to gain insights into operational resilience adaptation plans, testing protocols.

Table 11: Physical and transition climate-related opportunities for First Sentier Investors operations

Opportunity	Timeframe	Description of opportunity	Actions to take advantage of the opportunity
Resource efficiency	Short and medium term	Improvements in energy, water and waste management efficiency	We continue to seek energy efficiency initiatives such as energy audits and energy ratings to drive improvement, and potentially lower operational costs. Being resource efficient may also support us to reduce our peak demands on the building and grid energy infrastructure. We continue to monitor water consumption and waste generation and engage with building owners and managers to find opportunities to improve data collection and coverage.
Energy source	Short term	Adoption of renewable energy sources	We continue to source renewable energy to match our energy consumption for all our global offices through off-site purchases via tariffs or renewable energy certificates (RECs). Where applicable, we assess opportunities for on-site renewable installations.
Resilience	Long term	Enhancing resilience through better infrastructure and planning	We incorporate resilience into our office selection processes, engage with key building stakeholders during lease negotiations and ongoing operation, and where applicable, we assess opportunities to decarbonise our buildings to improve our office operational resilience to energy prices. We expect this to improve our preparedness to manage operations during extreme weather and emergency events.

8.2 Nature-related dependencies, impacts, risks and opportunities in our direct operations

This section covers our process of identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in the locations of our direct operations.

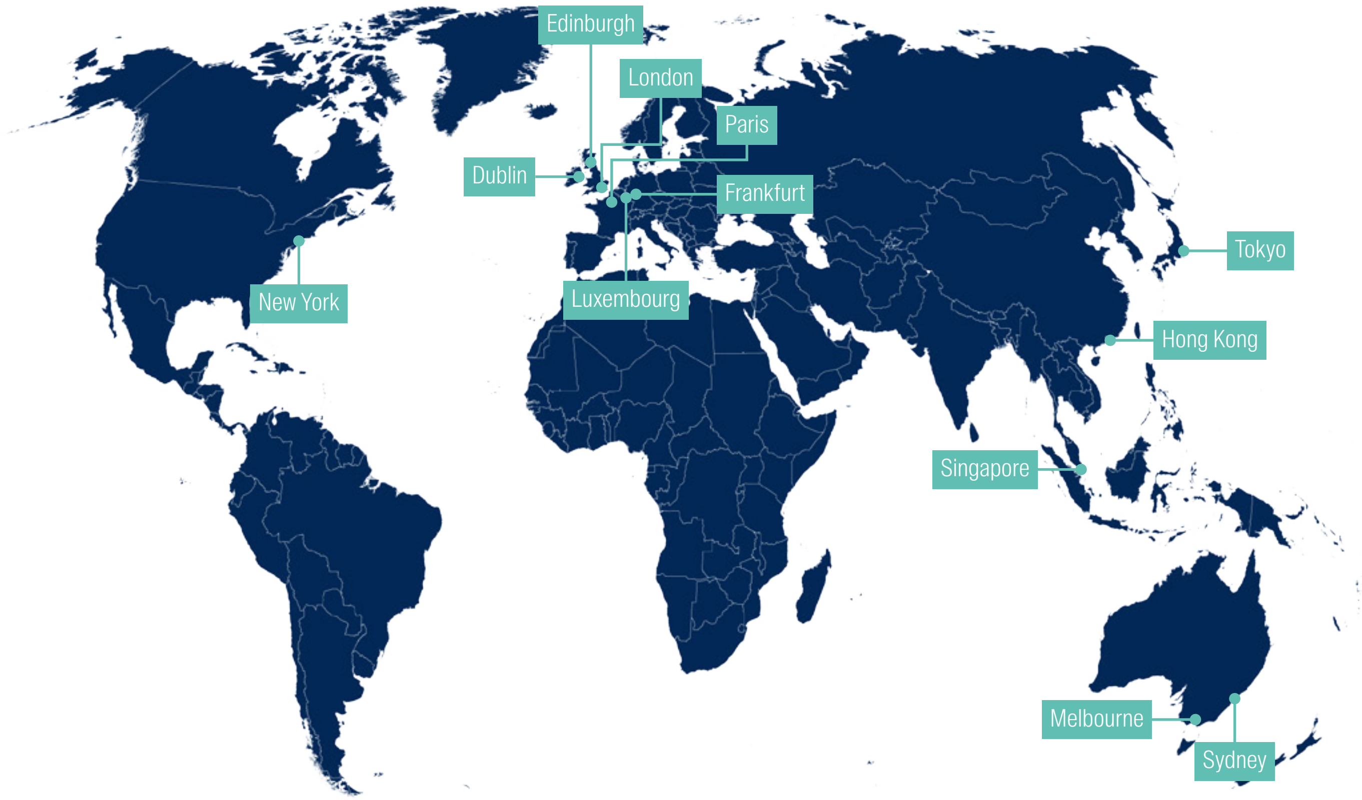
For our initial assessment of our dependencies, impacts, risks and opportunities related to nature, we followed the TNFD's LEAP approach.

8.2.1 Dependencies and impacts

For our analysis, we chose to prioritise water, waste and biodiversity given their materiality to our investment portfolio (as highlighted in the Sector Exposure section in Strategy) and the benefit of data availability.

Starting with the 'Locate' action, we identified material locations to be our global office locations. As a global asset manager, our corporate operations are largely office-based. Our physical global footprint spans 16 offices over ten countries. In all locations, we lease office space within urban city central business districts. Our corporate real estate includes leased offices and serviced offices.

Figure 12: Our global office locations



For this assessment, we used the integrated biodiversity assessment tool (IBAT)[4] to map our physical office locations to identify any exposure to sensitive locations, and to assess if any of our offices had key biodiversity areas (KBAs) or protected areas (PAs) on site. Our analysis found that none of our office locations were on or immediately adjacent to land that were designated KBAs or PAs.

We also used the exploring nature capital opportunities, risks and exposure (ENCORE) tool[5] to 'Evaluate' nature dependencies and impacts and 'Assess' our nature-related risks and opportunities related to our sector (financial industry).

4 The IBAT tool assesses key biodiversity areas (KBA) and protected areas (PA). KBA identifies sites contributing significantly to the global persistence of biodiversity in terrestrial, freshwater and marine ecosystems. PA are derived from the World Database on Protected Areas, which collects data from international convention secretariats, governments, and collaborating NGOs.

5 ENCORE is a free, online tool that helps organisations explore their exposure to nature-related risk and take the first steps to understand their dependencies and impacts on nature. This tool sets out how the economy – sectors, subsectors and production processes – depends and impacts on nature.

While our business operations are generally resilient to large ecosystem disruption and our operations are mostly conducted in-office or remotely, the following dependencies were noted:

- Physical landmass that supports our office locations (termed mass stabilization and erosion control) was flagged (by ENCORE) as limited and of low materiality; and
- Our offices also depend on water, clean air and paper.

Our analysis found the following impacts:

- The negative impacts of our global office operations on nature and biodiversity are through waste, water and carbon emissions generated from the use of electricity and gas. We have been capturing operational data since 2022, however, data related to waste and water is incomplete and relies on estimation models[6] due to the limited availability of tenancy level data in many of our office locations. We continue to work with our landlords to improve the availability and accuracy of this information.
- For waste impacts, a small number of offices are located within cities identified as 'high impact' areas. In 2024, we estimated our offices generated 32 tonnes of waste globally, with an estimated 71% diverted from landfill. In 2023 and 2024, we shared information on waste reduction behaviours and waste diversion through education sessions held at three of our larger offices- Sydney (Barangaroo), Edinburgh, and London, to build awareness around waste reduction behaviours.
- As tenants, water-consuming features of the buildings depend largely on the building's water systems and city-wide infrastructure. In 2024, we estimated[7] our offices consumed 8,600 kL of water globally. In our Sydney (Barangaroo) and Hong Kong locations, our facilities reduce our potable/mains water consumption by using recycled water sources including harbour seawater.

8.2.2 Risks and opportunities

- The World Wide Fund for Nature (WWF) Water Risk Tool[8] identified that our Hong Kong office, is located within a high-risk water basin area - the South China Sea. The rating from the WWF Water Risk tool is determined at a water basin level which captures a very large geographic area and is not uniquely reflective of the water risk of our specific office location.
- We see an opportunity to drive positive change and foster sustainable practices by actively engaging with other tenants and building management to obtain tenancy level data, to improve the accuracy of our reporting.
- We also see an opportunity to improve our understanding of the specific sources of water and review our usage of paper in the office environment.

As a financial institution, we recognise that our nature-related dependencies, impacts, risks, and opportunities in our direct operations are of limited materiality. We are committed to engaging with our stakeholders to better understand these issues and their potential implications and continue to monitor our water and waste consumption, as part of the 'prepare' stage of the LEAP framework.

6 Where data was not available, estimates are used from known First Sentier Investors' offices. Average water and waste consumption are scaled by kL/m^2 and kg/m^2 respectively per region and year.

7 Ibid.

8 The WWF Water Risk tool assesses the nature and conditions of the basins which the sites operate. The risk score is computed by considering risk types (physical, regulatory, reputational), and risk categories (water scarcity, flooding, water quality, ecosystem services status, enabling environment, institutions & governance, management instruments, infrastructure & finance, cultural importance, biodiversity importance, media scrutiny, conflict). Risk scores vary from 'very low' through to 'very high'. High corresponds a greater risk across these risk types and categories, while low corresponds to a lower risk across these risk types and categories.

09 | Appendix 3 – Climate Action Plan and Finance for Biodiversity Pledge progress

9.1 Climate Action Plan progress

This section sets out First Sentier Investors' progress on our Climate Change Action Plan for the period 1 July 2023–31 December 2024. We have put in place a number of key performance indicators (KPIs) to measure our progress in working towards a larger proportion of active strategies being 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 will 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 any climate-related claims we make.
- **Clients** – We aim to be a trusted partner who can support 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. We have partially met this target.

Our progress is colour-coded as follows:

Green (KPI successfully met);
Amber (progress being made toward KPI); and
Red (KPI not met).

Table 12: First Sentier Investors' progress on Climate Change Action Plan

Climate Action pillar	Goal	KPI to be met for 2024 reporting	Progress	KPI to be met for 2025 reporting
Collaboration	Continue to participate actively in climate-related initiatives and provide input on key climate policies in countries where we are active.	We will implement the policy advocacy principles we developed in 2023. 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.	[Green] Actions we took to meet this target included: • Continued to engage with Climate Action 100+ • Engaged with IGCC/IIGCC (Partners for NZIF) to advance methodology for asset class short term deposits/cash. • Our Global Head of Responsible Investment, Kate Turner, was appointed to the Net Zero Asset Managers initiative Advisory Group towards the end of 2023. • Implemented Policy Advocacy Principles. (see *Appendix 4* for further details). • As a result of the internal restructure of the Australia-based Fixed Income Team, First Sentier Investors decided to discontinue participation in the PRI Sovereign Collaborative Engagement and ASCOR initiative.	We will continue to contribute to policy consultation processes in line with our Policy Advocacy Principles and actively collaborate on industry reports, papers or working groups.
Company engagement	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.	We will develop a formal engagement plan that supports investment teams to better identify high impact companies for targeted engagement on net zero alignment.	[Red] Over the course of the 2024 reporting period, First Sentier Investors' organisational transition has meant a realignment of the core RI team's structure. This restructure has served to ensure the continued support for investment team and client outcomes. Given the RI team's restructure and coinciding reprioritisation, formal engagement plan activities were not commenced.	Develop and help implement investor transition plan guidance focusing on areas of key uplift across climate and nature transition reporting.

Clarity	Increase the percentage of AUM invested in assets that are net zero, aligned or aligning to net zero (using a net zero alignment criteria framework) (Baseline 2021).	We will continue to work towards increasing the portion of AUM that is managed in line with our net zero ambitions.	We have met this target. The initial AUM % managed in line with net zero commitments was 44.5% (31 December 2021). By 31 December 2024 our AUM managed in line with net zero commitments had increased to 67.8% an increase of 2.1% from prior year. Increases in AUM since 2022 have been caused by enhancements in asset class measurement methodologies and an increasing number of investment teams setting net zero ambitions.	We will continue to work towards increasing the portion of AUM that is managed in line with our net zero ambitions.
Clients	Position First Sentier Investors 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.	We will continue to build on our engagement with clients across different jurisdictions and exchange our experiences of our net zero journey.	We have met this target. Over the course of fiscal year 2023–24, we continued to work and engage with clients. For example, the RI team held dialogue with a key client in Australia to discuss transition planning, fossil fuel and target setting. We also continued to be involved in initiatives with the Investor Group on Climate Change (IGCC) to present First Sentier Investors' experience around net zero and policy advocacy in Australia.	We will develop a responsible investment client strategy for our key target markets to, (amongst others), identify opportunities to better support our clients to achieve their net zero objectives as well as opportunities to further engage and collaborate. We will do this through individual client engagement, continuing to develop impactful climate-related research and reports, targeted collective engagement and industry collaboration.
	Create new investment products aligned with net zero emissions by 2050 and facilitate increased investment in climate solutions	We will have developed firm-wide guidelines on new product development.	We have met this target. In 2024, First Sentier Investors conducted a formal review of existing products and developed an approach to support alignment of new product development against evolving regulations and ESMA product naming guidelines.	
Corporate Sustainability	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.	Develop a Net Zero Road map, outlining First Sentier Investors' preliminary carbon abatement strategy to work towards our Net Zero target by 2030 or sooner for our own operations. Certify Edinburgh office against ISO 14001 global standards and extend the certification to other offices.	We have met this target.	Continue to source 100% renewable energy across our global offices. Enhance collation and accuracy of scope 3 emissions data. Maintain adherence to ISO 14001 Environmental Management System (EMS) standard in relevant offices.

We have made a number of key assumptions to achieve our climate action plan:

- Whilst First Sentier Investors makes efforts to target and engage companies towards achieving net zero, we recognise that as stewards of our clients' capital, we are dependent on the companies in which we invest acting to achieve our collective decarbonisation objectives. This real-world decarbonisation is ultimately reflected within our own targets and supports us to achieve our set goals.
- Transitions are complex and challenging. A stable, predictable and supportive policy environment aligned to net zero by 2050 is essential for meeting our net zero commitment. Likewise, the investments we make across various jurisdictions are players within a broader market that will be informed by the speed and direction of policy change. In setting these targets, First Sentier Investors acknowledges its dependence on policy settings to achieve its goals across all markets and jurisdictions.
- As custodians of our client's capital, First Sentier Investors' primary focus is on achieving long-term financial returns for our clients and their beneficiaries. We acknowledge and are committed to ensuring we do this in a way which also maximises the opportunities inherent in a net zero transition. Likewise, we need to ensure we're managing the risks relating to climate in a way that's expected of us from our clients. Ultimately, our clients' priorities will dictate how we go about achieving this and we must assume continued alignment on these issues to achieve our ongoing goals and net zero commitment.

9.2 Finance for Biodiversity Pledge progress

In 2021, First Sentier Investors became a signatory to the Finance for Biodiversity (FfB) Pledge,[1] which includes five commitments to deliver by 2030 (collaboration and knowledge sharing, engaging with companies, assessing impacts, setting targets, and reporting publicly).

Table 13 describes actions taken to meet our requirements for the Finance for Biodiversity Pledge.

Table 13. Finance for Biodiversity Pledge progress

Commitment	Progress made to date
Collaboration and knowledge sharing	Over the course of 2024, we joined more collaborative engagements and industry initiatives on nature and biodiversity, continuing our efforts made from the previous year. • Microplastic pollution engagement lead (since 2020) • TNFD Forum member since 2022 and Adopter since 2024 • Responsible Investment Association Australasia (RIAA) Nature Working Group (2022) • Hong Kong Green Finance Association TNFD/ Biodiversity Workstream (2023) • Finance for Biodiversity Foundation Target Setting Working Group (2023) • Cambridge Institute for Sustainability Leadership (CISL) Nature-related Finance Steering Group (2023) • ShareAction Biodiversity Hub member (2023) • FAIRR Investor member (2023) • Spring (PRI stewardship initiative on nature) endorser (2023) • Nature Action 100 investor participant (2023) • Mining 2030 supporter (2023)
Engaging with companies	A core focus for 2024 was supporting investment teams in implementing First Sentier Investors' nature and biodiversity toolkit to support their work in prioritising sectors/companies, as outlined in the Risk Management section above.
Assessing impact	Building on our existing work of sector materiality and heatmap, we conducted a quantitative assessment of our impacts and dependencies for in-scope investment portfolios in Q4 2024 (please see our nature strategy section for more details). We also continued monitoring biodiversity-related indicators in the Sustainable Finance Disclosure Regulation Principal Adverse Impact[2] (SFDR PAI) data for relevant teams.
Setting targets	We set out our first nature targets in 2024, to be achieved by the end of 2025. See below section on nature targets and progress.
Reporting publicly	Continued to report on progress in our annual RI Report, Stewardship report and other specific reports where appropriate.

1 https://www.financeforbiodiversity.org/about-the-pledge/
2 SFDR is the Sustainable Finance Disclosure Regulation, a regulation implemented by the European Union aimed at increasing transparency in the financial services sector regarding ESG factors. SFDR mandates the disclosure of the "Principal Adverse Impacts (PAI) that investment decisions have on sustainability factors". These can broadly be thought of as the negative impacts caused by a firm or an asset on people and planet.

10 | Appendix 4 – Our 2024 Climate and Nature Policy advocacy and industry collaborations

Over the course of 2024, First Sentier Investors submitted responses to consultations issued by policymakers globally. Our responses focused on advocating for harmonisation of standards, climate and nature disclosures, modern slavery and improving local policy settings.

10.1 Climate

Industry collaboration

- First Sentier Investors became a member of the net zero Asset Managers (NZAM) initiative Advisory Group, helping to guide the critical work of this global target-setting initiative and injecting a local voice into its deliberations. First Sentier Investors is represented by the Global Head of RI, Kate Turner. We hosted the inaugural Australia and New Zealand member meeting at the First Sentier Investors offices in early 2024 and hosted a breakfast meeting at the IGCC conference in November 2024.
- Our RI team members continued to participate in IGCC working groups including master classes on "Scenario Analysis for Climate Resilience" and "Policy Engagement for Systemic Change". For the Policy masterclass, a member of the First Sentier Investors RI team presented on a panel: *"The investor experience of policy engagement with IGCC"* with the objective to share experiences from our involvement in collective engagement and policy advocacy with IGCC and other members.

Policy advocacy

- Signatory to a statement on an internationally legally binding instrument to end plastic pollution (UNEP FI, PRI, Finance for Biodiversity Foundation) Signatory to the Investor Agenda Global Investor Statement to Governments on the Climate Crisis ahead of COP29 in Baku. Our participation in a discussion paper prepared for the Department for Climate Change, Energy, the Environment and Water (DCCEEW) on the Australian sectoral decarbonisation pathways- Advocating for the importance of sector pathways for investors.
- We contributed to submissions/surveys to the Australian Federal Treasury and the Monetary Authority of Singapore (MAS).

10.2 Nature

Industry collaboration

- TNFD Forum member since 2022 and Adopter since 2024 – we became a TNFD Adopter in 2024, where we registered our intention to make public disclosures in corporate reporting in the financial years 2024 against the TNFD Recommendations.
- Responsible Investment Association Australasia (RIAA) Nature Working Group (2022) – As a member of the RIAA's Nature Working Group, we led the development of a section on risk assessment in Nature Investor toolkit, launched in October 2024. With practical actions and case studies, the toolkit aims to be an important resource and guide for investors.
- Hong Kong Green Finance Association (HKGFA) Biodiversity Working Group (2023) – As a member of its Biodiversity sub-work stream, the RI team participated in HKGFA Biodiversity Training Series: Global & APAC State of Biodiversity and Momentum webinar in January 2024.
- Finance for Biodiversity Foundation Target Setting Working Group (2023) - As a member of the FfB Foundation's Target Setting Working Group, First Sentier Investors reviewed and provided input for the second edition of the Nature Target Setting Framework for Asset Managers and Asset Owners beta version, which was published in July 2024.
- Cambridge Institute for Sustainability Leadership (CISL) Nature Positive Hub (2023) - As a member of the Nature-related Finance Steering Group at the Cambridge Institute for Sustainability Leadership, we also contributed to the development of a publication called Scaling Finance for Nature: Barrier Breakdown, launched in October 2024.

Policy advocacy

- In February 2024, we provided feedback to the TNFD on their discussion paper relating to biodiversity footprinting approaches for financial institutions. This paper presented an overview of the current landscape of biodiversity footprinting approaches, including their limitations and set out six steps to help market participants select and disclose these approaches appropriate for their requirements. Our feedback shared suggestions to improve the quality of the TNFD's guidance from an asset manager perspective.
- In April 2024, ahead of the fourth meeting of the Intergovernmental Negotiating Committee on Plastic Pollution (INC-4), 160 financial institutions from around the world signed the Finance Statement on Plastic Pollution calling on governments to negotiate an ambitious treaty to end plastic pollution. First Sentier Investors was a signatory to this letter to endorse the statement, which was prepared and led by the UNEP FI, PRI, Finance for Biodiversity Foundation, Business Coalition for a Global Plastics Treaty, Dutch Association of Investors for Sustainable Development (VBDO) and CDP. This paper aimed to draw on support from financial institutions to call on governments globally for an ambitious international legally binding instrument to end plastic pollution, and to set out what a robust agreement would include from the perspective of the financial sector.

11 | Glossary

Nature-related definitions

Deforestation: The TNFD defines deforestation as the loss of natural forest as a result of: (i) conversion to agriculture or other non-forest land use; (ii) conversion to a tree plantation; or (iii) severe and sustained degradation. For a breakdown of these scenarios, please refer to page 14 of the TNFD's glossary.

Emissions to water: The release of pollutants or contaminants into water bodies, including rivers, lakes, oceans, and groundwater.

Freshwater: All permanent and temporary freshwater bodies as well as saline water bodies that are not directly connected to the oceans.

Hazardous waste: Waste that possesses any of the characteristics contained in Annex III of the Basel Convention, or that is considered to be hazardous by national legislation.

Nature-related dependencies, impacts, risks and opportunities: The TNFD defines dependencies as those of an organisation on nature; impacts as those on nature, either positive or negative, caused or contributed to by the organisation; risks as those to the organisation stemming from their dependencies and impacts; and opportunities as those for the organisation that benefit nature through positive impact of mitigation of negative impacts on nature.[1]

Obsolescence: A decline in a property's value due to factors such as age, deterioration, or changes in market conditions.

Pollution: The presence of substances and heat in air, water and/or land whose nature, location, or quantity produce harmful and undesirable environmental effects.

Potentially disappeared fraction (PDF): A biodiversity-related metric that quantifies the potential loss of species richness due to adverse environmental pressures, relative to species richness in undisturbed ecosystems, often referred to as the pristine state. Species richness refers to the number of unique species in an area. PDF is displayed as PDF/km^2/yr, whereby 'PDF' represents biodiversity loss, 'km^2' represents the area, and 'yr' represents one year, being the time/duration.

Stranded assets: Assets that have lost value in a changed market environment.

Water scarcity: The volumetric abundance, or lack thereof, of freshwater resources, which can be measured consistently across regions and over time.

1 Why nature matters – TNFD

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