



Perpetua Investment Managers
Climate Change Policy
2021



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I. Introduction

The climate change crisis is changing the risk profile of many companies that are in our investable universe. The scale of the challenge is immense, and the need for urgent action is increasing. We see it as our responsibility to our clients to consider how climate change will impact the value of their investments. Assessing the risks and opportunities of climate change is a core part of our Environmental, Social and Governance (ESG) integration approach – which can be found here.

We have developed a climate-change approach to assist us with managing those risks and opportunities. This approach supports the Paris Agreement targets and aims to ensure our investee companies take the necessary steps on climate change. We acknowledge that we are at the start of this journey, but we are committed to improving our approach over time in line with global best practice.

2. Our framework for climate change

There are 2 very important components of our climate change beliefs:

Consideration of climate-change risks and opportunities is an integral part of our investment process	Engagement is an essential part of ensuring investee companies manage climate-related risks and support a ‘just’ energy transition.
<p>As asset managers, it is our duty to consider factors that will have a material impact on returns. Climate change is one such factor that will have a large impact on all sectors.</p> <p>This has relevance for those sectors that are large emitters; those whose supply chains will be permanently changed by it; as well as those that finance or insure the previous sectors.</p> <p>We believe that companies that are able to manage their climate-change risks will perform better in the long term. To assess this, we look at the carbon intensity of companies relative to each other, and also have a standardised list of things to look for when assessing climate-change risk.</p> <p>Disclosure is an important aspect of being able to incorporate climate change into our process. Accordingly, we support the Task Force on Climate-related Financial Disclosures (TCFD) framework.</p>	<p>Regular engagement with high-emitting investee companies allows us to better understand their management plan of climate change risks and opportunities. We believe engagement is a powerful tool to enable and ensure an effective climate transition. Through our engagements, we can assess the reasonability of a company’s plan and potentially steer companies to more ambitious carbon reduction targets. Our engagement escalation strategies will be consistent with those used for our other ESG engagements.</p> <p>We also strongly encourage companies to ensure that the transition to a lower carbon company is inclusive and that worker and community needs are considered so that they are not left stranded. In this way, the social aspects of this large environmental risk will not be overlooked.</p> <p>Collaborative engagements are an important tool for us. This is why we are participants of Climate Action 100+, an initiative that engages and influences high-emitting companies.</p>

3. Our approach to climate change risks and opportunities

Our approach to climate change risks and opportunities focuses on 5 main areas:



3.1 Research and data

We strive to create climate change research, and use that as an input into our investment process. Our investment analysts and Responsible Investment Specialist provide insights into key regulatory and industry trends related to climate risk, as well as research and highlight climate-related risks and opportunities.

On a quarterly basis we discuss key ESG trends and themes, including climate change. That discussion typically forms the basis for the area of RI priority being incorporated into our process and/or thought leadership or education article being written for clients. We also monitor certain climate change metrics, such as carbon intensity of our investee companies. This enables us to ascertain which companies and sectors are most carbon-intensive, and consequently where the highest climate change risk lies. Our approach to this will evolve over time.

3.2 Investment integration

We assess climate change risks and opportunities in relation to other ESG factors as an integral part of our investment process. The manner in which ESG is integrated into our investment process is included in our ESG policy, found [here](#).

Considerations that are specific to climate change are an assessment of how that particular company will be impacted by climate change – whether it be transition risks, physical risks or potential opportunities.

3.3 Engagement and proxy voting

Regular engagement with investee companies is an important part of understanding how they are managing climate-related risks and opportunities. Overall, we expect investee companies, and in particular the high emitters, to:

- Have science-based net zero emissions targets by 2050 that are aligned with the Paris Agreement, along with short-term and medium-term targets to enable them to reach those long-term targets.
- Have a clear decarbonisation strategy to meet planned emissions reduction targets.
- Have board-level oversight of climate change, as well as sufficient capability at the board-level to assess and manage climate-related risks and opportunities.
- Have at least one executive member responsible for climate change, and the company's executive remuneration scheme includes climate change performance elements.

Our engagements which include climate change will focus on the factors above, as well as other requirements that are or become industry-specific over time.

More and more companies are putting forward climate change-related resolutions at their annual general meetings. We have supported a number of those resolutions in the past, and our approach is to encourage improved transparency of actions taken to reduce carbon risk at investee companies.

3.4 Collaboration and influence

The climate transition will require a wide range of people to work together in order to achieve it. We collaborate with industry associations to encourage action and transparency. We are members of the Principles for Responsible Investment (PRI) and Climate Action 100+, and have also pledged our support for TCFD.

3.5 Disclosure

In 2021 we pledged our support for TCFD, and will disclose on climate-related data related to that in our Stewardship report. We also disclose on our major engagements, including those on climate change, in our annual [Stewardship and Active Ownership report](#).