Climate stewardship strategy

August 2025

Magellan Investment Partners

1. Overview

As long-term stewards of capital, Magellan Financial Group ("**MFG**") recognises the critical role investors play in addressing the systemic risks posed by climate change. This document outlines our approach to stewardship (engagement and voting) on climate-related risks and opportunities for Magellan Global Equities and Magellan Global Listed Infrastructure strategies (the "**strategies**") with a view to promoting sustainable value creation and support the transition to a low-carbon economy.

The stewardship strategy outlines our 'net zero alignment assessment' ("**the assessment**"), which has been guided by the Net Zero Investment Framework ("**NZIF**"). The strategy also describes the approach for Magellan Global Listed Infrastructure's SAFE Transition framework.

This strategy has been developed by senior members of the investment team and approved by MFG's Risk and Compliance Committee, a delegate of the Magellan Asset Management Board.

With many countries committing to transition their economies to net zero by 2050 and growing expectations from stakeholders such as investors, regulators, and governments, MFG aims to ensure that companies in its portfolios remain resilient and are positioned to take advantage of emerging opportunities.

MFG is a signatory to the Net Zero Asset Manager initiative ("**NZAMi**") and a member of Investor Group on Climate Change ("**IGCC**").

2. Engagement

The strategies' long-term investment horizon gives us the opportunity to engage with companies over an extended period on issues that are important to protect and create shareholder value. This includes the risks and opportunities that arise from climate transition risk and physical climate risk. Our engagement with companies typically involves direct, constructive dialogue, conducted through meetings and written correspondence, between members of MFG's investment team and the senior management or boards of portfolio companies.

We aim to engage with portfolio companies on a broad range of environmental, social and governance (ESG) themes identified by the investment team that are identified as being material to those companies within our ESG risk and opportunities framework. This includes climate transition and physical risks.

Engagement has two primary objectives, both of which are designed to have a positive impact on shareholder returns over time:

1. **Risk assessment, management, and opportunities:** to better understand the risks and opportunities over time. As long-term investors, we build up knowledge and insight, which we discuss during company engagements. These learnings often deepen our understanding within and across industries. The output of this engagement contributes to the analyst's assessment of the credibility of the company's climate strategy and targets that are a key input into the assessment of alignment with a net zero pathway.
2. **Influence:** encouraging and supporting change to a company's approach or the setting of climate related targets. As long-term investors, we build constructive relationships that better enable us to drive positive change at a company. With regards to climate transition risk and physical risk, we recognise the importance to set and report against ambitious short-, medium- and long-term targets that are on a Paris-aligned pathway to limit warming to 1.5 degrees Celsius.

For all strategies, we assess company alignment with a net zero pathway using the assessment. Engagement is prioritised based on a company's financed emissions, whether the company operates in a high impact material sector[1], and the outcome of the net zero alignment assessment. These companies are categorised as 'high priority' and subject to enhanced engagement with clear engagement objectives and timelines for progress before considering escalation.

3. Approach to assessment

Our ESG risk and opportunities framework incorporates an assessment of climate risk as part of the strategies' investment process.

Using the net zero alignment assessment, the investment team conduct a review, at least annually, for each company's climate-related targets, and assess the progress made towards its commitments. This is completed across all strategies.

This assessment considers:

1. Ambition: A commitment to net-zero by 2050.
2. Targets: Near- and medium-term science-based emission reduction targets, including a consideration of whether those targets are externally validated.
3. Strategy: Alignment to reporting in accordance with regulatory frameworks and the presence of a credible climate strategy to achieve targets.

We consider these commitments represent prudent risk management in an economy transitioning to net zero.

A key input is our analyst's view on the credibility of a company's initiatives and climate strategy to achieve its targets. We also consider disclosure of emissions (scope 1, 2 and material scope 3) and the progress towards targets.

Utilising both proprietary analysis and external data (direct company reporting, press articles, external data providers, Science Based Targets Initiative ("**SBTi"**) and expert networks), each company is assessed for their alignment to net zero as outlined in Appendix A.

For companies that are assessed as 'not aligned' to net zero using the assessment, the investment team will engage to encourage enhancements aligned with our climate strategy. If there is a lack of progress in meeting the criteria within the assessment, staged escalation will be considered, including voting and position sizing.

4. Engagement targets and objectives

Companies will be prioritised for engagement based on our assessment of climate-related risks for that sector. All companies are assessed for alignment to net zero using the assessment, then prioritised for engagement based a company's financed emissions, whether the company operates in a high impact material sector, and the outcome of the assessment.

Engagement objectives communicated may include:

- a commitment to net zero emissions by the year 2050;
- setting interim/short- and medium-term emissions reduction targets;
- external validation of emission reduction targets and associated plans, with SBTi as the preferred standard for external validation where the methodology is available.

[1] High Impact Material sectors are a subset of material sectors called "High Impact Sectors" defined by NZIF and GICS sub industry code.

Additional engagement objectives may be included where it is deemed relevant by the investment team, including:

- improved disclosure of scope 1, 2 and material scope 3 emissions;
- enhanced disclosure and actions that support a credible climate strategy to meet net zero aligned targets. This may include specific engagement objectives regarding scenario analysis, capital allocation alignment, and transition plans;
- executive remuneration linked to climate-related targets;
- board capabilities and oversight to manage climate change;
- increased transparency regarding just transition, which considers workers and the community for affected industries; and
- increased transparency on climate related lobbying.

These engagement objectives are communicated to the priority companies by our investment team and reviewed at least annually.

Infrastructure

This section describes our approach for climate risks and opportunities facing companies in the Global Listed Infrastructure strategies. These risks are assessed through both our net zero alignment assessment and our proprietary 'SAFE' (situational analysis, forecasting and engagement) transition framework. The SAFE Transition framework has been designed for use within the infrastructure process given the material risks and opportunities of the climate transition for companies in this sector.

The SAFE Transition framework classifies portfolio companies as 'Aligned', 'Secure', 'Transforming', or 'Vulnerable', having regard to:

- the climate positioning of the company – that is, whether they are expected to be economic beneficiaries of the transition, or face more prominent business risks in a transitioning economy; and
- the credibility of their decarbonisation strategy.

Classification in accordance with the SAFE Transition framework drives differentiated analysis and engagement, reflecting the materiality of risks and opportunities facing portfolio companies as a result of the energy transition. Consistent with the strategies' focus on downside protection, those companies classified as 'Vulnerable' undergo detailed asset stranding risk analysis and are prioritised for engagement. See Appendix B.

5. Escalation

In cases where engagement has been ongoing without reasonable progress on an issue considered to be a material climate related risk to future cashflows or valuation, the portfolio managers and investment team will consider an escalation path that may include actions such as additional engagement, consideration in voting or portfolio position sizing.

Escalation actions are considered on a case-by-case basis and may include voting against directors or management proposals – for example, 'Say on Climate' resolutions – or supporting climate-related shareholder proposals.

Portfolio sizing decisions, including divestment, will be considered by portfolio managers where climate risk is deemed material to cashflows, and progress has not been made relative to the engagement objectives. The analysts will consider the identified risks and progress when reviewing a company's ESG score.

6. Voting

Our guiding principle in casting votes is consideration of the best interests of our clients and to support outcomes that are most likely to protect and promote the long-term economic value of the companies in which we invest. Engagement with companies on climate risks and opportunities, including the alignment of the company with a pathway to net zero by 2050, is the initial focus of the stewardship strategy. Voting principles, as outlined in Appendix C, are utilised in our stewardship process and applied on a case-by-case basis. We will consider supporting shareholder proposals which encourage companies to acknowledge, consider, and report on climate risks and opportunities where current ambition, strategy and disclosure are not sufficient.

7. Reporting

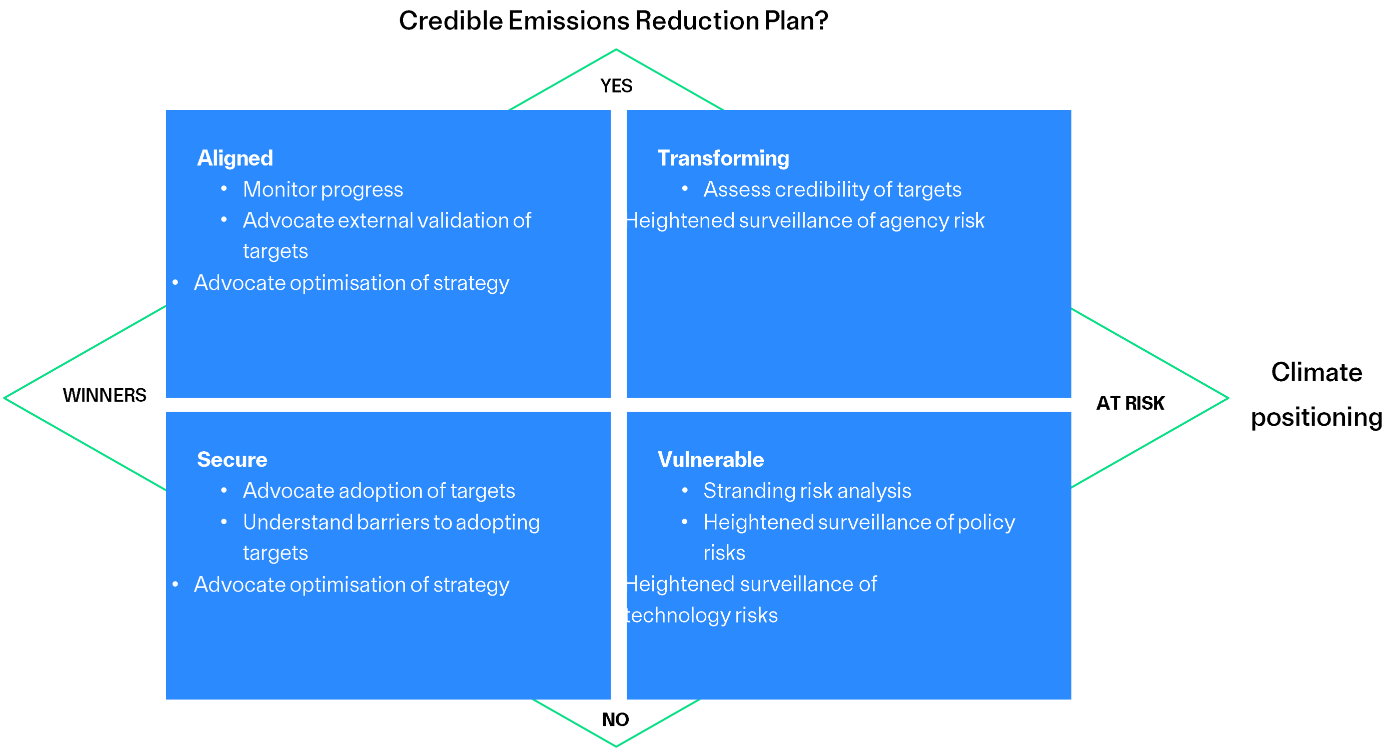
Stewardship outcomes are reported in the annual 'Stewardship Report' for each strategy. MFG also publishes a Climate Report, covering the governance, strategy, risk and metrics of both our investment and corporate activity.

Stewardship and Climate Reports are available our website.
magellaninvestmentpartners.com/responsible-investing/

Appendix A: Net zero alignment assessment

	Net zero target	Interim science-based target	Progress	Disclosure	Strategy*	Capex alignment*	Credibility
Achieving net zero	✓	✓	✓	✓	✓	✓	✓
Aligned to a net zero pathway	✓	✓	✓	✓	✓	✓	✓
Aligning to a net zero pathway *(*high impact sectors require additional factors)*	✓	✓		✓	✓		✓
Committed to aligning	✓						✓
Not aligned							
			Analyst assessment[2]				**Analyst assessment**

Appendix B: SAFE Transition Methodology



[2] The analysis incorporates insights and the investment team's proprietary view of a company's progress toward its stated climate targets, as well as the credibility of its initiatives and strategy to achieve those targets.

Appendix C: Climate related voting principles

Each proposal will be considered on a case by case basis.

Vote	Net zero policy and actions	Criteria for consideration
Director	Consider voting against Chair or director where no progress is made towards net zero alignment and related engagement objective.	• net zero target • interim targets & external accreditation • progress against targets • credibility of climate strategy disclosures • actions including capital allocation alignment
Remuneration	Consider voting against remuneration report where climate change is a material risk for the company and an engagement objective to link remuneration to climate targets has not been met in the specified timeframe.	• analyst assessment of climate risk on future strategy • incorporation of climate targets in remuneration • credibility of climate strategy • actions including capital allocation alignment
Mergers and acquisitions	Consider voting against merger and acquisition related resolutions if it is detracting from alignment to net zero.	• analyst assessment of new assets and alignment to net zero or ability to transition
Say on Climate	Consider voting against management proposal where engagement objectives have not been met.	• alignment to our net zero alignment assessment and SAFE Transition framework • progress on climate related engagement objectives
Shareholder proposals	Consider supporting proposals that improve alignment with net zero where the current ambition, targets, strategy and disclosure are not sufficient.	• alignment to our net zero alignment assessment and SAFE Transition framework • progress on climate related engagement objectives