Climate Change Policy

December 2024

Introduction

Quay Global Investors Pty Ltd (**Quay**) is an investment manager that employs an active, index-unaware approach to investing in global listed real estate securities. Our objective is to protect our investors' capital and deliver attractive, long-term inflation-protected returns. To us, responsible investing is a key element in achieving this objective. Details of our overall approach to responsible investing can be found here.

Climate change is defined[1] as a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.

At Quay, we believe that the consideration of the impacts of climate change is an important part of responsible investing as it is a systemic environmental issue that may lead to severe economic and social consequences. Climate change and the transition to a lower-carbon economy presents both risks and opportunities for investors.

Purpose and application of the Policy

This document details the key elements of Quay's Climate Change Policy (**Policy**) which apply to all strategies managed by Quay. This Policy should be read in conjunction with Quay's other ESG-related policies.

This Policy is set by the principals of Quay and will be reviewed annually, or more frequently as updated or required. The Policy applies to all members of the Quay investment team.

Climate change philosophy and beliefs

As long-term high conviction investors, we fundamentally believe the best returns for our investors are a function of sustainable business models, which in turn require sustainable business practices. This includes practices that limit the impact of climate change.

Quay believes climate change assessment is an integral part of our responsible investment process. Climate change can have a significant impact on the wellbeing of businesses, economies and societies. In our view, investing in entities that ignore climate change risk in their operations can impact on the ability for us to achieve our investment objective for our clients.

Therefore, Quay supports the long-term goal of the Paris Agreement, which is to "by 2100…keep the rise in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperate increases to 1.5°C above the pre-industrial limit[2]". A concerted effort by governments, industries, investors and other participants across the globe will be required to achieve this goal.

Additionally, the transition to low/net-zero carbon economies as part of global decarbonisation, will present both opportunities to real estate entities that can take part in this transition, as well as risks to entities that cannot. Therefore, Quay also considers the assessment of transition risks and opportunities as an important component of our responsible investment process.

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[1] United Nations Framework Convention on Climate Change
[1] United Nations Climate Change Conference 2015 - Paris Agreement

Climate change approach

All members of Quay's investment team are responsible for considering climate change as part of their stock coverage responsibilities. Additionally, Quay's principals are responsible for the overall climate change considerations at a portfolio level.

The climate change consideration process at Quay can be broadly separated into the following main areas:

1. Assessing physical climate change risk
2. Assessing transition risks and opportunities
3. Engagement on climate change related issues
4. Proxy voting on climate change related proposals
5. Reporting on climate change-related issues

1. Assessing physical climate change risk

Physical risks from increased frequency and/or severity of weather events can damage the entity's underlying real estate assets, disrupt operations, increase insurance premiums and negatively impact cashflows and financial returns.

Current and potential investees are assessed for physical climate change risk as part of Quay's due diligence and portfolio management processes. This is done through a combination of internal research as well as utilising third-party research providers such as GRESB and Sustainalytics.

The key physical risks that we consider include:

- sea level rise and coastal flooding
- extreme storms and wind
- wildfires
- subsidence and
- heat and water stress.

Quay's assessment on an individual entity or overall portfolio level, typically includes assessing:

- the most prevalent physical risks
- exposure of assets operating in areas of high physical risk
- locational data for major assets
- potential direct and indirect damages from physical hazards including business disruption, loss in revenues or valuation
- company disclosure of physical risks
- business resiliency plans
- investment into adaptation measures and
- evolving physical risks over the short, medium and long term.

Findings are communicated to other members of Quay's investment team via internal meetings and/or in internal research notes. This can impact on the final investment decision including the weighting in the portfolio. It can also lead to engagement meetings with representatives of that entity.

2. Assessing transition risks and opportunities

According to the United Nations, in 2022 the real estate sector was directly and indirectly responsible for about 40% of all global greenhouse gas emissions. Therefore, as major governments and economies transition to a low-carbon future as part of the Paris Agreement, there will be significant risks and opportunities on entities operating in the real estate sector as part of this transition.

Current and potential investees are assessed for transition risks and opportunities as part of Quay's due diligence and portfolio management processes. This is done through a combination of internal research as well as utilising third-party research providers such as GRESB and Sustainalytics.

The key transition risks that we consider, along with the potential impact on the entity, include:

- Declining market attractiveness and real estate asset valuation in certain submarkets due to increased climate vulnerability of that submarket and/or exposure to higher costs.
- Increasing regulation and policy pressure can lead to impacts on financial returns due to increased (carbon) taxes, extra costs around reporting requirements, additional investment costs to bring assets up to ESG standards and enforcement penalties.
- Risks to reputation and market positioning may occur as investors, tenants and/or other stakeholders deem an entity's climate change action is insufficient, which can lead to a loss of investment, tenancy and other impacts.

These risks however can also represent opportunities to entities that sufficiently address risks through improved energy efficiency and lowering carbon emissions. These entities may see an increased asset valuation, profitability, reputation and/or market positioning as a result.

Quay's assessment of an individual entity or aggregate portfolio level, typically includes assessing:

- disclosures and plans around transition risks and opportunities
- government standards impacting assets within the portfolio footprint
- emissions data disclosure, where Quay records and tracks entity/portfolio carbon emissions progress over time
- whether investments are being made operationally for decarbonisation.

Findings are communicated to other members of Quay's investment team via internal meetings and/or in internal research notes. This can impact on the final investment decision including the weighting in the portfolio. It can also lead to engagement meetings with representatives of that entity.

3. Engagement on climate change related matters

Engagement with entities on issues related to climate change is an important part of Quay's responsible investing process. The process of engagement on climate change and other ESG issues are detailed in Quay's Engagement Policy.

The Quay investment team engages with investees and potential investees on a variety of climate-change matters including:

- carbon reduction targets and disclosures
- progress towards carbon reduction and
- climate change risks and opportunities.

4. Proxy voting on climate change related proposals

Proxy voting on proposals that are related to climate change is also an important part of Quay's responsible investing process. The process of proxy voting on climate change and other ESG issues are detailed in Quay's Proxy Voting Policy.

As a general statement, Quay typically votes in the affirmative for proposals that address climate change risk and enable a better decarbonisation transition.

5. Reporting on climate change-related issues

Quay will disclose climate change-related information pertinent to the portfolio on a regular basis as part of our ESG stewardship reporting. This will include investee and portfolio-level carbon emissions and intensity data that Quay collects as part of our portfolio management process.

Quay will also report on climate-change related engagement and proxy voting.

Commitment to continual improvement

Climate change related risks, policies, technologies and solutions have and will continue to evolve over time.

At Quay we will monitor these developments and challenges and engage with a variety of stakeholders including potential new products from third party ESG providers. We commit to reviewing and developing our climate change assessment process to ensure it remains both relevant and appropriate.