

CLIMATE AND NATURE POLICY

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Introduction

Melior Investment Management Pty Limited (**Melior**) is the investment manager of the Melior Australian Impact Fund (**Fund**) and has been appointed by the Fund's responsible entity to implement the Fund strategy and make all investment decisions.

This Climate and Nature Policy outlines Melior's approach to integrating climate and nature considerations into its:

- Fund investment decision-making process
- Active Corporate Stewardship activities
- Public Advocacy activities
- Own business operations.

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

This Climate and Nature Policy is structured around the four pillars of the TCFD's and TNFD²'s recommendations:

- Governance
- Strategy
- Risk Management
- Metrics and Targets.

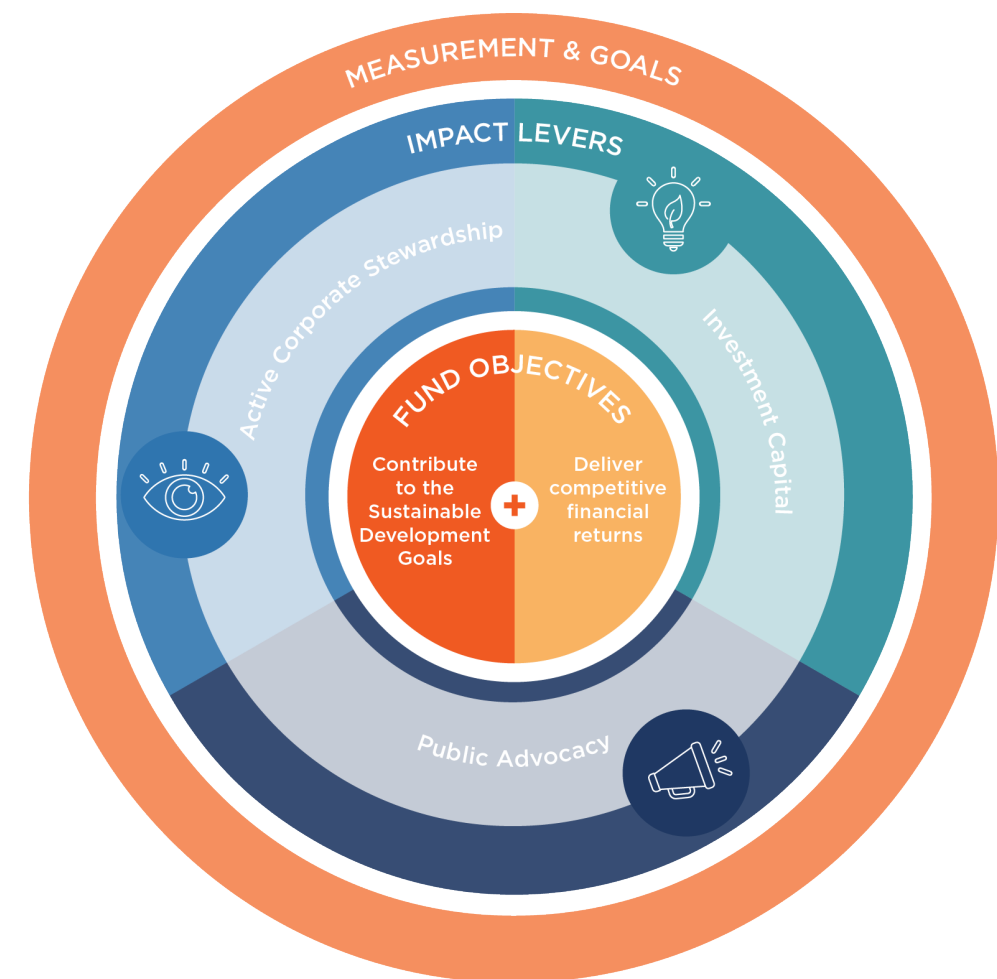
¹ Task Force on Climate-related Financial Disclosures

² Task Force on Nature-related Financial Disclosures

Climate change, nature and our impact thesis

The Fund's strategy is to seek to deliver long-term competitive market returns and net positive social and/or environmental impacts that contribute to the Sustainable Development Goals (SDGs), through its three impact levers of Investment Capital, Active Corporate Stewardship and Public Advocacy. To effectively pursue this strategy, it is critical for us to assess and address risks and opportunities that may result from a changing climate and the natural environment.

Fund Impact Thesis



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Governance

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

Fund climate and nature risks and opportunities: Melior’s board of directors has ultimate oversight and responsibility for its impact investment activities, including investment decisions, Active Corporate Stewardship activities and Public Advocacy activities.

- *Investment decisions:* The Melior board has delegated investment decision making to the Melior Chief Investment Officer (CIO). The Melior CIO is responsible for ensuring that climate and nature-related risks and opportunities are appropriately considered in investment decisions for the Fund.
- *Active Corporate Stewardship and Public Advocacy activities:* The Melior board has delegated Active Corporate Stewardship and Public Advocacy decision making to the CIO, with input from the Responsibility and Impact team as necessary. The CIO is responsible for ensuring that climate and nature-related issues are appropriately included in Melior’s Active Corporate Stewardship strategy and Public Advocacy activities.

Each member of the Melior Investment Team is responsible for implementing the integration of climate change and nature considerations into the investment decision-making process and Active Corporate Stewardship and Public Advocacy activities for which they are individually responsible.

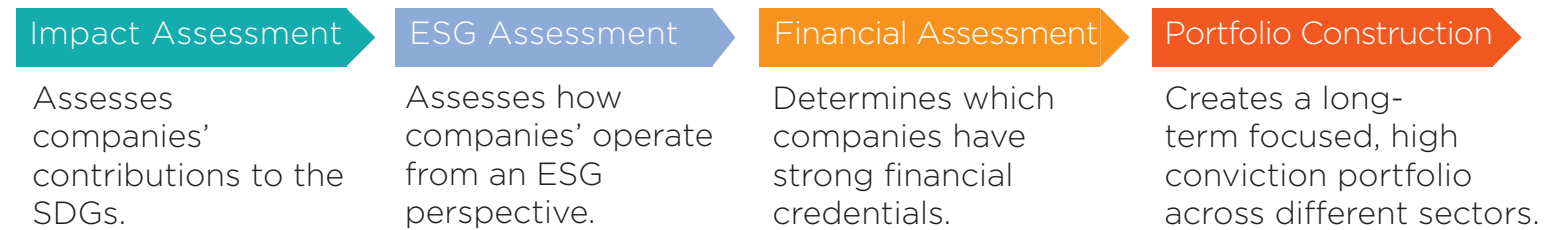
Organisation climate and nature risks and opportunities: The Melior board and its related entity Melior Investment Services Pty Limited hold ultimate oversight responsibility for risk management within the organisation. These boards have jointly appointed a Risk and Compliance Committee to develop, implement, monitor and report on Melior’s organisational risk management framework. Within the organisational risk management framework, the management of climate and nature-related organisation risks is delegated to the Managing Director, Responsibility and Impact.

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Strategy and risk management

Impact lever: Investment Capital - integrating climate and nature into investment decision making

Our investment decision-making process comprises the following four steps, each of which must be satisfied in turn:



Climate and nature considerations are integrated into both our impact assessment and our ESG assessment in the following ways:

- Through our impact assessment³, Melior assesses whether companies have core goods and services that positively contribute to one or more SDGs and whether higher-emitting companies are demonstrating climate action leadership. Climate and nature-related SDGs within this framework include SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), SDG 14 (Life Below Water) and SDG 15 (Life on Land).
- Through our ESG assessment, Melior assesses companies according to our proprietary framework of quantitative and qualitative ESG factors, including specific climate and nature-related factors. At the date of this policy, these include factors relating to greenhouse gas emissions, renewable energy targets, waste and pollution, water and biodiversity.

We review our impact assessment framework and our ESG assessment framework at least annually.

³ Our impact assessment framework considers factors such as extent and likelihood of the positive and, where relevant, negative impacts of the company’s core goods and services on achieving the SDGs. To satisfy the impact assessment a company needs to contribute to at least one or more SDG sub goals based on the company’s core goods and/or services or for large companies be demonstrating leadership on climate action or gender equality and have a net positive impact score.

Impact lever: Active Corporate Stewardship – integrating climate and nature into corporate engagements

Melior believes that influencing listed companies to improve the sustainability of their operating practices and/or their core goods and services can lead to significant positive environmental and social impact given their scale.

Melior actively engages with the boards and management teams of companies to advocate for improved impact and ESG disclosures and outcomes and monitors the progress of companies over time.

Melior has an Active Corporate Stewardship Strategy that spans ESG issues and SDG focus areas across our three corporate impact pillars of Environmental Sustainability, Social Inclusion and Governance & Transparency. We include dedicated climate and nature-related advocacy topics within our Environmental Sustainability pillar. As at the date of this policy, these include for example, Net Zero Emissions Targets and Glidepaths and becoming a Taskforce on Nature-Related Financial Disclosure (TNFD) member.

We review our Active Corporate Stewardship Strategy at least annually.

Impact lever: Public Advocacy – integrating climate and nature into our broader industry and community engagements

Melior conducts a range of considered Public Advocacy, collaboration and engagement activities designed to influence and educate industry and other key stakeholder behaviours to drive enhanced contribution to the SDGs, including in relation to climate and nature issues. This may include making public submissions on climate and nature-related government regulations, public consultations and policy documents where we consider we can make a material contribution.

Impact lever: Risk management – our operations

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

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Metrics and targets

Melior tracks carbon metrics and will set climate and nature-related targets in relation to the Fund and our own operations in a manner we consider appropriate with respect to our overall approach to climate and nature risk and opportunity management. These will include Active Corporate Stewardship impact goals, with identified KPIs to measure progress towards them.

Melior publishes these targets and goals and reports on progress against them in our Annual Impact Report.

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Climate and nature-related industry engagement

Melior supports the goals of the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework (no net nature loss by 2030 and net nature gain by 2050). Melior is involved in a number of climate and nature-related industry initiatives, which are listed on the Melior website.

