Climate Change Policy

Our purpose

Our purpose is to ensure due care and diligence is taken when considering any potential investment with regards to the impact such an investment could have on the environment and specifically on climate change.

The scope and review of the policy

The policy describes Momentum Metropolitan's overarching climate change investment policy.

This policy applies to Momentum Metropolitan Holdings Limited and all its subsidiaries.

This policy is approved by the Momentum Metropolitan Holdings executive committee and practically implemented and maintained by the relevant business areas. The executive committee will review this policy at such time as it sees fit to revise the policy.

Our position on climate change

The intent of this policy is to provide guidelines to our investment decision-makers with regards to climate change and our company's commitment supporting the transition to a low carbon world. Climate change is a global challenge that requires public and private cooperation globally. We acknowledge that we are at the start of this journey. However, we are committed to embedding the appropriate principles and processes to support this transition over the coming years.

As a large financial services organisation, Momentum Metropolitan is vulnerable to the effects of climate change.

We are, therefore, acutely aware of the effects of climate change as this will also affect our bottom line.

Climate change is a real risk that affects the sustainability of markets and companies globally and it is, therefore, especially relevant to our investment decision-making process.

The physical (i.e. extreme weather events) and transitional (i.e. transition to low carbon economy) risks emanating from climate change could negatively affect companies' financial bottom lines and could present new investment opportunities.

The physical risks, such as droughts or flooding, could result in large unexpected financial losses for businesses. The negative effect will not only have a financial implication, it will also have a meaningful impact on socio-economic factors. The wellbeing of communities will be directly affected by extreme weather events as it could quite possibly be linked directly to job losses, housing, food and water shortages and restricted access to quality education.

We support the global commitment by many governments and global corporations and institutions to the Paris Agreement of 2015[1] which is focused on an inclusive and just transition to a low carbon world.

As a business, we acknowledge change is inevitable and, therefore, the future of employment in the most affected sectors such as energy, oil and gas need to be considered carefully to ensure a just transition is achieved.

As an example, the coal industry remains a significant sector in many developing and developed countries from an employment perspective and the socio- economic impact of potential job losses and worker displacement during a transition should be carefully managed. Other examples of transition risks that companies and countries may face include regulatory changes, technological innovations and evolving consumer preferences.

For example, companies that have operations or value chains with particularly high greenhouse gas emissions may be exposed to risks in the event of regulatory changes or other market developments. These risks may result in higher operational costs or reduced demand for the product.

These are all factors that we consider as part of our investment decision making process.

Our fiduciary duty to stakeholders

It is our commitment to incorporate climate change considerations in all our business dealings and undertakings.

Through our responsible investment approach, we aim, as fiduciaries of client investments, to invest in a manner that is fair and driven by the intention to generate long-term, sustainable investment returns, while, at the same time, ensuring we remain true to our philosophy, portfolio construction and robust investment processes.

As a fiduciary, it is our responsibility to "give appropriate consideration to any factor which may materially affect the sustainable long-term performance of a fund's assets, including factors of an environmental, social and governance character."

This concept applies across all asset classes and categories of assets and should promote the interests of a fund in a stable and transparent environment.

Implications for our investment approach

We follow an outcome-based investment philosophy. This means that we focus as much on the clients' experience throughout the investment journey as well as the achievement of a defined investment goal over a pre-determined time. In the context of climate change, it will require a just transition to ensure a palatable investment journey. But, to ensure that the investment goal is achieved in the future, we need sustainable zero carbon economies.

As a result, we assess climate change risks as an integral part of our investment processes across our various investment offerings.

As investors, it is in our interest to encourage companies in which we invest to increase their awareness of these factors, and to ensure that they also have a climate change focus for a sustainable and resilient future business.

We believe in active ownership – through our engagement with the companies in which we invest, we focus on ensuring that climate change risks are considered by management. In our engagements, we encourage the management of companies to equip themselves to transition to a low carbon business.

We will seek to invest in energy businesses working towards the transition to a low carbon economy.

Any investments in fossil fuel (namely coal, oil and gas) businesses will be subject to:

- » Entities report in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- » Decommissioning stages of the project is in place to allow for renewable and or low carbon technology investments in future
- » The banks involved with the transaction apply the Equator Principles[2], which is a set of voluntary standards designed to help banks identify and manage social and environmental risks associated with the projects.

We support the recommendations of the TCFD[3], which was set up by the G20's Financial Stability Board. It's a voluntary, climate-related financial risk disclosure guideline for companies to provide information to investors, lenders, insurers and other stakeholders.

Our responsibility and accountability

Our climate change policy is aligned and integrated with our responsible investment policy and is approved, implemented and maintained by the relevant business areas.

Our different portfolio and business offerings result in various levels of arrangement. For direct investments and where we have investment management agreements in place with underlying investment managers, we are able to direct compliance with our policies. Where we outsource to external investment managers, their approach to climate change is one of the core considerations in our assessment of their capabilities. Clients have access to execution and advisory services, which allow them to select their own investment managers. In some instances, these investment managers may not comply with the extent we believe they should, but they meet our minimum requirements.

We report on our progress by participating in the CDP (previously the Carbon Disclosure Project) annually. Please visit the CDP website at www.cdp.net or click here to view our submission on the website.

Policy review

This policy is approved by the Momentum Metropolitan Holdings executive committee and practically implemented and maintained by the relevant business areas.

The executive committee will review this policy at such time as it sees fit to revise the policy.