

Climate change position statement

July 2022

Our guiding beliefs and purpose

Frontier Advisors believes that climate change is systemic and one of the most complex global threats of our generation. In the absence of a worldwide robust mitigation approach, climate change has the potential to have an irreversible negative impact on future generations and the economy. Both the physical impacts of climate change and the transition to a lower carbon economy are likely to have first-order economic effects.¹

Consequently, we believe that the effective identification, assessment and management of risks and capture of opportunities arising from climate change will reinforce the sustainability of investment performance.

The purpose of Frontier Advisors' climate change position statement is to encapsulate why we systematically consider climate change factors when supporting our clients to meet their investment objectives.

Our guiding principles

Our research and client advisory approaches incorporate the following beliefs that are specific to climate change, and outlined in our Responsible Investment Policy:

- Belief 2 - ESG factors impact financial risks and returns, as well as create new opportunities

Climate change factors can and do impact financial risks and returns, affecting the sustainability of investment performance. Therefore, they should be integrated into investment decision-making processes. Addressing climate risks also builds a platform for new opportunities.

- Belief 7 - Collective ESG action, transparency and disclosures can more effectively drive positive change

Robust collective action on relevant climate change issues alongside like-minded market participants can reinforce the effectiveness of addressing those issues relative to acting in isolation. Improved disclosures and transparency on climate risk management helps to facilitate this collective effort.

- Belief 8 - Climate change is the highest-priority ESG issue facing investors

Climate change is the highest priority ESG issue facing long-term investors with diversified, global portfolios due its expected impact on returns from all asset types and sectors.

Our commitment/s

Frontier Advisors supports the goal of the 2015 Paris Agreement to limit the global average temperature increase to 1.5 °C degrees above pre-industrial levels by 2100 to minimise the worst impacts of climate change across the global economy and society. A transition to a net-zero global economy is required by 2050 to achieve this goal.

The way in which investment consultants advise clients to invest their capital and use their influence as asset owners can contribute positively to achieving the Paris goals. Frontier has therefore

¹ Guy Debelle – Deputy Governor, Climate Change and Economy Forum 2019.

committed to supporting our clients in achieving their net zero commitments in a way that prioritises real economy emissions reduction and ensures a just transition to a resilient economy.

Consistent with our Responsible Investment Philosophy, we have committed to integrating climate change considerations into our research and advisory processes given its materiality from an investment perspective. By considering climate change financial risks strategically and systematically we provide clients with another lens through which to assess and evaluate investments and identify emerging opportunities.

Our approach

We prioritise our responsible investment efforts to identify material, forward-looking climate change financial risks and emerging opportunities on behalf of our clients. We expect our approach will evolve as new data, standards, tools, and information become available. Accordingly, we will remain flexible, and adapt over time to ensure our climate change-related advice meets each individual client's objectives and priorities.

We categorise our efforts on climate change under the four pillars of our responsible investment approach, as follows:

Governance

- The way in which we formally incorporate ESG factors, including climate change financial risks, into our investment research and advisory efforts is governed by Frontier Advisors' Responsible Investment Policy. The Policy is approved by our Investment Committee and formally reviewed annually. The Investment Committee has delegated the day-to-day custody of the Policy to Frontier Advisors' Responsible Investment Group.
- We are committed to ongoing capacity building with respect to climate change for our whole team. Frontier supports clients in developing their own governance structures relating to managing climate change financial risks and decarbonisation strategies.
- We have committed to reducing our operational (Scope 1 and 2) emissions in line with achieving global net zero by 2050 or sooner.

Thematic Research

- Our investment research program considers material climate change financial risks and opportunities, including new and emerging regulations, technologies, and other evolving themes.
- We develop tools and services including climate risk analysis that support our clients in meeting their objectives with respect to net zero targets, and integration of climate change factors across their investment approach.

ESG Integration

- We incorporate material climate change financial risks and opportunities holistically into Frontier's investment research and advisory processes, including investment governance, asset allocation, sector configuration and manager selection.
- We aim to support our clients to establish and periodically evaluate near-term and long-term climate change risk-related targets and objectives as appropriate.

Collaboration

- Frontier Advisors collaborates with peers and wider industry stakeholders to share information, knowledge, and learning. Frontier Advisors is an Associate Member of the Investor Group on Climate Change and an inaugural signatory to the Net Zero Investment Consultants Initiative.