



Australian Climate Transition Index January 2023 Factsheet



PROJECT GREEN KANGAROO

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INTRODUCTION



The Australian Climate Transition Index was designed in 2020 to provide a sustainable investment strategy which enables institutional investors to align their objectives with those of the Paris Agreement.



It is one of the first forward looking, sustainable investment indices in the world to dynamically adapt to different climate transition scenarios as we move towards a well below 2-degree ambition.



The Australian Climate Transition (ACT) Index considers the risks and opportunities of climate change transitions, with regard to financial markets. It also incorporates the environmental, social, legal, financial and regulatory imperatives of action on climate change.



ACT Index has been developed through a unique collaboration that leverages the climate transition expertise of ClimateWorks Australia, the forensic corporate analysis of ISS ESG Australia and the quantitative expertise of the Centre for Quantitative Finance and Investment Strategies at Monash University.



The first Green Growth Bonds linked to the Australian Climate Transition Index were issued in July 2020, backed by three leading Australian institutional investors, the Clean Energy Finance Corporation, AwareSuper and QBE Insurance.



The initiative was led by Index Sponsor BNP Paribas, one of the largest banks in the world and a recognised leader in Sustainable Finance⁽¹⁾.

(1) Global Capital Derivatives Awards 2022 - Best Bank for Commitment to Sustainability; Euromoney Awards For Excellence 2022 - World's Best Bank for Sustainable Finance

METHODOLOGY

The Australian Climate Transition Index incorporates five dynamic and forward looking climate scenarios developed by ClimateWorks Australia. Under each scenario a quadrant scoring process is applied by ISS ESG. As part of this process a score is calculated for each company under a given scenario by considering both the:

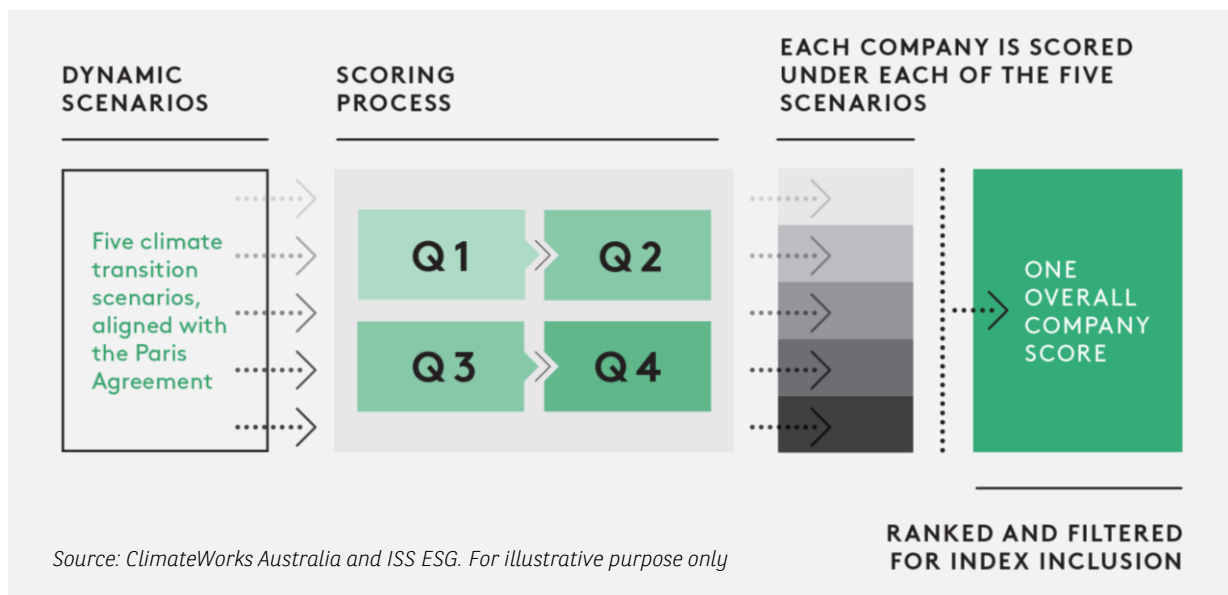
- Products & Services vs. Operations: types of products manufactured or services provided to the market, and how it operates to manufacture those products or provide those services
- Current Exposure vs. Mitigation Approach: current activities and emissions, and what it intends to be or do in the future

A weighted average of the company's score for each of the five climate scenarios is then calculated. This approach seeks to provide the highest score to companies that are likely to

- support the transition (the "Enablers")
- adapt and thrive (the "Adaptors")
- to be unaffected by the anticipated changes (the "Least Affected")

The lowest scores identify companies that are deemed to face significant risk (the "At Risk")

The Index aims to provide broad exposure to the Enablers, the Adaptors and the Least Affected companies, whilst avoiding investment in companies considered most At Risk.



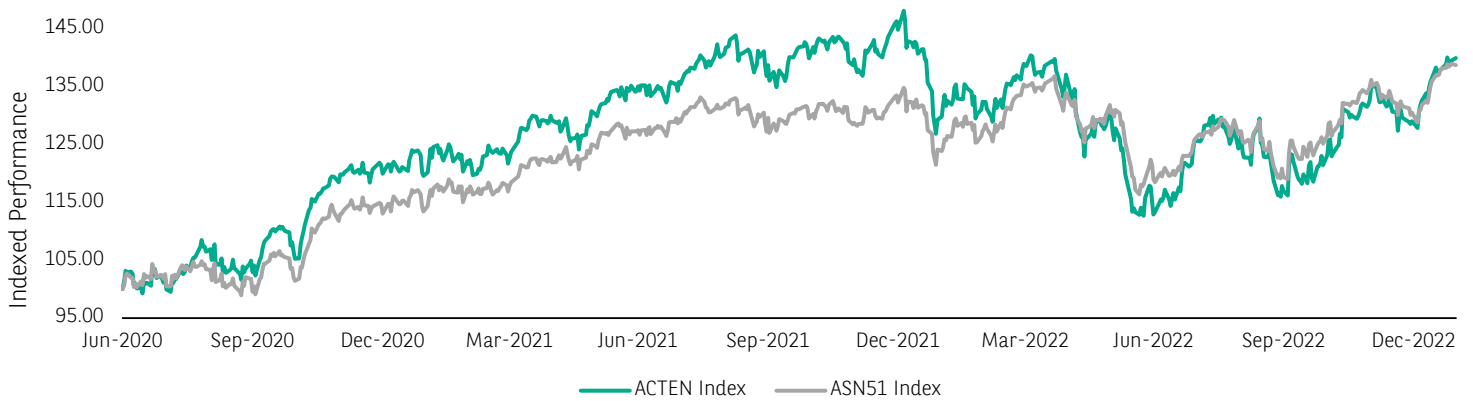
REBALANCING & SELECTION PROCESS

- The Index is rebalanced every six months to ensure reactivity to any change in business model with the 300 largest and liquid companies in Australia considered.
- The climate scenarios are remodeled typically at least every 3 years by ClimateWorks, but can be less frequent depending on the magnitude of changes, and will include at any given point in time at least 3 climate scenarios. In intermediate years, or when ClimateWorks do not change the climate scenarios, the weights across the different scenarios are re-assessed.
- A series of exclusion filters are applied before the final selection on the highest scoring 220 companies. This process excludes any company
 - with an average daily trading volume less than 4M AUD
 - in contravention of BNP Paribas Financing and Investment policies (<https://group.bnpparibas/en/financing-investment-policies>)
 - included in the UN Global Compact Watchlist
- Finally once the final exclusion filter has been applied, the 100 highest scoring companies are selected, with an equal weight given to each company, subject to a maximum individual sector exposure at 40%.

INDEX CHARACTERISTICS

Name	Australian Climate Transition Net Total Return Index ("ACT Index")
Currency	AUD
Launch Date	30 June 2020
Bloomberg Code	ACTEN Index
Benchmark	ASX 200 Net Total Return Index (ASN51 Index)
Calculation Agent	Solactive
Index Sponsor	BNP Paribas

INDEX PERFORMANCE – June 2020 to January 2023



30Jun20 to 30Jan23	Australian Climate Transition NTR Index (ACT Index)	Benchmark (ASX 200 NTR Index)
Annualised Return	13.89%	13.50%
Annualised Volatility	17.57%	14.33%
Sharpe Ratio	0.79	0.94
1-Month Max Drawdown	-14.36%	-11.70%
Max Drawdown	-23.95%	-14.92%

Source: Bloomberg, BNP Paribas, data from 30 June 2020 to 30 January 2023. Historical past performance is not an indicator of future performance.

MONTHLY PERFORMANCE

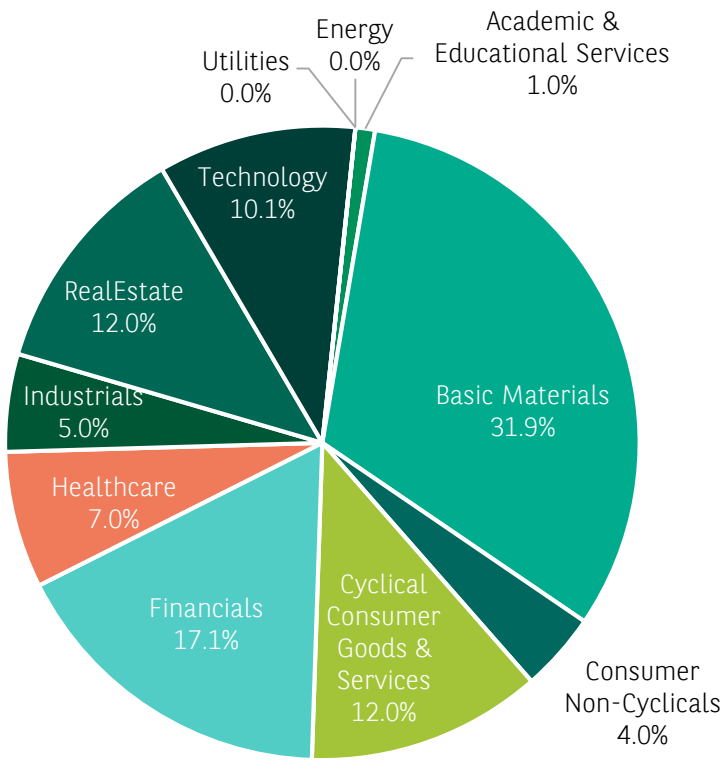
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Full Year [^]
2020	ACT Index							0.0%	6.9%	-3.7%	2.3%	12.6%	1.3%	20.0%
	Benchmark							0.5%	2.8%	-3.7%	1.9%	10.2%	1.2%	13.1%
2021	ACT Index	-0.3%	0.6%	2.0%	5.3%	0.8%	3.7%	0.3%	4.6%	-2.1%	0.9%	-0.1%	3.6%	20.7%
	Benchmark	0.3%	1.4%	2.4%	3.5%	2.3%	2.2%	1.1%	2.5%	-1.9%	-0.1%	-0.6%	2.7%	17.0%
2022	ACT Index	-10.4%	0.9%	5.9%	-1.2%	-5.2%	-13.1%	11.2%	0.7%	-7.5%	5.3%	7.7%	-2.8%	-10.9%
	Benchmark	-6.4%	2.1%	6.9%	-0.9%	-2.6%	-8.8%	5.7%	1.1%	-6.2%	6.0%	6.6%	-3.3%	-1.3%
2023	ACT Index	8.5%												
	Benchmark	6.3%												

Source: Bloomberg, BNP Paribas, data from 30 June 2020 to 30 January 2023. Historical past performance is not an indicator of future performance.

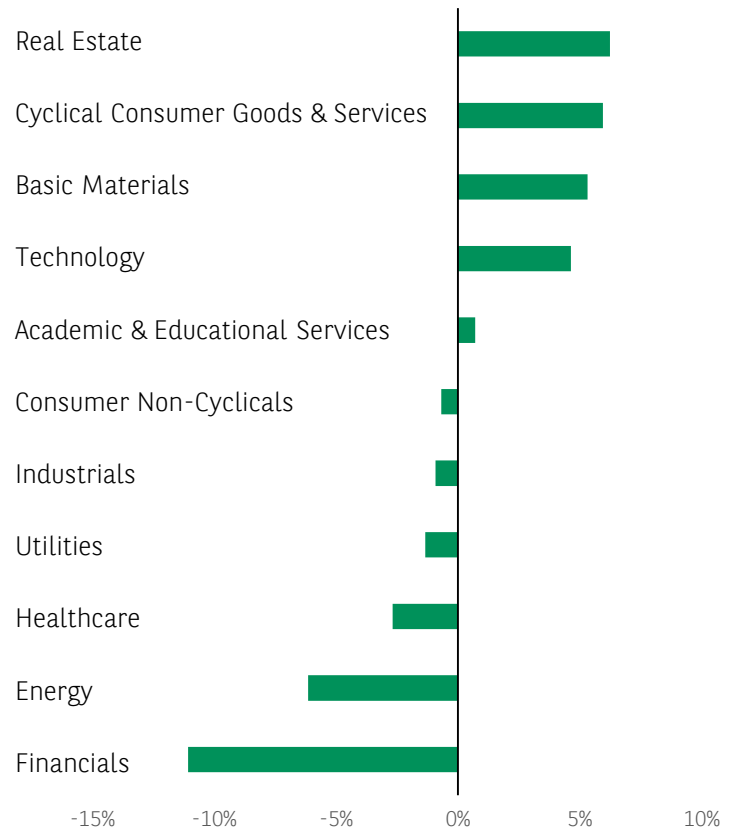
[^] Data from 30 June 2020 to 31 December 2020 for Full Year 2020;

SECTOR ANALYSIS

Sector Breakdown

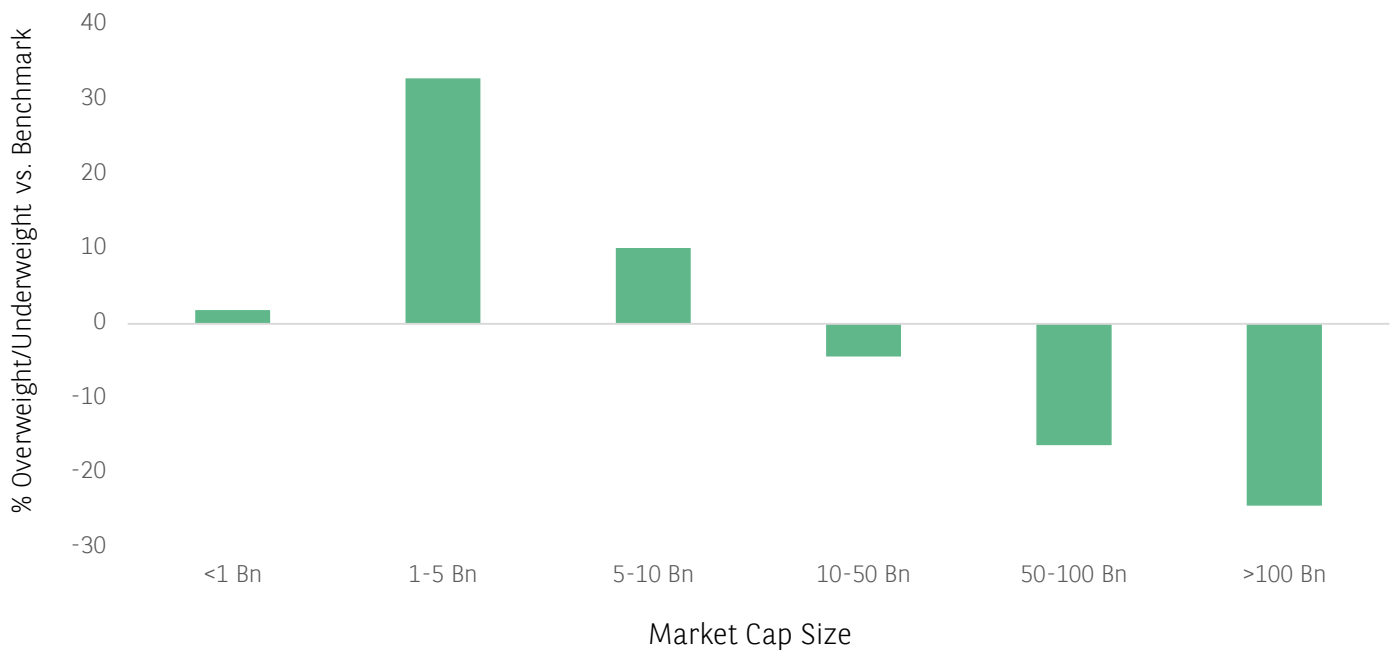


% Overweight/Underweight vs. Benchmark



Source: BNP Paribas, average quarterly weight as of 30 Jan 2023

SIZE ANALYSIS: Market Cap % Overweight/ Underweight vs. Benchmark



Source: BNP Paribas, average quarterly weight as of 30 Jan 2023

PERFORMANCE COMMENTARY

Since the launch date (June 30th, 2020), ACTEN Index's performance has been in line with the benchmark's. It is worth noting that in 2021, ACTEN Index outperformed the market by +4.1 %, thanks to its exposure to companies well positioned in the climate transition. The best contributor this year was Pilbara Minerals, a company involved in lithium operation. Boosted by the increasing demand for clean energy technologies such as electric vehicles, its price has been multiplied by 2.7 in 2021.

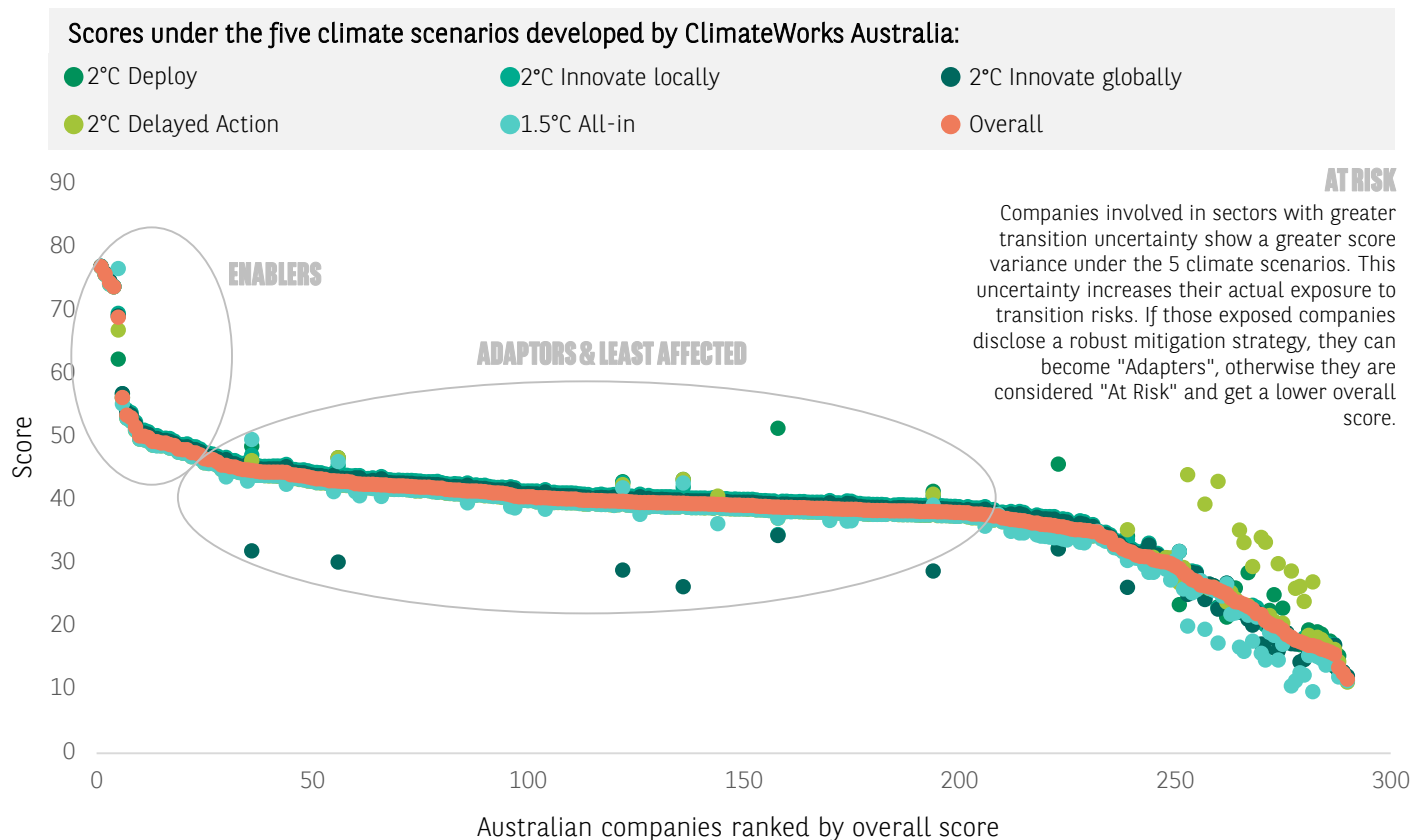
2022 has been more complicated due to the rise of geopolitical tensions favoring the Energy sector, from which the strategy is deallocated (vs 5.1 % in the benchmark).

Since the launch date, to 31st Dec 2022 the following elements impacted positively the strategy:

- The selection within the Cyclical Consumer Goods & Services sector outperformed that of the benchmark, which was amplified by the overweighting (+4.1 %). For example, this includes the good performances of Corporate Travel Management (+56 %) and oOh!media (+41 %).
- Within the Basic Materials and the Industrials sectors, the stock picking outperformed those of the S&P/ ASX 200 Net Total Return Index. Actually, the best five contributors to the strategy's performance are companies from the Basic Materials sector. They are all involved in the energy transition through their activities (mining and supply chain) in lithium and rare earths, which are necessary to the development of clean technologies such as energy storage.

SCORING & TRANSITION RISK ANALYSIS

The chart below shows the scores of all 300 Australian companies under the different transition scenarios as of June 2020. The illustration depicts the highest scoring companies the "Enablers" alongside the better ranked "Adaptors" and "Least Affected". The image also showcases the lowest scoring "At Risk" companies whose product and business model faces meaningful risks, or who haven't yet developed sufficient mitigating future strategies. These companies face the most uncertainty and are more sensitive to scenario variations. As a result these companies will require a significant and comprehensive mitigation strategy to prepare for the transition.



Source: ClimateWorks Australia, data as of June 2020.

For illustrative purpose only. Climate scenarios are subject to change by ClimateWorks from time to time.

SCORING & TRANSITION RISK ANALYSIS (Cont'd)

	Jan 2023
Number of eligible ASX300 companies	291
Number of companies excluded by BNP Paribas	109
First company included in the ACT Index	Score: 77; Rank: 1
Last company included in the ACT Index	Score: 38; Rank: 172
Median Score of the ACT Index	43
Mean Score of the ACT Index	43

Source: ISS ESG, BNP Paribas, data as of January 2023.

CARBON EMISSIONS ANALYSIS

	Total Carbon Emission [Scope 1+2 / Scope 1+2+3]	Carbon Intensity	Weighted Average Carbon Intensity
Index	25 / 83	59.43	93.43
Benchmark	98 / 343	236.52	193.09
Performance	74.5% / 75.8%	74.7%	51.6%

Carbon Intensity:

It is expressed as “tons of CO2 equivalent / million AUD revenue” and based on Scope 1 & 2.

This metric corresponds to the ratio between the “financed emission” and the “financed revenue”. It aims to illustrate the GHG efficiency of the underlying portfolio, by adjusting for company size.

Weighted Average Carbon Intensity:

It is expressed as “tons of CO2 equivalent / million AUD revenue” and based on Scope 1 & 2.

The metric calculates a portfolio’s exposure to carbon-intensive companies, expressed in tCO2e/m revenue and is weighted based on stock’s weight within the portfolio.

Source: ISS ESG, BNP Paribas, data as of June 2020.

INDEX COMPOSITION – as of 30 Jan 2023

In alphabetical order:

Allkem Ltd	Macquarie Group Ltd
ALS Ltd	Magellan Financial Group Ltd
Altium Ltd	Medibank Pvt Ltd
AMP Ltd	Megaport Ltd
Ansell Ltd	Metcash Ltd
ANZ Group Holdings Ltd	Mineral Resources Ltd
ASX Ltd	Mirvac Group
Bank of Queensland Ltd	National Australia Bank Ltd
Bapcor Ltd	National Storage REIT
Bendigo Adelaide Bank Ltd	Newcrest Mining Ltd
BHP Group Ltd	NEXTDC Ltd
BlueScope Steel Ltd	nib holdings LtdAustralia
Brambles Ltd	Nickel Industries Ltd
Capricorn Metals Ltd	Nine Entertainment Co Holdings Ltd
carsales.com Ltd	Northern Star Resources Ltd
Chalice Mining Ltd	Nufarm LtdAustralia
Challenger Ltd	Orora Ltd
Champion Iron Ltd	Perpetual Ltd
Charter Hall Group	Perseus Mining Ltd
Charter Hall Long Wale REIT	Pilbara Minerals Ltd
Cleanaway Waste Management Ltd	Pro Medicus Ltd
Cochlear Ltd	QBE Insurance Group Ltd
Coles Group Ltd	Ramsay Health Care Ltd
Commonwealth Bank of Australia	REA Group Ltd
Computershare Ltd	Reece Ltd
Core Lithium Ltd	Region Group
CSL Ltd	Regis Resources Ltd
CSR Ltd	Reliance Worldwide Corp Ltd
De Grey Mining Ltd	Rio Tinto Ltd
Dexus	Sandfire Resources Ltd
Domain Holdings Australia Ltd	Scentre Group
Downer EDI Ltd	SEEK Ltd
Endeavour Group LtdAustralia	Silver Lake Resources Ltd
Evolution Mining Ltd	Sims Ltd
Fortescue Metals Group Ltd	Sonic Healthcare Ltd
Gold Road Resources Ltd	St Barbara Ltd
Goodman Group	Star Entertainment Grp LtdThe
GPT GroupThe	Stockland
Healius Ltd	Suncorp Group Ltd
IDP Education Ltd	Super Retail Group Ltd
IGO Ltd	Syrah Resources Ltd
Iluka Resources Ltd	Tabcorp Holdings Ltd
Insurance Australia Group Ltd	Technology One Ltd
IPH Ltd	Telstra Group Ltd
JB HiFi Ltd	Vicinity Centres
Lake Resources NL	Webjet Ltd
Lendlease Corp Ltd	Wesfarmers Ltd
Life360 Inc	Westpac Banking Corp
Lottery Corp/The	WiseTech Global Ltd
Lynas Rare Earths Ltd	Woolworths Group Ltd

Source: BNP Paribas, data as of 30 Jan 2023.

ADDITIONAL INFORMATION ON ISS ESG SCORING & ANALYSIS

Sources of information

ISS ESG Corporate Ratings data is primarily sourced from publicly available information, including a company's own disclosure and reporting, proxy statements, reputable media sources, governmental and international institutions, recognized international or local non-governmental organizations, and non-biased subscription databases such as the CDP and S&P Capital IQ. During the rating process, considerable importance is attached to a dialogue with the company under evaluation. ISS ESG provides companies with ample opportunity to comment on and add to the provisional findings by submitting a draft rating report to the company for revision. The intense dialogue and feedback process contributes to the high quality and validity of information and are valued by rated entities and investors alike.

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