CLIMATE TRANSPARENCY REPORT 2020

Harbour Asset Management

PRI Principles for Responsible Investment

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-E81F8B62-0BBF-4516-BBAC-8895DCF3FB3B/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	-	Public				
SG 13.4 CC	-					
SG 13.5 CC	-					
SG 13.6 CC	-					
SG 13.7 CC	-					
SG 13.8 CC	-					
SG 14.1	✓	Private				
SG 14.2	✓	Private				
SG 14.3	✓	Private				
SG 14.6 CC	-					
SG 14.7 CC	-					
SG 14.8 CC	-					
SG 14.9 CC	-					
SG 15.1	✓	Private				
SG 15.2	-	Private				
SG 15.3	-	Private				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation

Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI Principles for Responsible Investment

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	Harbour Asset Management
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US$ 1 - 4.99 billion AUM
Main Asset Class	>50% Listed Equity Internally Managed
Signed PRI Initiative	2010
Region	Oceania
Country	New Zealand
Disclosure of Voluntary Indicators	17% from 38 Voluntary indicators

Harbour Asset Management

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

◉ Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

The identification of these risks and opportunities occurs during our on-going assessment of the company's fundamentals by our research analysts. This includes gathering and synthesizing any publicly available information each company has provided on their physical and transition risks/opportunities as well as engaging with companies to promote better disclosure or gain further insight. The data collection usually occurs through our proprietary ESG survey conducted each year across our universe, along with many other ESG metrics.

Examples of physical risks include lower agricultural yields, damage to assets, increased insurance premiums, supply chain disruptions and increased labour costs due to health and safety protocols and/or transport difficulties. These can all potentially result from the increased severity and frequency of extreme weather events such as flooding and droughts. Droughts are particularly relevant in our country given the large contribution our agricultural exports make to our economic growth however this comprises a disproportionate amount of our listed market.

Examples of transition risks include policy and regulation changes that would increase compliance costs, technological changes that could lead to write downs in existing assets and changing consumer behavior that can reduce demand for products from shifting preferences.

Climate-related opportunities will also arise, benefiting companies that are innovative and early movers. Examples include returns on investment from low-emission technology, reduced fuel costs from early substitution to alternative fuels, higher revenue from matching evolving consumer preferences and reduced operating costs from more efficient production and distribution processes.

These climate risks and opportunities differ depending on the sector and companies themselves and our local market does not currently provide adequate disclosure in this area. However, we have found that transition effects such as policy changes to the cost of carbon have been easier to estimate compared to physical risks with modelling in this area still largely uncertain and yet to develop. Climate change considerations that we deem significant and material to a company's business model will affect our research thesis and may result in an underweight or zero holding of a company. An example of this could be a company with exposure to assets that may become 'stranded'. Conversely, a company may be a beneficiary to the transition towards a low carbon world and this also gets factored into our research thesis and assuming positive conviction on other aspects of the company, may lead to an established position in the portfolios. An example of this could be a renewable energy generator or a company involved in the supply chain of electric vehicle production.

○ No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

◉ Yes

	Describe the associated timescales linked to these risks and opportunities.

Climate change related risks and opportunities tend to materialize over the medium-long term. This is because planetary changes in surface temperatures and sea levels occur over a long timespan compared to short term movements in the market. However, these changes are now occurring at an ever-accelerating pace and the higher frequency of extreme weather events clearly highlights the sense of urgency in accounting for these risks and opportunities. The Australian bushfires demonstrates a poignant example of this with many of the acute, adverse impacts of climate change evident such as loss of life, property damage and insurance losses.

In terms of the transition risks and opportunities, these also tend to happen over longer timespans given that there is a policy lag in implementing changes to legislation and regulation. Consumer and investor behavior also tend to shift gradually and lag the latest science due to a lack of awareness/education or long-term focus.

This climate change timescale aligns with our general investment philosophy in selecting quality companies with structural growth characteristics expected to deliver strong, sustainable returns over the medium-long term.

○ No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

SG 01.9 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

◉ Yes

	Describe

Harbour's approach to ESG considerations is neither a recent, nor a superficial part of the process. As a responsible corporate citizen, with a fiduciary duty to our clients, and as a signatory to the PRI, Harbour has an obligation to consider all types of non-financial risk, and we believe our ESG integration strategy strengthens our investment decisions.

Climate change forms a significant part of this as we believe out of all environmental considerations it has the largest, most material impact on companies over the long term. Our strategy to identify and manage these climate-related risks and opportunities has evolved over time and will continue to develop as more information is generated and made available by companies.

This strategy has started with adding relevant climate change related questions into our ESG survey that forms a core part of our responsible investing approach. These questions facilitate our engagement with companies to gather further detail and track their progress each year. In the past year we increased our focus on this area in our research agenda through conducting our own research project to establish a baseline of carbon disclosure across our market and other relevant climate change information, as well as following up with engagement. More recently, we have initiated a project to assess the current uptake and trajectory of electric vehicle usage in our local market given that this is expected to be one of the main mechanisms in our country for achieving lower emissions. We also receive research from a range of sources including our external ESG research provider, brokers and industry associations such as RIAA and the PRI that all help to guide our strategy.

○ No

SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☐ Public PRI Climate Transparency Report

☐ Annual financial filings

☐ Regular client reporting

☐ Member communications

☐ Other

☑ We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

	Board members or trustees

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Portfolio managers

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Investment analysts

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Dedicated responsible investment staff

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	External managers or service providers

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

SG 07.6 CC	For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

The board receives transparent reporting on a regular basis (approximately every 6 weeks) ahead of scheduled board meetings. This reporting consists of all climate-related issues or initiatives that management have identified or executed. The board has oversight of these issues and the current progress as well as further ideas are discussed during the meetings with feedback provided back to management. Climate change related initiatives for our firm directly are subject to board discussion and approval whereas the climate change issues affecting the companies in which we invest are overseen and managed by the investment team.

For example, during the past year the management team proposed the idea that our firm voluntarily purchases carbon credits in order to offset our travel and energy related emissions. The details of this were discussed and decided by the board with minor tweaks to the original proposal before getting approved, with management then to implement.

SG 07.7 CC	For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

There are multiple aspects to how climate-related issues are assessed and managed.

Climate-related issues affecting companies in our investment universe are subject to analysis conducted by our research analysts on our investment team, along with all other fundamental and quantitative considerations affecting the company. This is also formally integrated into our investment process through our ESG survey that includes numerous questions on climate change. These surveys involve engaging the companies to gain further information and to facilitate improvement. This then feeds into our overall assessment of how well each company manages its ESG considerations through a score which is then integrated along with other factors in our investment ranking framework. This framework is used by Portfolio Managers in the decision-making process for portfolio construction and all else equal, a company inadequately accounting for climate change would receive a lower score and a reduced weight (or zero holding) in our portfolios.

Climate change initiatives relating to our investments as a whole are the responsibility of our ESG analyst along with management. These initiatives include policy submissions, research and engagement program and reporting and communication. On policy, we submitted our response to the NZ Government's consultation on climate-related financial disclosures and also collaborated with other asset managers in forming a group submission. This has also involved further engagement with Government representatives to help facilitate improved climate policy. Regarding research and engagement, over the past year we have conducted our own carbon disclosure research project across our local market to establish a baseline of emissions disclosure and other climate related information. As part of this, we engaged both leading and lagging companies to either gain further insight or promote an improvement. All these initiatives then flow onto our reporting and communication through client articles and comprehensive quarterly ESG reporting. In addition, this has been publicly promoted and communicated through workshops we've hosted and presentations at ESG events.

Harbour also has a voluntary internal committee focused on reducing Harbour's environmental and social footprint. The committee meets on a monthly basis, generating and discussing ideas for minimizing these externalities and if possible, implementing these ourselves. In other cases, it involves escalating to management/board if needed for approval/implementation. These initiatives include those related to climate change such as reducing our carbon emissions through less business travel, increased usage of video conferencing software, taxis with 'greener' fuel and minimizing waste.

SG 07.8 CC	Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

☐ Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)

☐ Request incorporation of TCFD into regular client reporting

☐ Request that external managers complete PRI climate indicator reporting

☐ Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide

☐ Other

☑ We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

☐ Yes, in order to assess future ESG factors

☐ Yes, in order to assess future climate-related risks and opportunities

☑ No, our organisation does not currently carry out scenario analysis and/or modelling