



Climate Report

2025

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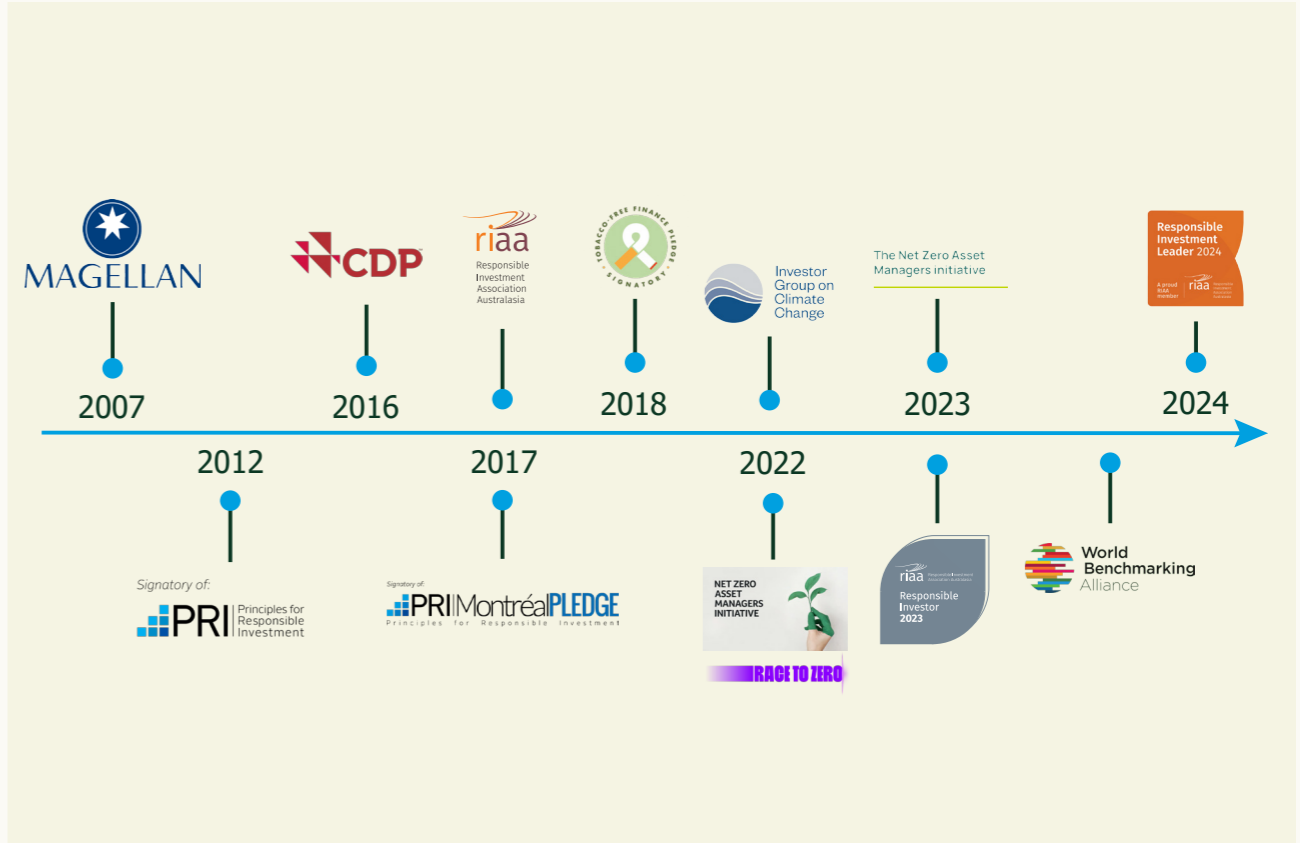
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About MFG

Magellan Financial Group Ltd (“**MFG**”, or “**Group**”) is an innovative financial services group, headquartered in Australia and operating across select key markets. We are highly selective and focused, anchored by two core pillars: investment managing and specialist financial services. As an active investment manager and responsible steward of capital, we understand the risks and opportunities presented by climate change to both our investment portfolios and the real economy, and advocate for the development of sustainable, low-carbon, and climate-resilient business models where appropriate.

In line with our commitment to managing climate change risks, MFG has been a member of the Principles of Responsible Investment (“**PRI**”) since 2012, Climate Disclosure Project (“**CDP**”) since 2016 and the Responsible Investment Association Australasia (“**RIAA**”) since 2017. In 2022 MFG extended its commitment to managing climate risk and became a member of the Investor Group on Climate Change (“**IGCC**”) and the Net Zero Asset Manager initiative (“**NZAM**”).



Our commitment

MFG recognises that climate change risks have the potential to impact investment risks and returns and to cause environmental and social harm. Increasing temperatures continue to adversely impact economic activity, human health, social equity, agricultural productivity, property and infrastructure¹.

We support the goals of the Paris Agreement and acknowledge the critical role investment managers must play in supporting a just and inclusive transition. MFG recognises the urgent need to accelerate the global transition to net zero greenhouse gas ("GHG") emissions, and is committed to supporting the goal of net zero GHG emissions by 2050, consistent with global efforts to limit warming to 1.5°C (net zero emissions by 2050 or sooner).

To achieve this goal, MFG commits to support investing aligned with net zero emissions by 2050 or sooner.

We also commit to work in partnership with our asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050.





This Climate Report is an update to our inaugural report released in 2024 and covers our internally managed strategies, being Magellan Global Equities, Magellan Global Listed Infrastructure and Airlie Australian Equities. The report is aligned to the pillars of the IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board ("ISSB") and provides an important baseline as we prepare for mandatory reporting in accordance with the Australian Sustainability Reporting Standards ("ASRS") made by the Australian Accounting Standards Board ("AASB").

We remain focused on assessing climate risk within our portfolios and monitoring the progress and credibility of our portfolio companies' climate strategy and targets. This forms part of our net zero alignment assessment, guided by the Net Zero Investment Framework ("NZIF") within the investment process of internally managed strategies.

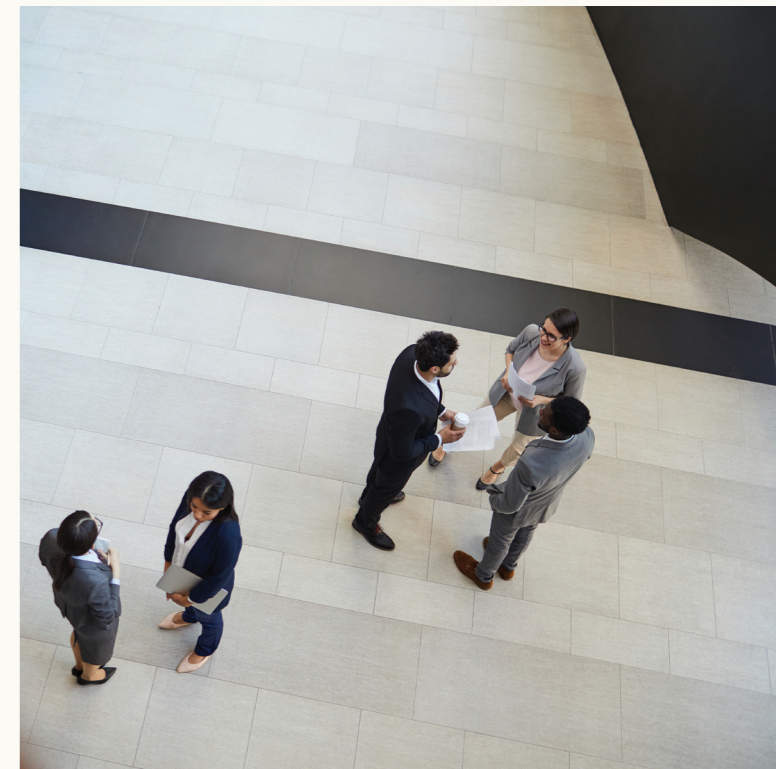
Over the coming year we will continue to evolve our approach to climate risk management in preparation for ASRS reporting and focus deeply on risk assessment, proxy voting and engaging with companies for more robust climate risk management including targets.

MFG's climate strategy

Our climate strategy builds on the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) – now incorporated into the ISSB – and is aligned with the pillars of the ASRS standard as we progress towards mandatory reporting.

 Governance	 Strategy	 Risk Management	 Metrics and Targets
How the Group oversees and manages climate related risks and opportunities.	The actual and potential impacts of climate-related risks and opportunities on the Group's businesses, strategy, and financial planning.	The processes used by the Group to identify, assess, prioritise and monitor climate-related risks and opportunities.	The metrics and targets used to assess the Group's performance and progress towards its climate-related risks and opportunities.

These pillars provide a comprehensive framework for embedding climate-related risk into the core of our decision-making processes. The framework enhances our ability to build resilience, protect value, and position the business for a low-carbon future.



¹ Source: Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, 2022



Governance

Board

MFG's Board has ultimate oversight and responsibility for integrating an appropriate Risk Management Framework for climate-related risks and opportunities in our corporate operations and investment activities. The Board and relevant sub-committees are supported by the Head of ESG, Head of Investor Relations and Sustainability, the Chief Financial Officer and the Chief Risk Officer. At a minimum, the Audit and Risk Committee annually reviews and considers matters related to climate-related risks and opportunities and makes recommendations to the Board.

This support structure facilitates the governance of climate risks and opportunities, within our corporate operations and investment activities.

Management team

In our corporate operations

As an investment manager, we recognise that our most significant influence on climate change links to our investment activities which is where we focus our efforts. That said, as a business with more than 100 employees we also recognise the importance

of maintaining governance oversight of climate risk in our corporate operations, and in FY25 MFG appointed a Head of Investor Relations and Sustainability to build capability and capacity in our corporate operations.

The climate-related risks and opportunities for our corporate operations are supported as follows:

- **Chief Risk Officer**
The Chief Risk Officer is responsible for MFG's risk management operations, including identifying, evaluating, reporting and overseeing MFG's risks and related frameworks including climate-related risks. The Chief Risk Officer is also responsible for tracking and monitoring ESG regulation including Australia's mandatory ASRS requirements.
- **Chief Financial Officer**
The Chief Financial Officer has oversight of MFG's climate-related disclosures, including the integration of climate risk into financial planning and reporting. The Chief Financial Officer will be responsible for MFG's mandatory ASRS disclosure.
- **Head of Investor Relations and Sustainability**
The Head of Investor Relations and Sustainability has day to day responsibility for the integration of climate considerations into corporate operations and external reporting. The Head of Investor Relations and Sustainability facilitates MFG's engagement on climate-related risk as a driver of long-term value and is also responsible for the measurement and reporting of climate data for our corporate operations.
- **ESG Working Group**
The ESG Working Group is a group of internal stakeholders from finance, risk and compliance, sustainability and investment teams who are responsible for discussing, developing, and implementing key elements of our corporate ESG strategy and processes.

In our investment activities

The day-to-day management of climate-related risks and opportunities in our investment activities is overseen by the Head of ESG, along with the execution of the fund level Climate Stewardship Strategy. With support from the ESG team, the

investment team identifies material climate-related risks and opportunities that may influence cash flows and valuations of our portfolio companies over our investment horizons.

Climate-related risks and opportunities in our investment activities are supported by the following:

- **Policy and Process Frameworks**
Key documents in the 'Risk Management Framework - Climate related risks and opportunities', include our fund level ESG Policy, Climate Stewardship Strategy, Voting Principles and our Basis of Preparation for financed emissions calculations.
- **ESG Investment Governance**
Led by the Head of ESG, the ESG team is responsible for the implementation of the Climate Stewardship Strategy and for providing valuable insights and analysis to the Magellan Global Equities and Magellan Listed Infrastructure investment teams. They are responsible for collaborating with the investment team to monitor and track portfolio companies progress against climate targets and assess the credibility of companies' climate strategies in line with the Magellan Global Equities and Listed Infrastructure net zero alignment assessment.

In our Magellan Global Equities and Magellan Listed Infrastructure strategies, the Investment Committee periodically reviews ESG risks and opportunities, including climate-related factors. This forms part of the assessment process for accepting portfolio companies into our approved universe. The Investment Committee consists of senior members of the investment team and an ESG team member.

In our Australian equities business, Airlie Funds Management ("Airlie"), the day-to-day management of climate-related risks and opportunities in portfolio companies is overseen by the strategies' portfolio managers. They are supported by the Airlie investment team who conduct research into material climate-related factors that forms part of the investment thesis. Portfolio companies are assessed relative to Airlie's net zero alignment assessment.



Strategy

MFG evaluates ESG issues, including climate risks and opportunities, as appropriate to our corporate operations and investment activities in an ongoing effort to deliver long-term value for our clients while meeting changing demands.

In our corporate operations

MFG acknowledges that climate change introduces both risks and opportunities in our corporate operations. Integrating sustainability into the Group's strategic decision-making has the potential to benefit the environment, society and our stakeholders, including clients, shareholders and employees.

As investment managers, the largest area of influence we have is in our approach to ESG risk management in our product design and delivery. MFG has adopted an ESG integration approach whereby each of our investment strategies integrate ESG into the investment process. We also work with asset owner clients to limit the impact on the environment from climate change in their investment portfolios, where requested by our clients, and leverage our expertise in low carbon investing to achieve specific outcomes.

At present, the direct physical and transitional risks posed by climate change on our corporate operations are minimal. Our operating model is not materially exposed to climate-sensitive assets or geographies, and our operational footprint

is limited in terms of emissions and resource intensity. We will continue to monitor emerging climate-related developments to safeguard long-term value for our stakeholders.

Table 1 summarises climate-related risks for our corporate operations.

Transitional Risks	Potential Financial Impacts	Timeframe
Policy, regulatory and legal	The risk of material financial loss from non-compliance with climate-related regulatory obligations, or compliance failures. The volume and scale of complex regulatory obligations could increase compliance costs and expenses.	Short to medium term
Strategic	The risk of inadequately identifying, assessing and integrating climate-related risks and opportunities into the Group's overall business strategy, investment approach and product development may result in missed commercial opportunities, loss of relevance to clients reduced competitiveness and misalignment with stakeholder expectations.	Medium term
Reputation	The risk of not effectively identifying, assessing and managing climate-related risks leading to a negative reputation, reduced business opportunities and/or resulting in reduced revenues from clients withholding capital due to reputational loss. There is also risk from perceived or actual inconsistencies between climate-related claims and underlying business practices or data, leading to increased criticism and lack of customer trust.	Short to medium term
Physical Risks	Potential Financial Impacts	Timeframe
Acute and Chronic	Associated with the impact on our corporate operations and workspaces from weather events and long-term climate patterns, leading to higher capital expenditure due to impacts on business operations.	Long term

In our investments activities

MFG acknowledges the complexity and urgency of climate change, along with the shift to a low-carbon economy. We understand the global risks and opportunities this presents, and its impact on our investment activities, where our exposure to physical and transition climate-related risks is most significant.

- Global Equities and Global Listed Infrastructure**

A crucial aspect of our investment analysis is evaluating the readiness of companies for the transition to a lower or net-zero emissions environment across our investment horizons. In support of this, we are signatories to the

Paris Agreement's goals of limiting the global temperature rise to below 2°C, preferably to 1.5°C compared to pre-industrial levels.

Climate change is complex and affects portfolio companies in our investment universe differently. We review available climate scenario analysis from our ESG data providers² and industry research including IPCC and IEA for relevant strategies. We continue to explore available methodologies, models, and targets to use to assess overall resilience across different climate warming scenarios. Assessment of individual portfolio company climate resilience is reviewed where climate change risk is considered material to cashflows over our investment horizons.

² External data provider is MSCI ESG Manager.

Australian Equities

Similarly, in our Airlie business, we want to ensure that our portfolio companies remain resilient to the impacts of climate change and the transition to a low-carbon economy. As such, climate-related risks and opportunities in portfolio companies over our investment time horizons are identified and assessed as part of our company research, where material, through analysis of physical risks of changes in climate along with the transition risk arising from global responses to climate change.

Climate related risks and opportunities

Our risk assessment has been structured over short, medium and long-term timeframes and are based on MFG’s strategic planning horizons.

We classify these horizons as: short term, 0-2 years, medium term, 2-5 years and long term, more than 5 years.

Climate-related opportunities

The transition to lower or net-zero environments may also offer opportunities for investment managers and their portfolio companies

through thoughtful climate adaptation strategies that enhance efficiencies or improve risk characteristics.

Examples of climate-related opportunities through our investment activities include:

- Investing in companies that are supporting energy efficiency initiatives.
- Reducing energy input to product manufacturing resulting in reduced operating costs.
- Investing in companies or sectors that might benefit from technology breakthroughs.
- Enhancing cost stability – reducing exposure to the volatility of carbon sources.
- Reducing regulatory and legal costs and potential reputational damage.
- Investing in companies that are reducing their exposure to GHG emissions, which reduces the need to purchase GHG offsets, thereby decreasing cost sensitivity and exposure to energy markets.
- Protecting the value of existing assets, supply chains and operations.

Head of ESG, Amy Krizanovic

We believe that climate-related risks can be financially material to our investment activities. Over the past three years we have embedded our net zero alignment assessment across all internally managed funds. This has provided a deeper and more structured assessment to identify risks and actively prioritise engagement.

Guided by our Climate Stewardship Strategy, we have adopted a more focused and forward-looking approach to company engagement. By setting clear objectives and conducting constructive engagement, we've seen improvements in the credibility and ambition of some investee companies' climate strategies and targets. Where risks or gaps remain, close collaboration between our ESG specialists, investment analysts, and portfolio managers enables us to monitor progress, escalate where needed, and advocate for measurable change. This integrated approach ensures climate considerations are understood, addressed, and integrated into our long-term investment thesis across relevant strategies to support more resilient companies and long term value creation for our clients.

One example is our ongoing engagement with Ferrovial, a toll road company held in our Global Listed Infrastructure portfolios, regarding the ambition of its climate targets. Following multiple engagements, we were pleased to see it has submitted updated emissions reduction targets aligned to a 1.5°C pathway to the SBTi. In April 2025, these targets were verified by the SBTi – meeting our engagement objective and supporting the assessment of Ferrovial as being classified as 'Aligned'.

Climate-related risks

Table 2 summarises climate-related transition risks for our investment activities. The exposure and level of risk may vary across investment strategies.

Transitional Risks	Description	Potential Financial Impacts	Timeframe
Policy, regulatory and legal	Associated with changes to current climate-related law and regulation impacting portfolio companies' operations.	<ul style="list-style-type: none"> • Increased operating costs relating to compliance, staff training or independent assurance/ third party verification. • Resources required to meet current and emerging climate-related legislation. • Regulatory action due to non-compliance with current and emerging climate-related legislation. • Carbon pricing – carbon tax levied on goods and services and passed onto customers. 	Short to medium term
Technology	Associated with requirements to keep pace with technology advancements in identifying, assessing and managing climate risk	<ul style="list-style-type: none"> • Research and development expenditures in new technologies. • Cost to adapt to new practices. • Energy intensity of new and emerging technologies including AI. 	Short term
Market	Associated with a negative shift in consumer demands due to changing preferences, away from existing products and services.	<ul style="list-style-type: none"> • Changing consumer preferences. • Ensuring the strategy of our portfolio companies and the market is resilient in a transition to a low carbon economy. 	Short term
Reputation	Associated with perception of not responding appropriately to climate challenges.	<ul style="list-style-type: none"> • Reputational impact if climate commitments are not achieved. • Increased risk of greenwashing and associated litigation costs. 	Medium term

Table 3 summarises climate-related physical risks for our investment activities. The level of risk may vary across investment strategies.

Transitional Risks	Description	Potential Financial Impacts	Timeframe
Acute	Impact on physical operations of portfolio companies due to weather events or global temperature increases.	<ul style="list-style-type: none"> • Increased operational or capital costs due to extreme weather events. • Increased costs for key commodities including fossil fuels and water and other natural resources. 	Long term
Chronic	Sustained longterm shifts in climate patterns impacting operations of our portfolio companies.	<ul style="list-style-type: none"> • Increased stranded asset risk due to reallocation of capital or physical asset location. • Reductions in revenue from negative impacts on workforces. • Disruption to business continuity. 	Long term



Risk Management

In our corporate operations

MFG has established a Risk Management Framework based on the Australian and international risk management standards and guidelines (ISO 31000:2018) which outlines the structure, procedures and guidelines on how MFG identifies, assesses, manages and reports on risks including climate-related risks affecting our corporate operations.

Risks are identified at the corporate/business strategy level and are assessed in accordance with the Risk Management methodology outlined in our Risk Management Framework.

In our investment activities

We believe that climate-related risks can be financially material to our investment activities. As part of the investment team's ongoing research, physical and transition climate risks are considered from a bottom-up, case-by-case basis. Climate related factors are then incorporated into long-term investment theses across relevant strategies.

Each internally managed fund integrates climate risk assessment as outlined in the relevant Climate Stewardship Strategy, with relevant outcomes reported in the Stewardship reports.

As part of Magellan Global Equities and Listed Infrastructure's net zero alignment assessment, the investment team assesses all portfolio companies' alignment to net zero. In identifying climate risks, we leverage our internal ESG investment research including direct company engagement and when appropriate, external data providers.

Our assessment for portfolio companies considers:

- Ambition:** A commitment to net-zero by 2050.
- Targets:** Near and medium term science-based emission reduction targets and considering whether those targets are externally validated.
- Strategy:** Alignment to reporting in accordance with regulatory frameworks and whether a credible climate strategy to achieve targets exists.

In assessing the credibility of a companies' climate strategy, we also consider the ambition of the targets, disclosure of emissions (scope 1, 2 and material scope 3) and the progress towards near term and net zero emissions targets, utilising the Net Zero Investment Framework along with the proprietary SAFE framework developed for Magellan Global Listed Infrastructure strategies.

Consistent with our Climate Stewardship Strategy, we manage identified risks in our portfolio companies through active stewardship activities.

Companies will then be prioritised for engagement based on whether they are identified in a 'high impact material sector', their progress to date, real world impacts, available technologies and our ability to influence for change.

Our company engagement has two primary objectives, both of which are designed to have a positive impact on shareholder returns over time:

- Risk assessment, management, and opportunities:** to better understand the risks and opportunities over time. These learnings often deepen our understanding within and across industries. The output of this engagement contributes to the analyst's assessment of the credibility of the company's climate strategy.
- Influence:** encouraging and supporting change to a company's approach or the setting of climate related targets.

Where relevant, and consistent with our published Voting Principles, we will use our proxy voting activity to support enhanced climate risk management and disclosure in portfolio companies.

Net Zero alignment assessment							
	Net zero target	Interim science-based target	Progress	Disclosure	Strategy*	Capex alignment*	Credibility
Achieving Net Zero	✓	✓	✓	✓	✓	✓	✓
Aligned to a net zero pathway	✓	✓	✓	✓	✓	✓	✓
Aligning to a net zero pathway (*high impact sectors require additional factors)	✓	✓		✓	✓		✓
Committed to aligning	✓						✓
Not Aligned							
			Analyst assessment³				Analyst assessment³

For further details regarding Airlie's stewardship process, please refer to the [Airlie Stewardship Strategy](#).

For further details regarding Magellan Global Equities' and Magellan Listed Infrastructure's Stewardship process, please refer to our [Stewardship Strategy](#).

³ The analysis incorporates insights and the investment team's proprietary view of a company's progress toward its stated climate targets, as well as the credibility of its initiatives and strategy to achieve those targets.



Metrics and Targets

In our corporate operations

MFG calculates our emissions from corporate and business operations. We measure our material Scope 3 emissions associated with our operations including employee travel and energy loss associated with our electricity distribution.

⁴ Scope 2 emissions are calculated using a location-based methodology with NGA emission factors.

⁵ Employee headcount is at period end is 111

Table 4 MFG's corporate operational emissions.

Scope 1 and 2	30 June 2024	30 June 2025
Scope 1 (tCO ₂ e)	-	-
Scope 2 ⁴ (tCO ₂ e)	114	102
Total GHG emissions (tCO₂e)	114	102
Total per employee ⁵ (tCO ₂ e/Employee)	1.05	0.92
Total per A\$ million of revenue (tCO ₂ e/AUDm)	0.3	0.30

In our investment activities

For all portfolio companies, we track and monitor scope 1 and 2 emissions and where available and material, scope 3 emissions. As part of our fund level climate stewardship strategies, we actively engage with companies to encourage the disclosure of material scope 3 emissions. Emissions are tracked quarterly using our external data provider⁶ and public company reports.

Portfolio company emissions data is reviewed quarterly by the client reporting and ESG teams for accuracy and, reviewed against the MFG Low Carbon Framework⁷ for the sustainable strategies.

We assess the alignment of all portfolio companies to net zero within our assessment which leverages the Net Zero Investment Framework. Where a portfolio company does not have a net zero target, near term science-based targets, or a credible strategy, we will prioritise engagement with particular focus on the high emitting sectors.

In Scope strategies with NZAM targets

In line with our 2022 commitment to the NZAM initiative for our in scope strategies⁸, we have established long term portfolio targets to manage in accordance with the attainment of net zero.

The NZAM initiative is currently under review to assess its alignment with evolving global regulatory and market expectations. We look forward to continuing engagement with the initiative once future pathways are confirmed.

⁶ MSCI ESG manager.

⁷ The low carbon framework aims to limit the carbon intensity of the portfolio to one-third of the weighted average carbon intensity of the MSCI World Index, as reported by MSCI.

⁸ This includes Frontier MFG Global Sustainable Fund and select institutional mandates.

⁹ Portfolio carbon intensities are calculated using the weighted average carbon intensity method. Weighted average carbon intensity – calculation of scope 1 and 2 emissions / \$USD million. Carbon Footprint – Scope 1 and 2 emission sources expressed as tCO₂. Information sourced from MSCI and company public disclosures.

We continue to implement our assessment at a fund level, guided by NZIF, as part of our investment process and monitor alignment toward our objectives. All in-scope strategies are on track to meet or exceed the 80% engagement threshold for financed emissions in high-impact sectors. We continue to prioritise engagement with companies not yet aligned to a net zero pathway to drive progress across all strategies.

We will look for opportunities to increase the proportion of in scope strategies over time. While this has presented some challenges near term, we remain committed to the long-term goal of increasing the proportion of strategies being managed in line with the attainment of net zero.

Emissions Reporting

As part our commitment to the PRI Montreal Pledge, MFG measures and publicly discloses the emissions of its actively managed investment portfolios.

Table 5 portfolio emissions intensity.

Emissions intensity as of 30 June 2025 (Tonnes CO ₂ e per \$US million revenue) ⁹	
Magellan Global Fund	24
Magellan High Conviction Fund	37
Magellan Global Opportunities Fund	29
Frontier MFG Global Sustainable Fund	29
Magellan Infrastructure Fund	462
Magellan Core Infrastructure Fund	794
Airlie Australian Share Fund	98
Airlie Small Companies Fund	13



IMPORTANT INFORMATION

The information in this Report is general in nature and, unless indicated otherwise, the reflects information current as of 20 August 2025. This document does not constitute advice or a recommendation regarding any product or service provided by Magellan Financial Group Ltd and its related bodies corporate (“MFG” or the “Group”). This Report is not intended to be, nor should it be construed as, an offer, solicitation, or invitation to purchase, issue, or sell any securities or financial instruments in any jurisdiction. This document does not consider the financial circumstances, investment goals, or specific requirements of any individual. Readers should review this Report alongside the Group’s other periodic and continuous disclosures, or product disclosure statements or target market determinations relating to any relevant financial product, and seek guidance from their own professional advisers.

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Forward-looking statements and other representations related to climate related matters carry inherent risks and uncertainties. These include, but are not limited to, projections, goals, commitments, scenarios and expectations. The underlying metrics and models involve assumptions, limitations, and uncertainties, many of which are significant and evolving. In particular, climate and sustainability-related data, methodologies, and emissions tracking practices are rapidly developing, and future policy and regulatory frameworks remain uncertain. While MFG has prepared the information in this Report based on its current knowledge and understanding, it reserves the right to change its views in the future. To the fullest extent permitted by law, MFG, its related bodies corporate and each of their directors, officers, employees and agents disclaim any liability for direct or indirect loss, damage, or costs incurred by any party relying on, interpreting, or acting upon the contents of this Report, whether explicitly stated or implied.

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