

ESG - YEAR IN REVIEW



Revolution Asset Management recognises Environmental Social Governance (ESG) as an ever-evolving field and are committed to continuous development in this important area.

Revolution continuously reviews and strives to strengthen its practices in line with UN Principles for Responsible Investment (PRI) and industry best practice. The following is a summary of developments in Revolution's ESG process which have been implemented over the past 12 months:

EXTENSION OF NEGATIVE SCREENS

Revolution added three new negative screen categories including Gambling, Adult Entertainment and Human Rights Violations. Screens are set for both direct and indirect exposures. Any direct exposure to these controversial sectors and/or issues are excluded from Revolution's investment universe. Additionally, indirect exposures also apply and are based on revenue thresholds.

INTRODUCTION OF POSITIVE SCREENS INTO REVOLUTION'S ESG PROGRAM

Positive screens have been introduced, including Healthcare, Education, Social Infrastructure and Green Initiatives. Consistent with Revolution's corporate social responsibility and capital stewardship philosophy, transactions that are involved in these sectors and/or activities are viewed favourably and would be promoted ahead of other investments outside of the positive screens, all else being equal. As such, Revolution will support investment in the aforementioned sectors. Every investment is still subject to strict credit lending criteria, regardless of being on the positive screening list.

FIRST ASSET BACKED SECURITIES (ABS) WAREHOUSE WITH GREEN INCENTIVES

The ABS warehouse funded by Revolution for many years provides consumer motor vehicle loans which receive significant support from the Clean Energy Finance Corporation (CEFC). In order to encourage the financing of electric vehicles (EV's), CEFC have provided AUD\$40m of funding with incentives to both the issuer, and the underlying borrowers, through cheaper financing rates with increasing proportions of EV's in the warehouse. The additional green financing tranche has also required the improvement of investor disclosure with CO2 emissions now disclosed for every vehicle financed in the transaction, setting a benchmark for reporting that can be applied to other vehicle finance transactions in the Revolution portfolio.

FIRST PRI ASSESSMENT REPORT

Revolution has received its first formal PRI Assessment Report with a 3-star rating (on a scale of 1-5 stars), with similar outcomes across its key asset classes being corporate private debt and securitised assets. The key strengths highlighted by the PRI assessment were linked to Revolution's ESG approach and policy in the pre-investment phase,

particularly the incorporation of ESG in credit quality analysis, the breadth of parties subject to ESG assessment in Revolution's process and materiality analysis (coverage of assets).

Key weaknesses highlighted were primarily linked to the nature of the asset class including post-investment phase, incorporation of ESG factors into valuation, monitoring of long terms trends and transparency and reporting, some of which will be the focus areas for Revolution for the year ahead.

SIGNATORY TO ESG STATEMENT IN CREDIT RISK AND RATINGS

Revolution became a signatory to ESG Statement in Credit Risk and Ratings. This is a PRI-led initiative supporting the integration of ESG risk in overall credit risk assessment. By signing the ESG in credit risk and ratings statement, credit rating agencies and fixed income investors commit to incorporating ESG into credit ratings and analysis in a systematic and transparent way. To date, the statement is supported by more than 180 investors (with over US\$40t in collective AUM) and 28 credit rating agencies.

INDUSTRY INVOLVEMENT AND CONTRIBUTION

Revolution was actively involved in ESG Harmonisation Credit Consortium contributing to the ESG Integrated Disclosure project - a collaboration between PRI, LSTA, AIMA and the ACC with private debt managers from around the world to improve transparency and accountability in ESG. The collaboration was to create a golden standard disclosure template for due diligence on borrowers.

Revolution has contributed its expertise, namely leveraging off Revolution's borrower questionnaire used in its investment process. Revolution also continued its involvement in the ESG Working Group established by the Australian Securitisation Forum specifically to improve the quality of data collection and disclosure in Australian ABS transactions.

Additionally, Revolution has contributed to several industry committees, roundtables, conferences and peer-to-peer sharing across a wide range of ESG topics and issues.

CONTACT US

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Revolution also conducts a review of its ESG Policy on an annual basis. The ESG Policy was last reviewed in May 2023.

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