

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FRAMEWORK AND PRACTICES AT JAMIESON COOTE BONDS



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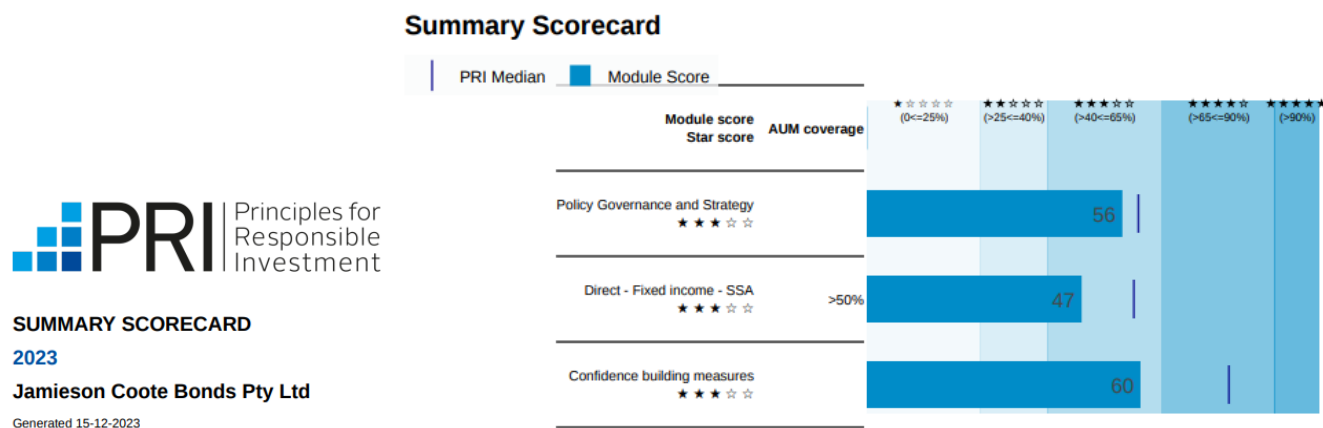
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### 1. ESG CREDENTIALS AT JCB

JCB is a leading active manager of high grade government bonds, JCB recognises that implementation of responsible investment (RI) principles over time can generate financial benefit (by enhancing risk-adjusted returns) and effect change in targeted areas. Moreover, JCB believes that investing without reference to ESG principles can heighten reputational risk. Our key credentials in this space include:

- ESG notions as a firm – captured in Policy since 2018, updated annually.
- JCB – a signatory to the United Nations Principles for Responsible Investment (UN PRI) since October 2021.
- Over A\$500m (as at January 2024) invested in green, sustainable and social government bonds – with alignment to United Nations Sustainable Development Goals (UN SDGs).
- Portfolio offerings have:
  - A high quality in nature with inherently strong ESG characteristics.
  - All holdings being a minimum of BBB rating, and 95%+ of the portfolios rating AA+ and above.
  - No exposure to undemocratic, authoritarian or extreme political regimes.
  - No direct exposure to contentious sectors or industries (e.g. tobacco, gaming, fossil fuels, etc)
- An active member of the Financial Services Professional Body (FINSIA), with representation on the FINSIA Industry Council for Funds & Asset Management.

- Achieving constructive results in our first (voluntary) UN PRI rating in 2023:



## 2. INVESTMENT PHILOSOPHY ON ESG

Our ESG approach is centered around three pillars:

1. Active ESG Management
2. ESG Research and Integration
3. Collaboration

JCB invests in predominantly developed markets and G7 debt (with a minimum BBB rating) this allows JCB to avoid exposure to authoritarian and undemocratic regimes. At JCB, we have three product offerings, all of which invest exclusively in government bonds, and all of which are covered by our responsible investment policy.

### Portfolio management approach to ESG:

- ESG exposures are not represented in JCB's selected benchmarks. ESG considerations are conscious decisions by JCB to include these exposures.

### Exclusions within the portfolio holdings:

- Regions/countries: no extreme, authoritarian or undemocratic regimes.
- Sectors/securities: nothing contentious, e.g. alcohol, gaming, weapons, tobacco, etc.

## 3. ESG INTEGRATION INTO THE INVESTMENT PROCESS

The impact of ESG factors for a high government bond manager like JCB are comparatively less and nuanced (compared to that of a pure equities or credit bond manager).

- JCB incorporate environmental, social (and governance) factors by bringing the two key streams together at the portfolio construction level.
  1. Financial analysis and
  2. ESG assessment (i.e. inclusive of the context/use of proceeds/projects earmarked).

We monitor investment grade Government, Semi-government, Supranational and Agency (SSA) paper which represents the high grade government bond universe.

Notably, this includes green, social and sustainable paper which has been independently identified. This is powerful as we can also assess how these are valued relative to their nominal Treasury equivalents, and assess key metrics such as valuations, mis-pricings and liquidity.

#### 4. INVESTMENT STEWARDSHIP

- **Issuer Engagement**

JCB believes in meaningful conversations that raise awareness and drive positive change. By engaging with debt issuers and participating in public policy debates, we fulfill our stewardship obligations and enhance economic, social, and environmental value. Despite challenges, we remain committed to responsible market participation and advocate for investor engagement with debt issuers. As a high-grade government bond manager, we are realistic on our impact within the large market context.

- **Industry Research**

Our stewardship activities also extend to the time we spend across the industry, including with clients and prospects. Research houses and asset consultants are naturally heavily engaged across the industry and are therefore very well positioned to understand the pressing ESG issues given the range of conversations they are having across the industry.

#### 5. NET ZERO AND CLIMATE CHANGE

JCB acknowledges the significant issues associated with climate change and achievement of net zero as an investment manager and as a business. Within our sphere of influences, we:

- Focus on our value chain (which is comprised principally of Channel Capital Pty Ltd ('Channel') plus very limited downstream relationships).
- Work with issuers to ensure they have a **credible Net Zero Roadmap** (in terms of their targets, plans (actions) to achieve, progress and resources allocated to achieve targets).
- Work with partners to share knowledge, effect change & gain insights into evolving industry best practice.
- Invest in **climate transition-related opportunities** (green or sustainable, as issued by sovereigns, semi governments, supranationals and agencies) to generate strong returns for investors while building portfolio diversification and resilience.
- **Committed to transparent reporting of ESG metrics**, a key to net zero targets. We're investing in resources and technology to enhance data collection and analysis, aiming for comprehensive ESG performance reporting. Recognising this as a journey, we're dedicated to the continuous refinement of our ESG policy and practices to stay aligned with evolving ESG standards within sovereign bonds.

#### 6. NATURE & BIODIVERSITY

- In reality, we believe in the importance of nature and biodiversity however, as a high grade government bond manager, our direct influence by virtue of our focused investment universe set, may be comparatively modest.
- Our approach therefore is focused on our active investment style and taking on exposures in green and sustainable bonds issued by the highest quality governments available.



- The World Bank in 2021 defined six (6) global response areas that “could unlock nature-smart development, help governments move beyond a piecemeal response, focus on conservation toward systematic integration of nature into development, while removing the barriers to sustainability that countries face worldwide”.

- JCB’s primary role in this structure is in (2) supporting nature-positive investments. JCB looks to be discerning in its selection of green and sustainable (and social) bonds given its aforementioned process: the proceeds of the bonds JCB supports sees finances helping projects with a positive impact to nature and biodiversity outcomes.

• On this basis, we will continue to deepen our focus on the use of net proceeds of candidate green and sustainable bonds issued by these high grade governments. In particular, our process will grow in significance in our review of candidate and portfolio-held bonds.

## 7. MODERN SLAVERY

- JCB abhors modern slavery in all its forms. JCB deals solely in government bonds and therefore does not hold (nor assess) individual companies. JCB’s investment universe as a high grade government bond manager focuses on Australia, predominantly G7 government issuers (plus a handful of selected other high grade issuers – includes semi-government/states, supranationals, agencies) all a minimum of investment grade (and AA in the case of Australian paper).
- From a business/supply chain perspective, JCB’s relationships are limited and straightforward. Channel, for instance, provides JCB’s non-investment services, and all of these services delivered to JCB by Channel are delivered by onshore Australian professionals.
- Note, JCB falls below the threshold for compulsory reporting given our size and annual revenues. Also, given the high grade nature of the universe, and the very public commitments by high grade governments to overcome modern slavery, we believe this represents a low risk in our portfolios.

## 8. DIVERSITY & INCLUSION IN THE WORKPLACE

JCB is committed to maintaining a diverse and inclusive workplace as a modestly sized business.

- We foster an inclusive culture as a function of the team being locationally close knit and operating in one central office at 101 Collins St, Melbourne VIC.
- We are conscious of diversity on a range of measures and are moving towards achieving a target of 30% of females in senior investment management by 2030.
- We take ongoing counsel on best practices human resources from Channel as our non-investment solutions provider. This includes implementing recommended hiring and talent management practices.
- Our talent mapping/succession planning and remuneration/rewards are overseen by our JCB Remuneration & Rewards Committee (chaired by JCB Advisory Board Chair, Mark Burgess).

## 9. ENGAGEMENT

JCB has a number of clear avenues in which the firm advocates and engages on ESG issues, which include:

- As a signatory to the UN PRI, we are continuing to grow as an active member of our community and following through on key obligations of incorporating ESG issues into our investment process, incorporating ESG issues into our ownership policies, seeking appropriate disclosure from investees, promoting UN PRI principles, enhancing Principle implementation effectiveness and reporting on activities.
- As a council member of the FINSIA Industry Council on Funds & Asset Management (escalating and promoting key ESG issues).
- Engaging with our issuers on set topics such as transparency/reporting, future ESG issuances, net zero/climate change targets and biodiversity.
- Having ESG as a set topic in agendas with clients and prospects, from high level to detailed.

## 10. GOVERNANCE

As a dedicated investment manager that solely manages high grade government bonds, JCB has a simple and effective governance structure inclusive of ESG issues.

- JCB's Board has ultimate responsibility for all affairs, including ESG matters.
- JCB's Advisory Board, chaired by career investor and funds management executive Mark Burgess provides ongoing counsel and oversight, including direct connection with the Head of Investment Strategy & Sustainable.
- Paul W. Chin, SF Fin as Head of Investment Strategy & Sustainable leads the ESG practice for the firm, including investing, practices, policy and engagement. Paul reports to the JCB Board for ESG obligations.
- Paul is supported by a quantitative analyst and an undergraduate analyst and. JCB's investment team are responsible for executing this policy from a fund/security standpoint.
- Channel Capital, as a strategic non-investment services partner, keeps JCB abreast of key regulatory changes, especially as it relates to the industry and government bonds. Accordingly, Channel Capital acts as a resource to JCB in implementing ESG matters.

## MORE INFORMATION

For more information, contact JCB's investment manager partner, Channel Capital Pty Ltd.

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