



MUNIRO

FY2025

Responsible Investment Report

Introduction

We are pleased to present our fourth annual Responsible Investment Report.

Our approach is grounded in the belief that managing environmental, social and governance (ESG) issues contributes to achieving superior, sustainable long-term investment returns on behalf of our clients.

This belief has not changed. As in past years, this report explains how we implemented our approach.

This year, we have restructured our report to highlight what we think is most illustrative for our investors – the case studies. The four case studies, which detail our interactions with some of the biggest companies in the world, bring our approach to life.

One of these case studies is Microsoft, a company at the intersection of ambitious climate change goals, rising energy needs to fuel its AI ambitions, and operating in a new US political environment of less support – and sometimes downright hostility – to decarbonisation.

After the case studies, we present how we implemented the two pillars of our responsible investment strategy this year – Integration and Stewardship. We then present our climate change reporting.

We value and welcome your feedback on our approach.

Thank you for your interest.



Mike Harut, Responsible Investment Manager



Nick Griffin, Chief Investment Officer

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2025 at a glance

Integration

100%

Percentage of long positions in each strategy¹ where Munro had completed an ESG score as at 30 June 2025².

[\(Read more\)](#)

4

Case studies included in this year's report

[\(Read more\)](#)

Stewardship

52

Company meetings where we raised ESG matters

[\(Read more\)](#)

29%

AGMs where Munro voted differently to the board recommendation on at least one item

[\(Read more\)](#)

Case studies: How Munro does responsible investment

Case studies bring to life our approach to responsible investment.

For more context on Munro's motivation and approach to responsible investment and how it is implemented, please see the [Integration](#) and [Stewardship](#) sections which follow.

Below we present four case studies involving environmental, social and governance (ESG) issues on portfolio holdings.

[Data centre power use at Microsoft](#)

[Human rights at CATL](#)

[Safety at Clean Harbors](#)

[Pay with no hurdles](#)

¹ The four Munro strategies are Munro Global Growth Long/Short Equity Strategy, Munro Concentrated Global Growth Long Only Strategy, Munro Climate Change Leaders Strategy and Munro Global Growth Small and Mid Cap Strategy.

² As explained in our ESG Policy, due to expediency requirements for new holdings, we may temporarily use a score informed by a third-party research provider's ESG score (for example, Bloomberg or MSCI ESG scores) as a substitute for our proprietary ESG score. We aim to have no more than 10% of long portfolio holdings with third party ESG scores at any time. As at 30 June 2025, all holdings had a proprietary ESG score completed, compared to 95% a year earlier.



TOPIC:

CLIMATE CHANGE (ENVIRONMENTAL)

TOOL:

ENGAGEMENT

Data centres are essential to realise the potential of artificial intelligence (AI), but they use a lot of electricity. According to industry research³, data centres are forecast to consume between 6.5% and 7.5% of all US electricity by 2030, up from 2.5% in 2022.

In last year's [Responsible Investment Report](#) we explained our engagement with one of the so-called hyperscalers, Amazon, on securing low-carbon electricity.

This year, we set out to engage with another hyperscaler: Microsoft.

Our question was simple:

You have ambitious climate change goals, including cutting your emissions by more than half by 2030 relative to 2020. Yet, your electricity needs are increasing because of AI. At the same time, President Trump (who had then just been re-elected) is calling climate change spending a 'Green New Scam'.

In this environment, are you still committed to your climate targets?

In response, Microsoft said quite emphatically that they remain committed to their targets.

In terms of securing supply, Microsoft said that they want to continue to innovate. This includes carbon-free nuclear energy, which drove their innovative deal with Constellation Energy (another company held in the Munro portfolios⁴) to reopen the nuclear reactor at the Crane Clean Energy Center, in Pennsylvania. Reopening the Crane Clean Energy Center has created more than 3,400 direct and indirect jobs. In addition to sourcing nuclear power, Microsoft is among the largest corporate procurers of renewable power globally.

Microsoft also stressed the importance of energy efficiency. One way Microsoft achieve this is through using more energy efficient chips (such as NVIDIA GPUs, which continue to dramatically reduce the energy required per unit of computing for each iteration). Another way is through innovations in large language models (LLMs) to be more efficient over time.

We anticipate Microsoft's emissions will go up in the next few years as they rapidly build out data centres. However, they have demonstrated a continued commitment and action on their ambitious targets, which we believe are challenging but achievable, and so we continue to rate Microsoft highly on energy management in our ESG score.

More than 400
new and returning
employees and
others at the Crane
Clean Energy
Center.



³ Boston Consulting Group. (2023). *The impact of GenAI on electricity: How GenAI is fueling the data centre boom in the U.S.* Boston Consulting Group. <https://www.bcg.com>

⁴ Constellation Energy is held in the Munro Global Growth Long/Short Equity, Munro Concentrated Global Growth Long Only and Munro Climate Change Leaders strategies as at the date of this report. Munro may exit this position at any time.

Human rights at CATL



TOPIC:

HUMAN RIGHTS (SOCIAL)

TOOL:

ENGAGEMENT

In May, Munro participated in the Hong Kong Stock Exchange listing of leading electric vehicle (EV) battery maker CATL. The company raised over US\$4 billion, including nearly US\$6 million directly from Munro, to fund the construction of their newest manufacturing plant in Hungary, the second in Europe. This will enable the continued electrification of transport in the European Union, which aims to have only sales of low-carbon cars and vans by 2035.

Soon after we invested, we sought direct engagement with CATL on ESG issues.

One of the key issues with EV batteries is human rights risks through sourcing the raw materials used. For example, there have been longstanding concerns with cobalt mined in the Democratic Republic of Congo where child labour and poor working conditions are prevalent.

In response to our questions, CATL noted that first it tries to engineer out exposure to sensitive materials like cobalt. Notably, CATL has a leading position in the increasingly popular lithium iron phosphate (LFP) batteries, which contain no cobalt.

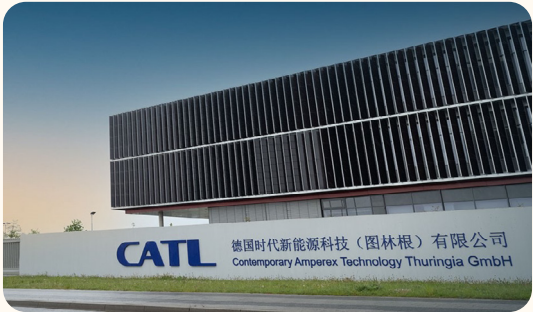
CATL also perform annual human rights due diligence on their suppliers. To demonstrate the supply chain transparency they feel they now have, CATL said they have reduced the time taken to respond to queries from their customers (car manufacturers) from one week to two days.

Additionally, we draw comfort from the policies and practices of CATL's customers, which include 9 out of the top 10 global original equipment manufacturers (OEMs) by EV sales volume.

One of those customers is Tesla, the largest battery cell procurer globally, who we also engaged with around the same time. Tesla explained that they review their suppliers' suppliers (in other words, CATL's suppliers) directly to understand the human rights risks they could potentially be exposed to through their supply chain. Tesla perform site visits and complete both internal and external audits.

Ultimately, while it's impossible to be certain, our engagements with both CATL and its customers have given us comfort that these risks are given due attention and mitigation. We reflect this in our ESG score for the company.

CATL's first plant outside China in Thuringia, Germany



Safety at Clean Harbors



TOPIC:

SAFETY (SOCIAL)

TOOL:

ENGAGEMENT

Worker safety is a financially material issue, especially for companies like Clean Harbors which collect, process and recycle hazardous industrial waste.

In July 2024, Munro engaged with Clean Harbors on safety. We already knew that they had significantly improved their injury rates to under one injury per 200,000 hours worked. We learned that this is not only important in attracting and retaining employees, but that they would face being excluded from bidding on new contracts if performance deteriorated. This shows how important safety is not just for their workers, but also for their shareholders.

We also discussed and are supportive of the board making 20% of the annual bonus tied to safety performance, which signals that the whole organisation is responsible for safety.

Finally, Clean Harbors has a history of making acquisitions. One of the benefits of acquiring smaller companies is implementing Clean Harbors’ own safety programs, which are typically more rigorous and lead to better safety outcomes more broadly.

Pay with no hurdles

TOPIC:

PAY (GOVERNANCE)

TOOL:

VOTING

Shareholders in many markets can vote on executive pay practices. While this is typically on an ‘advisory’ basis (rather than being binding on the company), it does give us the ability to voice concerns about pay practices.

Munro’s general principle regarding pay, as outlined in our ESG policy⁵, is that it should be used “to align management to shareholders and strategy”.

This year, we voted against the pay practices of Meta, Shopify and Cadence Systems. A common issue at these companies was the payment of incentives to management without performance hurdles. This can create situations where management is rewarded even though they don’t meet specific targets such as revenue or profit targets.

To be clear, we view significant management shareholdings (or ‘skin in the game’) as a positive, and Meta and Shopify, being founder-led companies, are well aligned to shareholders in this sense. Additionally, we have no specific performance concerns at this time.

However, we continue to generally prefer performance-based incentive structures and so voted against in these cases.

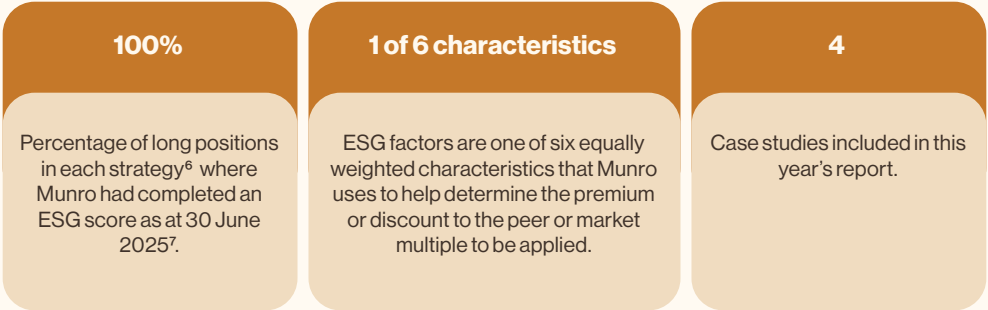
⁵ Munro Partners. (2025). *ESG policy*. Munro Partners. <https://www.munropartners.com/our-story/esg/>



Integration

In this section, we demonstrate how environmental, social and governance (ESG) issues have impacted our financial analysis, stock selection and portfolio construction.

At a glance

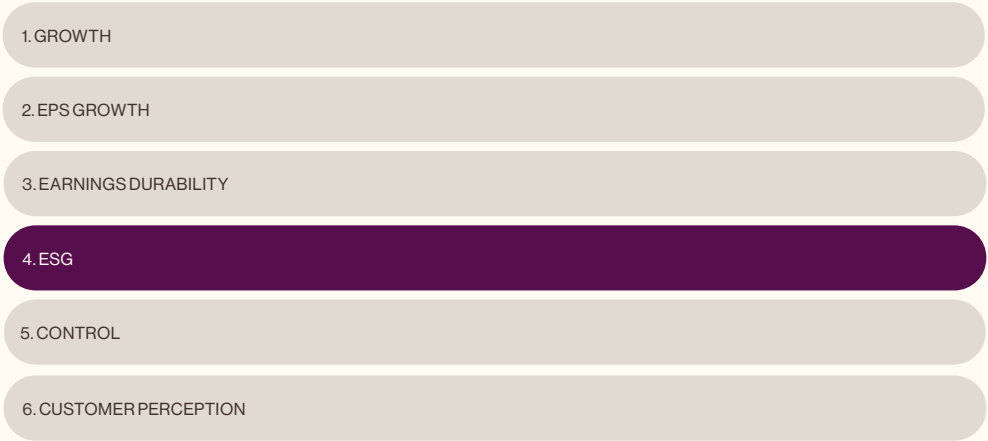


How we integrate the factors of ESG

Our belief is that managing exposure to ESG issues contributes to achieving superior, sustainable long-term investment returns on behalf of our clients.

To that end, several years ago we adopted a proprietary framework for evaluating companies on ESG factors. An explanation of the framework and its impact on valuation is detailed in our ESG Policy, available [here](#).

This is one of six qualitative factors we use to determine the premium or discount to the peer or market multiple to be applied and so influences the valuation of the portfolio position.



⁶ The four Munro strategies are Munro Global Growth Long/Short Equity Strategy, Munro Concentrated Global Growth Long Only Strategy, Munro Climate Change Leaders Strategy and Munro Global Growth Small and Mid Cap Strategy.

⁷ As explained in our ESG Policy, due to expediency requirements for new holdings, we may temporarily use a score informed by a third-party research provider's ESG score (for example, Bloomberg or MSCI ESG scores) as a substitute for our proprietary ESG score. We aim to have no more than 10% of long portfolio holdings with third party ESG scores at any time. As at 30 June 2025, all holdings had a proprietary ESG score completed, compared to 95% a year earlier.



The chart below shows the distribution of ESG scores among the positions in the Munro Concentrated Global Growth Long Only Strategy as at 30 June 2025 – the higher the score, the bigger the potential premium due to ESG (all else being equal).

MUNRO ESG SCORES



Investing in Climate Change Leaders

Separate to our analysis of ESG factors for each long position, we continue to actively invest in the Climate 'Area of Interest' (AoI).⁸

These are companies that, in our view, are enabling decarbonisation. All companies invested in the Munro Climate Change Leaders Strategy typically fit one of the following four sub-trends or sub-Areas of Interest:



Clean Energy

Companies benefiting from the demand for carbon-free and renewable energy including energy generation covering wind, solar, nuclear, renewable diesel and electrical grid equipment.



Clean Transport

Companies supporting the growth of electric vehicles, battery technology, and other low-carbon transportation methods.



Energy Efficiency

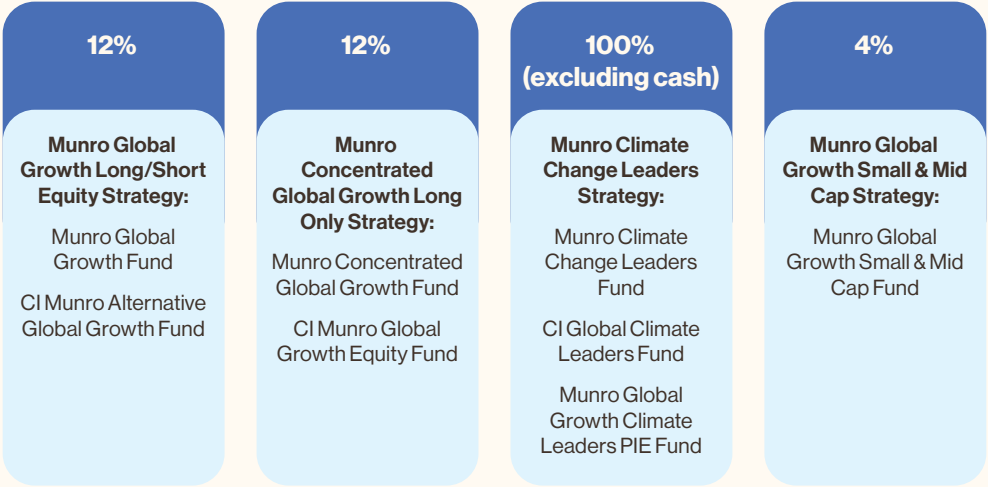
Companies offering energy-efficient solutions such as insulation, electrical switches, lighting, metering, and other related technologies.



Circular Economy

Companies positioned to benefit from advancements in recycling, alternative packaging, waste and wastewater management, agricultural technologies, and other resource-conserving services.

As of 30 June 2025, investments in companies that meet Munro's definition of enabling decarbonisation were:



⁸ Munro's Areas of Interest and sub-Areas of Interest are listed and explained on our website: <https://www.munropartners.com/how-we-invest/areas-of-interest/>



Stewardship

For Munro, stewardship refers to how we use our ownership rights to influence companies towards improved ESG performance.

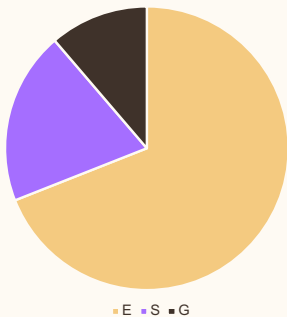
Below we explain how we do this through engagement, voting and advocacy.

Engagement

At a glance



Split of topics on which we engaged



- Environmental (E) issues include climate change and the circular economy
- Social (S) issues include workforce issues, human rights, lobbying and safety
- Governance (G) issues include board composition and independence, and remuneration

Priority engagements

Two years ago, we introduced Munro's company engagement priorities: three ESG topics where we identified improvements that specific companies could make with respect to their disclosures or performance.

We chose these issues because we consider each material for several companies in our portfolio. The underlying companies were chosen because of the materiality of the issue and because of gaps identified in their performance, or our understanding.



At the beginning of the year, we set the following topics, objectives and companies:

Climate Change

We are seeking to better understand companies' approach to managing physical climate change risks and climate change related targets.

Constellation Energy
Microsoft
Clean Harbors
CRH⁹
Liberty Media - Formula 1

Safety

Where material, we are seeking disclosure of safety performance and explicit disclosure of fatalities.

Waste Management ⁹
Quanta Services

Human Rights

Where material, we are seeking to better understand human rights standards.

NextEra Energy
Uber
CATL (added May 2025)

As we explained last year, our four milestones to measure progress are as follows:

1. Have we engaged directly?
2. Has the company acknowledged the issue?
3. Has the company improved following our engagement? Have we made any progress on our objectives?
4. Is the issue completely resolved?

Applying these milestones to our FY25 priorities shows the following progress:

	Companies	Milestone 1	Milestone 2	Milestone 3	Milestone 4
Climate Change	5	3	3	2	1
Safety	2	2	2	1	1
Human rights	4	4	4	2	0

⁹ These positions are no longer held in the Munro strategies as of 30 June 2025.



Successful engagement often takes many years, so we have carried over some priority companies and issues. In some cases, the above table includes progress made in past years.

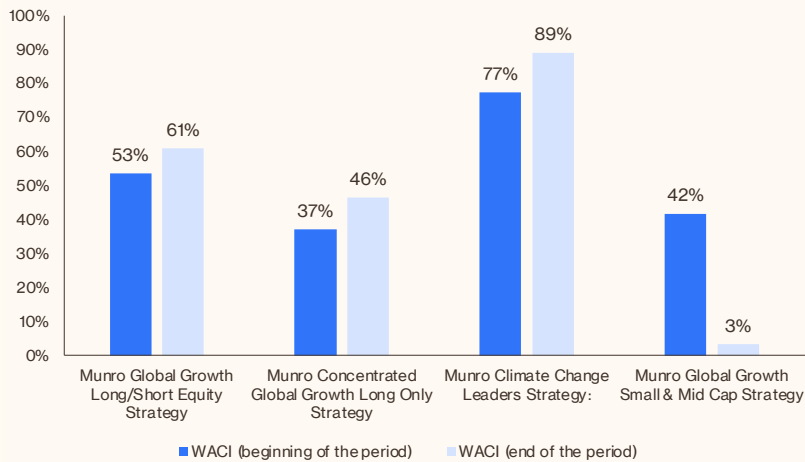
Of course, any improvement is likely a result of many investors' engagement efforts and a range of other factors. We are simply measuring whether engagement occurs, and an improvement in company practices or our understanding is made subsequently.

We have included four case studies in this year's report, of which two relate to engagements with these companies: [human rights at CATL](#) and [data centre power use at Microsoft](#).

Engaging with carbon intensive companies

Two years ago, we introduced a new goal to annually engage on climate change with companies representing at least 50% of the portfolio weighted average carbon intensity (WACI)¹⁰ of each strategy.

The chart below shows the proportion of the WACI of each strategy (at the beginning and end of the period) with which we then engaged during the period.



Source: Munro Partners estimates, Sustainalytics. Companies where our data provider does not have carbon intensity data are excluded.

The proportion for the Munro Concentrated Global Growth Long Only Strategy was impacted by one company (representing 25% of WACI) with which we engaged just before the beginning of the period (in May 2024) and sold before the end of this period.

After some deliberation, we have decided to no longer pursue this goal and instead focus more on our priority engagements, including climate change.

While WACI is commonly used, as we have written about previously in our whitepaper '[Investor climate action: not just about portfolio emissions](#)', it does not tell the whole story of a company's exposure to climate change risks and opportunities.

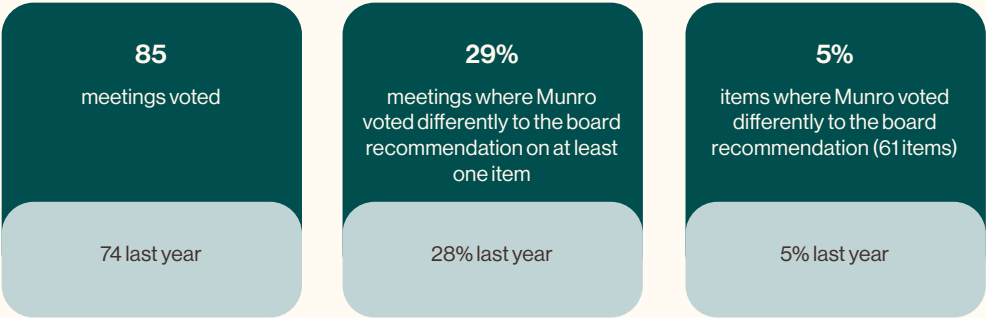
¹⁰ Carbon intensity is a relative metric used to compare company emissions across industries. Our data provider Sustainalytics divides the absolute (scope 1 and 2) emissions by total revenue, meaning the figure is expressed in tonnes of carbon dioxide equivalent per million USD of total revenue. Although they try to base this on reported emissions, many companies still fail to report, so in many cases the emissions are based on their proprietary estimation models.



Also, for an active manager like Munro with concentrated portfolios, entering and exiting positions through the year can significantly change the portfolio's WACI. So, it could incentivise us to engage with companies that we have sold to achieve this target – which would be a poor allocation of time.

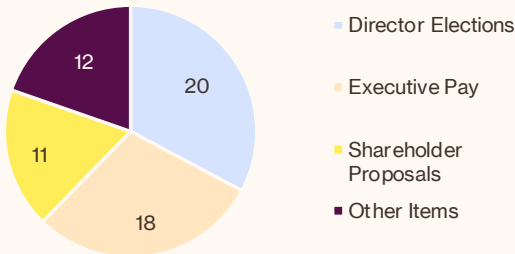
However, as noted, we will maintain our priority engagement targets, including climate change. We also plan to continue to disclose the data presented above as part of our TCFD reporting going forward.

Voting



In FY25, we continued to exercise our voting rights in line with the principles outlined in our ESG Policy.

The chart below shows the number of resolutions by type where we opposed management's recommendation:¹¹



We present one [voting case study in this report](#) on pay structures where executives are paid regardless of hitting performance hurdles.

¹¹ The chart shows that we opposed 20 director elections, 18 items related to executive pay, supported 11 shareholder proposals (which management opposed), and opposed 12 other items. Last year, we shared the full list of these companies but believe this pie chart is more useful disclosure. We can share the full list with investors on request.



Advocacy and thought leadership

We remain actively engaged with the investment community on climate change, including as part of our longstanding membership of the Investor Group on Climate Change (IGCC).

Our Responsible Investment Manager, Mike Harut, continues to co-chair the IGCC's Climate Solutions Working Group, leading a range of investors on the topic to help drive more investment.

We are proud to now be the ongoing hosts of IGCC's monthly member meetings in Melbourne.

We signed the [2024 Global Investor Statement to Governments on the Climate Crisis](#), ahead of the UN Climate Conference (COP).

Our past work includes:

- Providing a case study on investing in climate change solutions to IGCC's 2023 State of Net Zero Investment Report ([available here](#)), and
- Authoring 'Investor climate action: not just about portfolio emissions' in 2022, explaining why we think investors should not focus solely on portfolio emissions ([available here](#)).

We are also proud members of the Responsible Investment Association in Canada and have been Principles for Responsible Investment (PRI) signatories since 2020.

Our PRI transparency reports are [available here](#).

Appendix 1: TCFD Disclosures

We are committed to transparently disclosing our approach to climate change, outlined in our Climate Policy. In that policy, we commit to both engaging with companies to encourage the adoption of frameworks like the Task Force on Climate-related Financial Disclosures (TCFD) framework and aligning our own reporting to the framework.

We present our disclosures against its four pillars below.

Governance

Munro's board maintains oversight of climate-related risks and opportunities through periodic reports on responsible investment.

Munro's primary exposure to climate change is through its investments. The investment team led by Nick Griffin, Chief Investment Officer (CIO), is responsible for managing climate-related risks and opportunities, while Mike Harut, Munro's Responsible Investment Manager, reports to the CIO and has additional responsibilities in managing the portfolios' exposure to climate-related risks.

Munro's operational footprint is also important and is managed by the Chief Executive Officer, Ronald Calvert, with support from the Financial Controller, Joanna Tan.

The Chief Executive Officer oversees both the investment and operational functions.

Strategy

Munro's strategy regarding climate change is outlined in the Climate Policy, [available here](#). In summary, our strategy includes:

- investing in companies offering climate change solutions through the Climate Area of Interest ([see above](#));
- assessing climate-related risk as part of the ESG score process outlined above, where it is material;
- engaging with companies on how they manage climate-related risks and opportunities ([see case study above](#)); and
- managing our operational footprint and being a carbon neutral business, in terms of operating emissions.¹²

We continue to monitor the exposure of our strategies to the transition to a low-carbon economy via the Climate Area of Interest and its carbon intensity (detailed below).

Risk Management

For all Munro strategies, climate-related risk management is done primarily via the ESG score process outlined above and in our ESG policy. Where that process identifies climate-related risk as material, it is assessed, and a quantitative score is assigned.

A lower ESG score (due to higher risk or poor management) reduces the overall qualitative company score and therefore the company valuation, which affects the investment decision.

Engagement is also used to understand how companies manage climate risk and encourage targets and disclosure. As detailed above, over half of the topics discussed in FY25 were about environmental issues including climate change and one case study on [Microsoft's efforts on decarbonising its operations](#) is provided.

¹² Munro was certified by the Australian Government's Climate Active initiative as carbon neutral in terms of our business operations for the financial year ending 2024 and are committed to undergoing the certification for financial year 2025 with the aim of maintaining the certification. Further information, including our operational scope 1 and 2 emissions, is available at <https://www.climateactive.org.au/buy-climate-active/certified-members/munro>

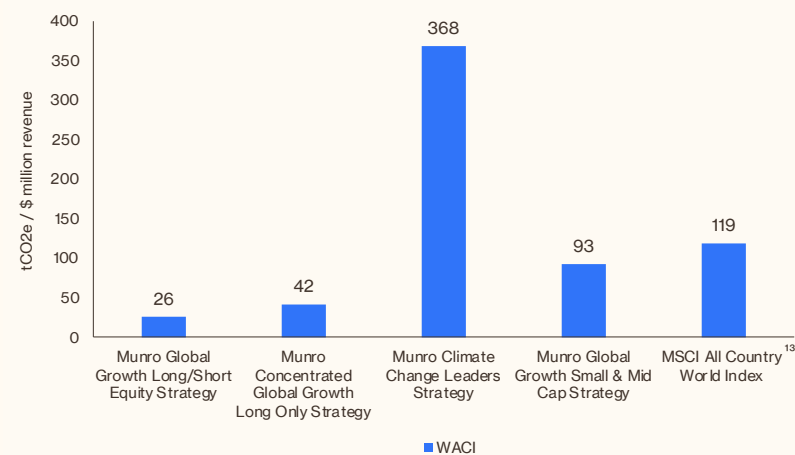
Metrics and Targets

We present three metrics in this report which we track on a portfolio basis:

- 1. Investments in climate change leaders (defined and explained here)
- 2. Engagement with carbon-intensive companies (explained here)
- 3. Weighted average carbon intensity (below)

Weighted average carbon intensity (WACI) is used to compare company emissions across industries. Carbon intensity is absolute scope 1 and 2 emissions (in t CO2e) divided by \$US1m revenue, and this is weighted by the proportionate holdings.

In some cases, the emissions data is estimated by third-party research providers given absence of company reporting.



Source: Bloomberg, Munro Partners estimates, 30 June 2025

As in past years, all but one of our strategies has a lower WACI than the MSCI All Country World Index (MSCI ACWI).

As we have noted in previous reports, it may be counterintuitive that our Climate Change Leaders strategy has a higher WACI than our other strategies or the benchmark. This is because rather than being a strategy that simply invests in companies with low emission operations, its focus is on companies enabling decarbonisation via their products and services.

Given the nature of what is required to decarbonise the economy, this leads naturally to a greater weighting to utilities and industrials (which are higher emitters) and away from sectors like financials and technology (which are lower emitters).

The measure also doesn't consider the emissions avoided from the use of their products.

In the case of our Climate Change Leaders strategy, nearly 40% of the strategy's WACI was driven by NextEra Energy, a US utility which is among the biggest renewables developers globally with an estimated 68% revenue exposure to clean energy.¹⁴

¹³ All MSCI data is the property of MSCI. No use or distribution without written consent. Data provided "as is" without any warranties. MSCI assumes no liability for or in connection with the data.

¹⁴ Per Bloomberg New Energy Finance (BNEF) data, extracted in July 2025.





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