Appendix 2 – Examples of Company Engagements carried out by our External Asset Managers

Asset Manager: **Pyrford**

Holding: **ComfortDelGro**

Background and objective

ComfortDelGro (CD) is one of Asia's largest land transport operators offering public transport and taxi services across their key markets of Singapore, Australia, UK & China. CD ranks in the top quartile in Greenhouse Gas Intensity within Pyrford's portfolios. Pyrford has engaged with CD regarding their greenhouse gas emissions since 2018 to understand the risk to the business from potential regulatory changes especially surrounding carbon taxes.

Engagement outcomes and further action

1. Understanding which markets CD is most at risk from changes in carbon regulation.

Given Singapore is the largest market for CD, it is Singapore that is the biggest market at risk from changes in carbon regulation. The cost of carbon is increasing towards 2050. Across the other markets which CD operates in, carbon markets are also in place and operational, presenting either carbon prices, carbon taxes or emission trading schemes (ETS) with the aim of decreasing carbon emissions.

In Singapore, CD is not directly impacted from carbon taxes due to the nature of their operation. Carbon taxes are only imposed on industrial facilities. There is an indirect impact of higher carbon taxes through electricity prices which will likely continue to rise in the future. So for CD, the risk is a second order risk.

2. Provide an update on any upcoming changes in legislation surrounding carbon emissions across your different geographies.

In Singapore the carbon tax level is expected to reach S$45/tCO2e and between S$50/tCO2e to S$80/tCO2e by 2026 and 2030 respectively. In Ireland the carbon tax is expected to increase by €7.50/tCO2e from €41.00 to €48.50. For New Zealand and China, ETS are now operational in efforts to reduce national GHG emissions.

Singapore, China, Australia and UK have all set net zero targets by 2050 or 2060. To decarbonise national emissions, regulators have started to adopt regulations and policies where companies are required to achieve carbon neutrality or net zero emissions by a given date set by the local government. Additionally, regulators have started to encourage and invest in services that boosts contributions to the low-carbon economy. For example, Singapore's Green Plan outlines the country's framework to strengthen its climate change and sustainability commitments to position the nation to achieve net zero emissions by 2050.

In New Zealand, the Climate Change Response (Zero Carbon) Amendment Act and Emissions Reduction Plan sets out the country's ambition and roadmap to meet their 2050 net zero targets.

With emissions reduction plans and frameworks, regulation and national policymakers have also invested in ensuring sectors and industries are able to transition at the right pace. In the UK, the government is investing £2 billion over the next five years to improve the walking and cycling infrastructure in the country. Likewise, in Australia's Long-Term Emissions Reduction Plan to achieve net zero by 2050, the Australia government will invest A$80bn in low emissions technologies over the next decade.

3. Understand which geographies are close to implementing carbon taxes.

Many of the geographies CD operate in have implemented carbon pricing, some in pilot stages for specific regions and/or industries. Out of them, only Singapore and Ireland implemented carbon taxes. UK, New Zealand and China have implemented ETS, while Australia does not levy an explicit carbon price.

4. Adapting to the secondary risks of higher energy prices from increased carbon taxes and legislation and mitigation measures.

Fuel expenses for their bus businesses are part of the indexation mechanisms so the vast majority of the risk on price (carbon tax) is taken by the transport authorities. For their rail business the electricity price is part of the fare review formula which is effectively passed on to the consumer with a lag due to fare adjustment timings. For the commercial businesses across the group, they can amend their pricing on any increases in their cost base to customers.

ComfortDelGro have been implementing energy saving initiatives across both their rail and other businesses. For the rail side they have been focusing on energy reduction methods such as only switching on the train aircon when the train leaves the depot (as opposed to when the driver starts their shift). They have also been installing solar panels on our rail depots and other facilities where possible and the majority of our offices are Eco-Office certified which means they use less water, electricity etc.

Given ComfortDelGro is a leading land transport operator, Pyrford will continue to engage with the company to encourage them to minimise their carbon footprint and to ensure that they remain on track to reach net zero by 2050. Pyrford's next engagement will follow the release of their 2023 Sustainability Report.