PLATYPUS ASSET MANAGEMENT

FEBRUARY 2024

Responsible Investment Report 2023

Contents

Foreword

The profile and relevance of responsible investing continues to grow. This report is a testament to our commitment to responsible investing. Environmental, social, and governance (ESG) issues impact the long-term success of our investments, and we are proud to report on how ESG is integrated into the way we think about investing. Through our company engagement, we seek to encourage companies to adopt more sustainable business practices and to improve their performance in respect of ESG considerations generally.

Our aim is that this report will serve as a useful tool for our stakeholders, providing transparency into our investment process, engagement, and stewardship activities.

Responsible investing practices and the integration of ESG considerations into investment decision-making will continue to grow over the coming years. With this increased focus will come increased scrutiny and so we will ensure that our approach remains transparent, well-articulated and relevant in the context of our responsibility to our stakeholders.

Our approach to Responsible Investment

Our approach to responsible investment has three parts: integration, active stewardship, and industry collaboration.

ESG INTEGRATION

Integrating ESG understanding into investment decisions can lead to better investment outcomes.

ESG issues can materially impact earnings and valuations in companies and across sectors. We take a holistic approach to active investing in which ESG is considered alongside near and/or long term financial issues when making investment decisions. We consider material ESG issues as part of risk mitigation. Material ESG issues are factored into our investment decision making and form an integral part of our investment analysis. An ESG stock assessment is carried out before a stock is bought for the portfolio. Likewise, where material ESG issues that will likely affect near and/or long term earnings or valuations are identified, these are factored into sell decisions†.

ACTIVE STEWARDSHIP

As active owners and stewards of our clients' capital, we are committed to advocating for more sustainable practices from our portfolio companies.

As active owners, we work to improve the performance of companies on ESG issues in areas where we feel we can make a difference. Our stewardship approach includes proxy voting and a dynamic engagement agenda, informed by ESG focus areas we consider relevant and important.

INDUSTRY COLLABORATION AND ADVOCACY

We see value in supporting initiatives and engagements through which we believe we can effect meaningful change.

We are actively involved in several collaborative investor engagement groups, including Climate Action 100+, Investor Group on Climate Change (IGCC) and Investors Against Slavery and Trafficking (IAST).

† Note, however, that there is no predetermined view as to the degree to which labour standards or environmental, social or ethical considerations will be taken into account in the selection, retention or realisation of our investments.

Our policies and commitments

OUR POLICIES

We maintain publicly available policies which articulate our approach to responsible investment.

Our ESG Investment Policy

(Click here** for more information on the **ESG Investment Policy)

ESG integration and company engagement form the foundations of our approach to responsible investment, articulated in our policy. We go into detail in our ESG Investment Policy on our position on, and approach to, thematic ESG issues which we consider material..

Our Proxy Voting Policy

(Click here** for more information on the **Proxy Voting Policy)

Our proxy voting process is designed to pursue two outcomes:

1. Protect and enhance the investment value of our funds' assets, recognising the strong link between good corporate governance and investment value.
2. Fulfil our obligations to clients and beneficiaries as active owners.

Our Proxy Voting policy covers the principles which we follow in relation to key expectations, such as:

- Board responsibilities and independence
- Director skills, background, and suitability
- Board gender and cultural diversity
- Remuneration of directors and executives
- Spill resolutions
- Shareholder proposals
- Company policies and disclosure

OUR COMMITMENTS

Climate Action 100+ member

Investor Group on Climate Change (IGCC) member

Investors Against Slavery and Trafficking (IAST) member

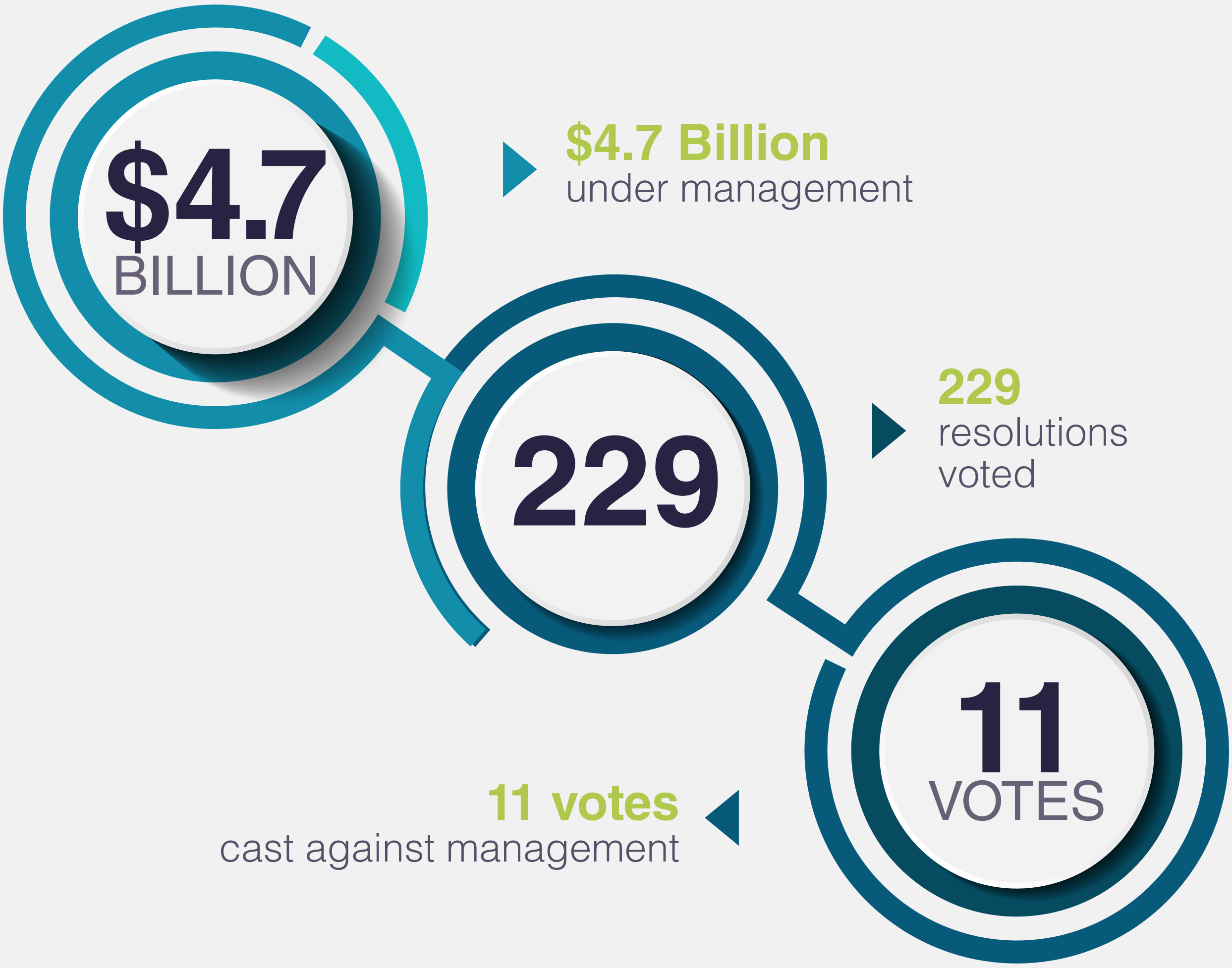
Signatory of:

Principles for Responsible Investment (PRI) signatory since 2017

Responsible Investment Association Australasia (RIAA) member

Active stewardship

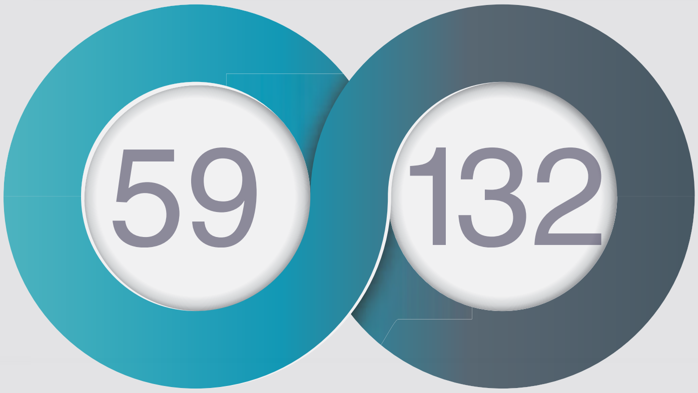
Summary of our work on ESG and active ownership in 2023



$4.7 Billion
under management

229
resolutions voted

11 votes
cast against management



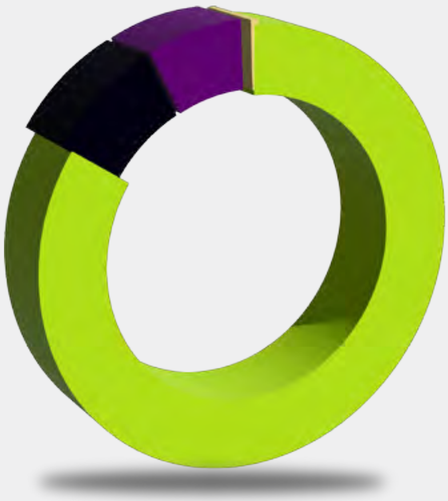
59
company engagements

132
thematic engagements

Source: Platypus, all data at 31 December 2023

Voting record

Our firm-wide voting record is summarised below.



PLATYPUS VOTES IN 2023

Resolutions

193	For	19	Against
16	Unvoted*	2	Abstain

229 TOTAL

PLATYPUS VOTES WITH/AGAINST MANAGEMENT IN 2023

Resolutions

183	With Management	11	Against Management
19	N/A*	16	Unvoted*

229 TOTAL

PLATYPUS VOTES ON SHAREHOLDER PROPOSALS IN 2023

Shareholder Proposals

0	For	3	Against
3	With Management	0	Against Management

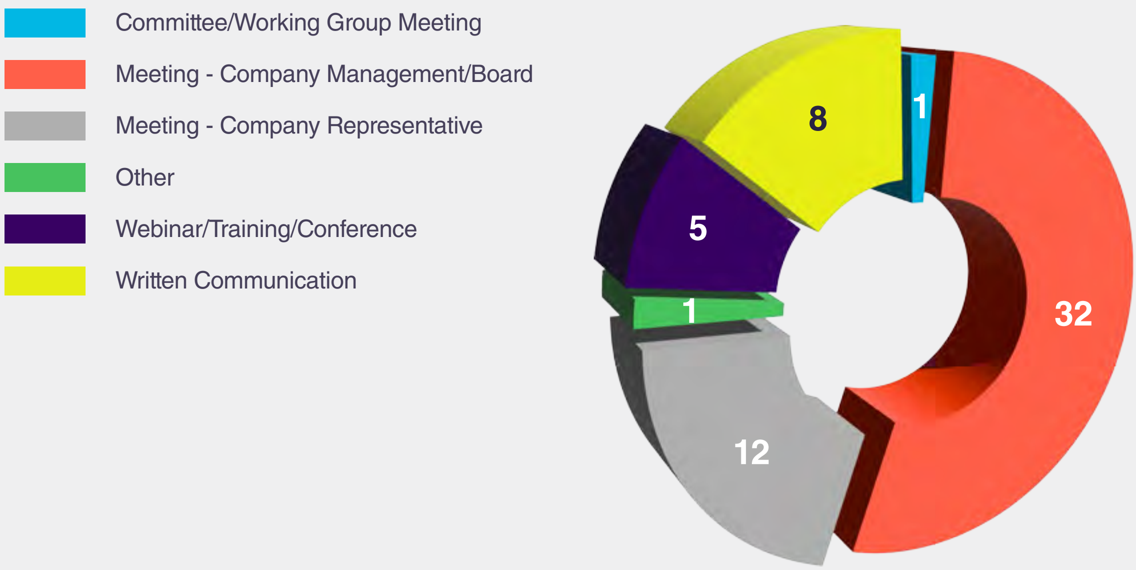
3 TOTAL

N/A includes resolutions where management did not make a recommendation, or we were directed to vote another way by a client. Unvoted is where Platypus was eligible to vote, but no longer held the stock, so chose not to.

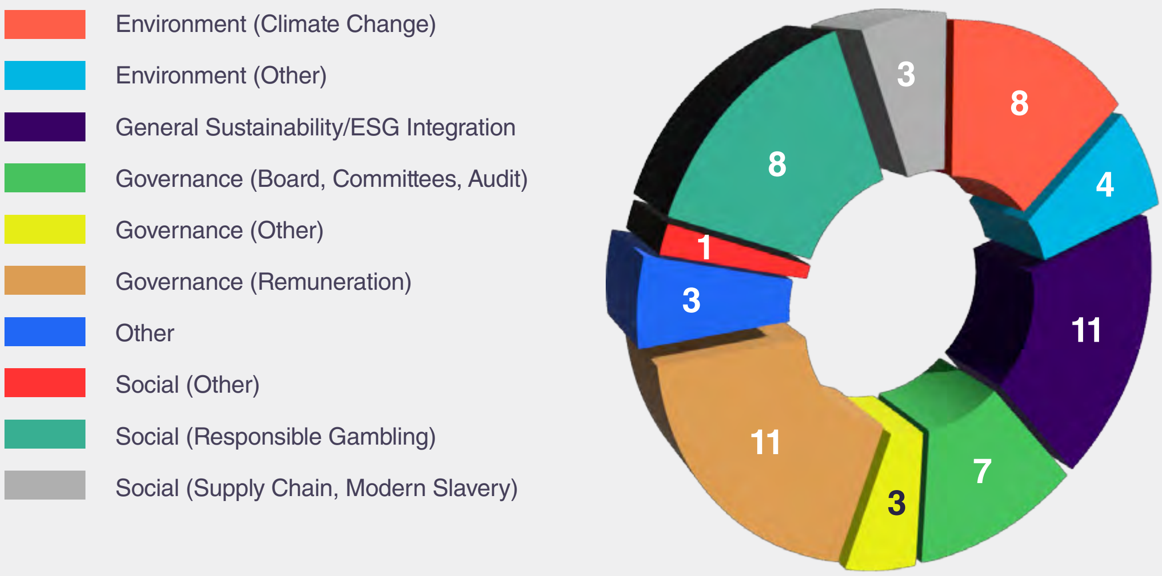
Company meetings

In 2023, we had **59** company specific engagements on ESG issues such as biodiversity, climate change, responsible gambling, supply chains, modern slavery, board governance and remuneration.

Number of Company Engagements by Type



Number of Company Engagements by Category



Thematic focus areas

CLIMATE CHANGE

During 2023, company and investor focus on decarbonisation accelerated, with attention being placed on the energy transition, disclosure of carbon emissions, net zero targets, ESG-linked remuneration, and the Safeguard Mechanism. ***(Click here for our report on Carbon and Equities)***

Two important topics for equity investors are the following:

Disclosure of Carbon Emissions - From July 2024, companies which meet two of the following criteria: 500+ employees, $1000m+ of assets, or $500m+ of revenue will have to report carbon emissions under the Australian Sustainability Reporting Standards (ASRS). This includes Scope 1, Scope 2, and Scope 3 emissions.[1] While there is some flexibility around Scope 3 reporting, companies will have to present numbers to investors that can be used to align expectations for any net zero claims.

The Safeguard Mechanism – this is a Federal government policy to help reduce emissions, contributing to the legislated target of reducing emissions by 43% from 2005 levels by 2030. Facilities that emit 100,000t of CO_2-e or more will have to reduce emissions by up to 4.9% per annum from July 2023, or offset those emissions using carbon credits, called Australian Carbon Credit Units (ACCUs). While ACCUs can be traded, the cost of ACCUs within the Safeguard Mechanism is capped. At the time of writing, there are 34 listed companies that have facilities under the Safeguard Mechanism, covering 35% of the market capitalisation of the S&P/ASX 300.

Extract of our ESG Investment Policy: Our position on climate change

The Intergovernmental Panel on Climate Change (IPCC) highlights that significant economic transition is necessary to limit severe climate-related risks to food production, infrastructure, water supply, human security and economic growth.

Investors are exposed to two broad categories of risks, both of which we consider when making investment decisions: the physical impact of climate change and the financial impact from transitioning to a lower carbon economy.

Physical impacts include costs or business impacts flowing from more extreme weather patterns or natural catastrophes, while financial impacts associated with the transition can be more indirect and include costs flowing from regulatory change, changing consumer demand, or the changing energy mix. For example, changing policies, technologies and consumer preferences may accelerate zero emissions technology and penalise carbon intensive activities, seeing emissions-intensive businesses or assets lose value.

Climate change: stewardship and engagement

As active owners and stewards of our clients' capital, we have an opportunity to advocate for more sustainable practices from the companies we invest in. We do this by discussing our concerns with companies and asking for details on how they are measuring and managing climate risks across their business – both physical and financial.

The objective is two-fold: to improve the resilience of the businesses in which we invest, and see improved disclosure on climate risks and management, enabling the market to better identify the risks and opportunities associated with climate change.

1. Scope 1 refer to direct emissions from company operations, Scope 2 are indirect emissions from purchased energy, and Scope 3 are indirect emissions outside the companies control but that occur across the value chain.

Thematic engagements

We participated in **36** climate focused thematic engagements, covering a variety of issues including:

- The Safeguard Mechanism and integrity of the ACCU market
- Global carbon credit markets and carbon border adjustment mechanism policies (where import duties are imposed by countries on products from less strict carbon reduction regimes)
- Emerging themes around biodiversity, including understanding the impact of the Taskforce for Nature-related Financial Disclosures
- Trends around renewable energy projects in Australia, including offshore wind
- Decarbonizing institutional investor portfolios
- Investing and trading carbon credits

Company engagements

We participated in **8** climate focused company engagements. Some of the companies with which we engaged include Supercheap Auto, Goodman Group, Woodside, BHP, RIO, Cleanaway, and Mineral Resources. These engagements covered numerous focus areas, including measuring Scope 3, the use and purchase of offsets, specific company calculations of Safeguard Mechanism liabilities, the impact of carbon border adjustment mechanisms, the approach to technological innovation with respect to meeting published climate targets, and whether companies are paying or receiving a premium for low carbon equivalent products.

Case study: Rio Tinto

We engaged with Rio Tinto (RIO) both through Platypus led meetings with the management and board, and collaboratively through our membership of Climate Action 100+.[2]

During 2023 we engaged with Rio Tinto in relation to its climate change strategy. These engagements took the form of one-on-one meetings with executives and board members. In addition, we were involved in collaborative engagement through Climate Action 100+. The following are some of the topics covered in our Platypus led conversations:

- **Scope 3 measurement and impact of different regulatory regimes** – we sought clarification on accuracy around Scope 3, and the company's thinking around border tariffs with respect to carbon. RIO are participating in conversations with regulators on these issues.
- **Safeguard mechanism** – we sought RIO's view on compliance costs and sensitivity to ACCU pricing. RIO will use ACCUs where necessary, and pointed to the importance of methodological clarity for ACCU purchasers.
- **Carbon accounting** – RIO have been TCFD compliant since 2019, so are prepared for the introduction of ASRS. They are also preparing to report under the Taskforce for Nature-related Financial Disclosure (TNFD).

The focus areas as part of the collaborative Climate Action 100+ engagement are as follows: Scope 3 emissions target, value chain decarbonisation initiatives and capex, value chain customer partnerships, and nature-based solutions and offsetting practices.

We will continue to engage with RIO through 2024 both individually and as part of Climate Action 100+.

2. https://www.climateaction100.org/about

MODERN SLAVERY

Modern slavery is a key area of focus for Platypus. Strong human rights and labour standards within a company are of ***critical importance to long-term*** business success and social licence to operate.

Extract of our ESG Investment Policy: Our position on modern slavery

Right now, as many as 40 million people are thought to be subject to modern slavery, which includes forced labour, debt bondage, human trafficking and child labour. The illegality of these practices means that these people are often hidden from sight, and the victims' vulnerability means they rarely have a voice. According to the Global Slavery Index 2018, over 70% of those trapped in modern slavery are women and children.

Australia is not immune from modern slavery. In fact, it's likely to be present in the vast majority of supply chains, as little as one step removed. This is because Australian businesses often operate in and source from Asia, where 75% of victims are thought to be working.

Australian companies that are prepared to investigate their supply chains deeply and thoroughly enough are likely to find instances of modern slavery.

In 2020, we joined forces with other Australian investors on modern slavery and signed a statement on the issue. That statement, which can be obtained from the IAST website, calls on all companies to pursue real action on modern slavery, human trafficking and labour exploitation.

Thematic engagements

We participated in **11** modern slavery focused thematic engagements, covering a variety of issues including:

- Understanding the Monash University Modern Slavery Metric in detail
- Disclosure quality of ASX listed companies
- Supply chain mapping emerging technology
- Modern slavery legislation in New Zealand
- Standardisation around data
- Forced labour in Malaysia and the international response

Company engagements

We participated in **3** modern slavery focused company engagements. We are support investors on a collaborative engagement with other Investors Against Slavery and Trafficking (IAST) members with Endeavour Group.[3]

Case study: Endeavour Group

We engaged with Endeavour Group (EDV) both through Platypus led meetings with the company's management and board, and collaboratively through Investors Against Slavery and Trafficking (IAST).

Endeavour Group engages in the retail drinks and hospitality business in Australia. Endeavour Drinks business includes the brands Dan Murphy's and BWS, and the Hotels business operates by the brand ALH Hotels, an on premise venue operator. EDV has a portfolio of wineries, vineyards, wine brands and wine services.

3. Source: www.iastapac.org/about/

After meeting with the company, we used the well-established engagement framework designed by IAST to frame our expectations of EDV. Our specific requests are as follows:

1. **Find It**
   a. Commit to map modern slavery risks across at least two additional high-risk categories of 'office products, gaming machines, solar panels, rubber gloves, packaging and uniforms' and 'raw materials from high-risk geographies' by March 2024 with a view to commencing due diligence by September 2024.
   b. Outline a timeframe for a work program or solution for next steps on building leverage in the supply chain.
2. **Fix it**
   a. Commit to reviewing the Whistleblowing Policy by September 2024, with supporting grievance mechanisms and channels in place or improved communication through tier one suppliers, and ensure grievance mechanisms are fit for purpose by September 2024.
3. **Prevent it**
   a. Establish industry collaboration to build leverage in the horticulture supply chain, with the work program outlined by March 2024.
   b. At least 20% of all 30,000 staff will have undergone modern slavery training and 100% of procurement staff by September 2024

We believe that the more specific and clear the requests, the easier it is for the company to respond. Through collective action and a steadfast commitment to upholding human rights standards we hope to create a world free from modern slavery.

Looking ahead

In one sense, all investing should be responsible. As a fund manager we invest retirement savings, necessarily a long-term endeavor that requires an understanding of broader societal trends. Some trends are positive for society and the planet, some less so. Most at some point will provide profitable opportunities for investors, whether because assets have become too cheap for the embedded risk, or because the price seems expensive, but is underappreciating any long-term positive impact.

From the perspective of an equity investor, navigating these trends and risks well is one benefit of active management, and this is where a framework around responsible investing can be helpful. At some point, products that cause harm to people or the planet will make less money than a product that fulfills the same need but is less harmful. We expect our portfolio companies to take a long-term approach, using the resources at their disposal to reduce the negative impacts of their products over time. Doing this consistently requires strong internal governance and an awareness of the societies in which a company operates. This is the lens through which we view responsible investing.

Specifically relevant to investors is the climate transition. The quicker the world decarbonizes, the more muted the environmental impact. However, these considerations need to be balanced against those that will impact individual lives and communities. Companies that navigate the transition as justly as possible will end up long-term winners. Regulation plays a large role in the climate transition, and we expect more focus on Carbon Border Adjustment Mechanisms going forward. Measuring Scope 3 emissions using global best practice will enable companies to understand their potential liabilities under different regimes. As companies build up their knowledge around upstream Scope 3 emissions, they will have to map and track their supply chains in more detail than ever before. We expect a positive impact on the way companies address Modern Slavery as this knowledge improves.

Machine learning models and processes can contribute in a positive way across these areas. Given the prevalence of off-the-shelf models and the speed of uptake, data security will remain a key risk for companies innovating in this area. The line between intellectual property and ownership of ideas will become more blurred as models can generate their own content, and the risks associated with biased customer facing models cannot be understated.

Biodiversity is a longer dated risk for companies. The Taskforce for Nature-related Financial Disclosure was released in 2023, but the processes around biodiversity measurement and the possible pricing measures are still in their infancy. While we expect this to evolve quickly, we think decarbonisation, supply chain, and machine learning are more immediate risks.

We expect responsible investing to continue to be front of mind for investors and asset owners. The evidence is overwhelming: it is in the long-term interests of investors and their clients to consider environmental, social, and governance issues both individually and as a whole when allocating capital.