PLATYPUS
ASSET MANAGEMENT

ESG Report 2024

Contents

Foreword

Responsible investing is evolving. It began as a way of thinking about capital for those that wanted to invest in alignment with their personal values. This often meant excluding certain companies and overweighting others, independent of short term earnings outlook. As expected, this had an impact on portfolio outcomes, making it difficult for these strategies to gain mainstream acceptance. Over time, the broad concept of social licence to operate increased in importance to investors, especially those with time horizons longer than a few years. Responsible investing became codified into investment processes with the primary aim to reduce risk.

Companies that took their social licence to operate seriously inspired more confidence with investors than those that didn't – there are many examples of poor governance that have led to sub-par shareholder returns, providing support to this idea. In our view, the next stage of responsible investing will take both risk and returns into account, and the implementation of investing that takes account of environmental, social, or governance (ESG) factors will broaden from its origins as values based to account more directly for wealth creation. The return opportunity from longer term trends will become apparent as society moves to improve quality of life at the same time as reducing our impact on the planet. We are inspired by this backdrop and the opportunity it provides for thoughtful capital allocation.

The aim of this report is to provide transparency into our investment process, engagement, and stewardship activities. Longer term investment success requires deep understanding of the broader issues that we categorise as ESG and how they impact companies, for better or worse. Our investment process integrates ESG for this reason, with ESG forming a continuing part of the investment discussion. Engagement is equally important. Through engagement we can influence portfolio company behaviour, gain a deeper understanding into how companies both view and mitigate risk and communicate to businesses what we as investors value in their corporate strategy. We encourage them to adopt more sustainable business practices, improving their ESG performance across all areas.

There are strong long-term tailwinds supporting the careful consideration of ESG factors into investment decision making. At Platypus, we will continue to think about the risk and reward of the impact of these on our portfolio companies, with a view to generating positive long term outcomes for our investors.

Our approach to Responsible Investment

Our approach to responsible investment articulates the framework through which we consider ESG-related topics.

ESG INTEGRATION

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

ESG issues can materially impact earnings and valuations. We take a holistic approach to active investing in which ESG is considered alongside near-term financial issues when making investment decisions. ESG issues are factored into our investment decision making and form an integral part of our investment analysis, and when considered material, will directly impact portfolio weight.

ACTIVE STEWARDSHIP

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

We work to improve the performance of companies on ESG issues in areas where we can make a difference. Our stewardship approach includes proxy voting and a dynamic engagement agenda, informed by critical ESG focus areas that we believe will drive long term value.

INDUSTRY COLLABORATION AND ADVOCACY

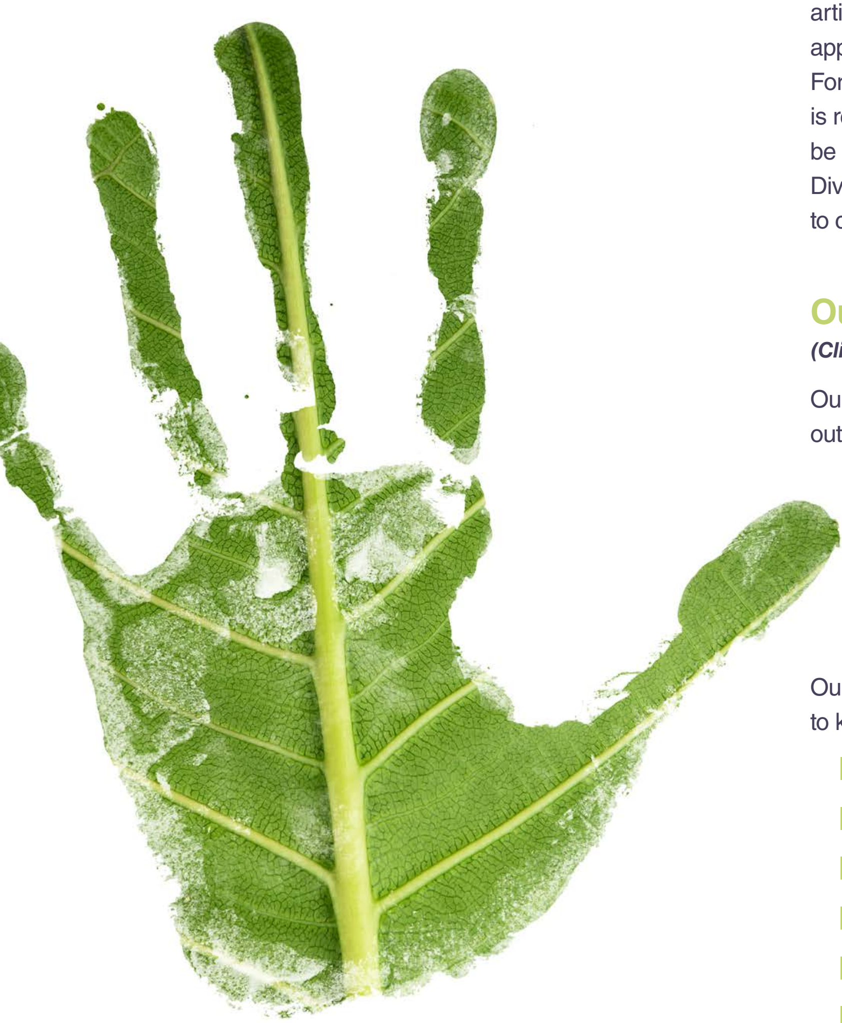
We see value in supporting initiatives and engagements through which we can affect positive change.

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).

Our policies and commitments

OUR POLICIES

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



Our ESG Investment Policy

(Click here** for our **ESG Investment Policy)

ESG integration and company engagement form the foundations of our approach to responsible investment, articulated in our policy. During 2024, we have included our approach to escalation within the ESG Investment Policy. For Platypus as an active manager, the escalation framework is responsive and company specific. In each case, there will be a clear requirement that we will provide the company. Divestment is a last resort: we prefer to work with companies to create change.

Our Proxy Voting Policy

(Click here** for our **Proxy Voting Policy)

Our proxy voting process is designed to achieve 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 fiduciary duty to clients and beneficiaries as active owners.

Our policy articulates 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 2024

$5.241 Billion
under management

188
resolutions voted

6 votes
cast against management

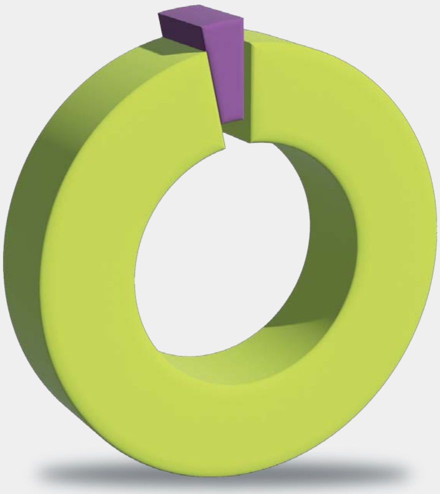
107
company engagements

170
thematic engagements

Source: Platypus, all data at 31 December 2024

Voting record

Our firm-wide voting record is summarised below.

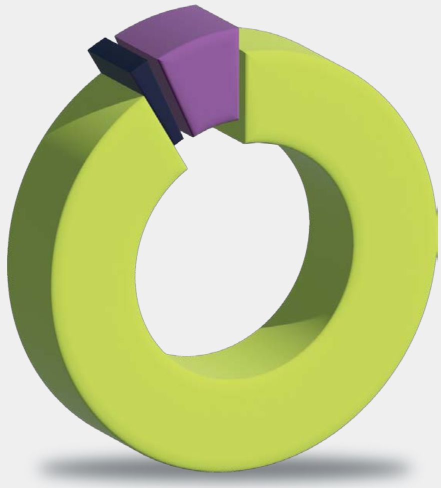


PLATYPUS VOTES IN 2024

Resolutions in 2024

182	For	6	Against
0	Unvoted*	0	Abstain

188 TOTAL



PLATYPUS VOTES WITH/AGAINST MANAGEMENT IN 2024

Resolutions in 2024

172	With Management	3	Against Management
13	N/A*	0	Unvoted*

188 TOTAL

PLATYPUS VOTES ON SHAREHOLDER PROPOSALS IN 2024

Shareholder Proposals in 2024

0	For	1	Against
0	With Management	0	Against Management

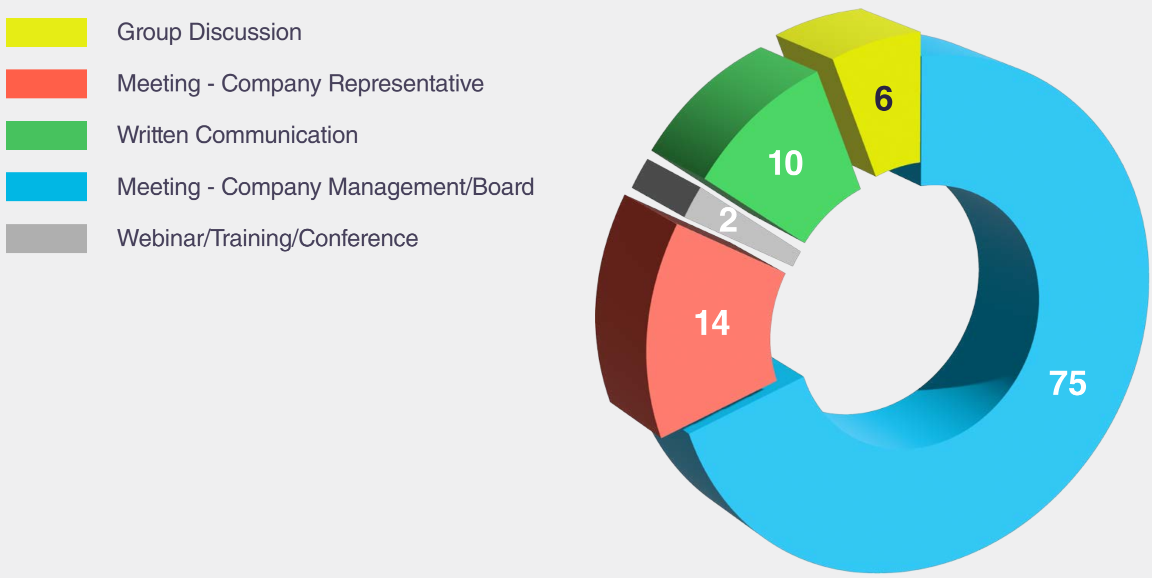
1 TOTAL

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.

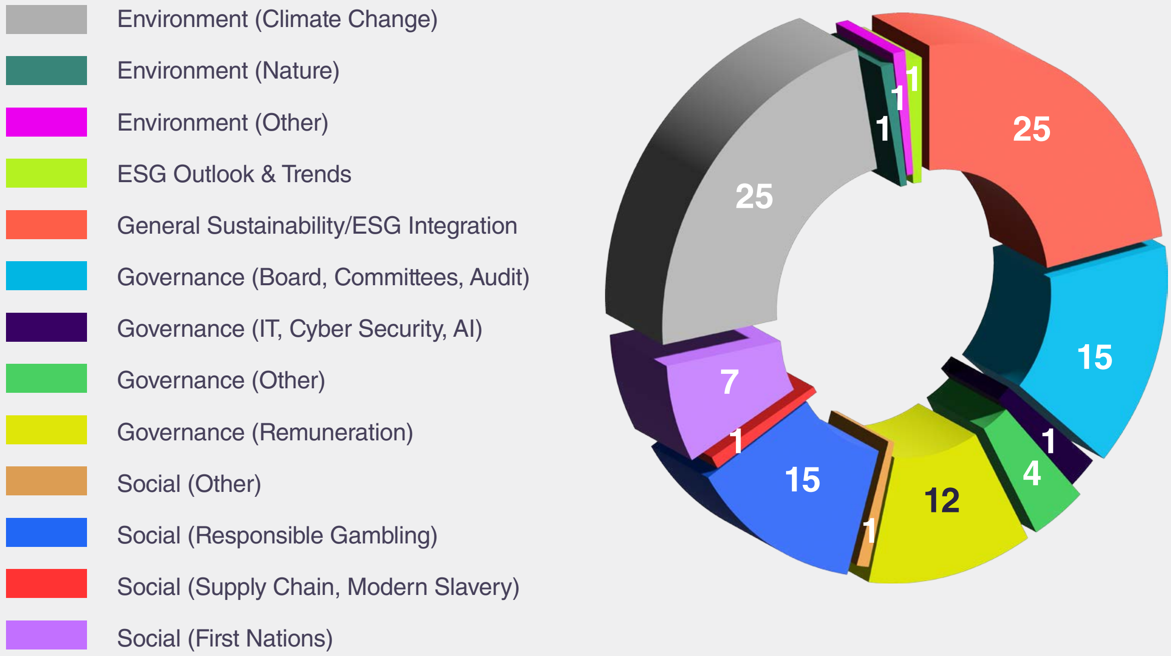
Company meetings

In 2024, we had **107** 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

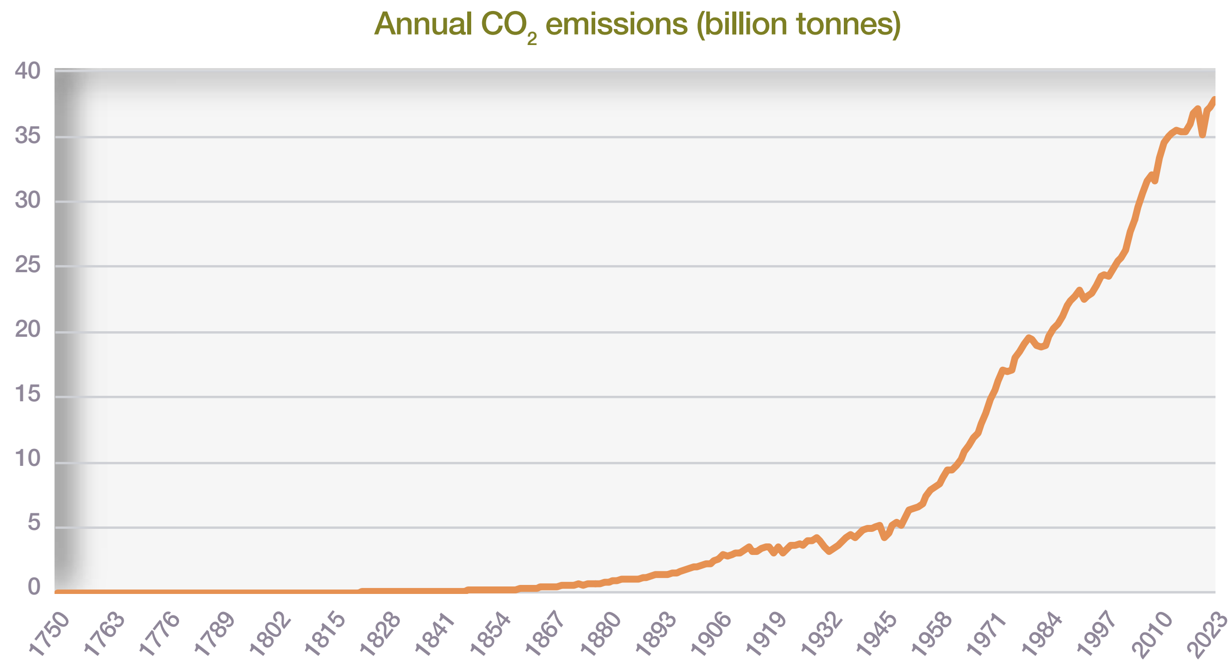


Focus areas
CLIMATE CHANGE

This is a long term thematic.

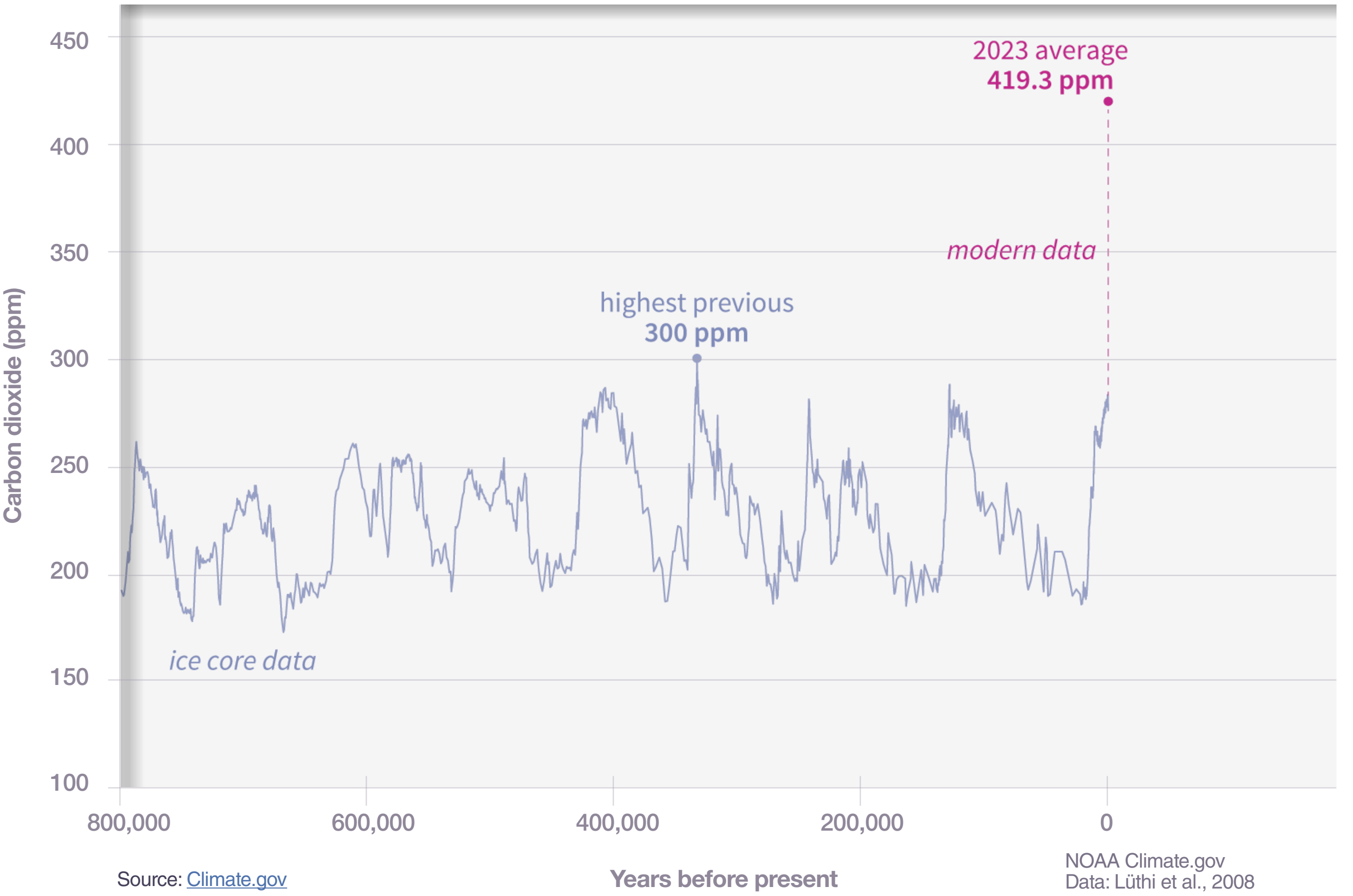
Processes within the industrialised economy emit carbon dioxide, resulting in a sharp increase in the concentration of CO_2 in the atmosphere. Using data from the Scripps Institute of Oceanography and the NOAA at Mauna Loa, CO_2 concentration in 1965 was 320 parts per million (ppm). By January 2025, this had increased to 426 ppm.

Exhibit 1: Global CO_2 emissions



Source: Our World in Data, 2024

Exhibit 2: CO_2 ppm in the atmosphere over the last 800,000 years



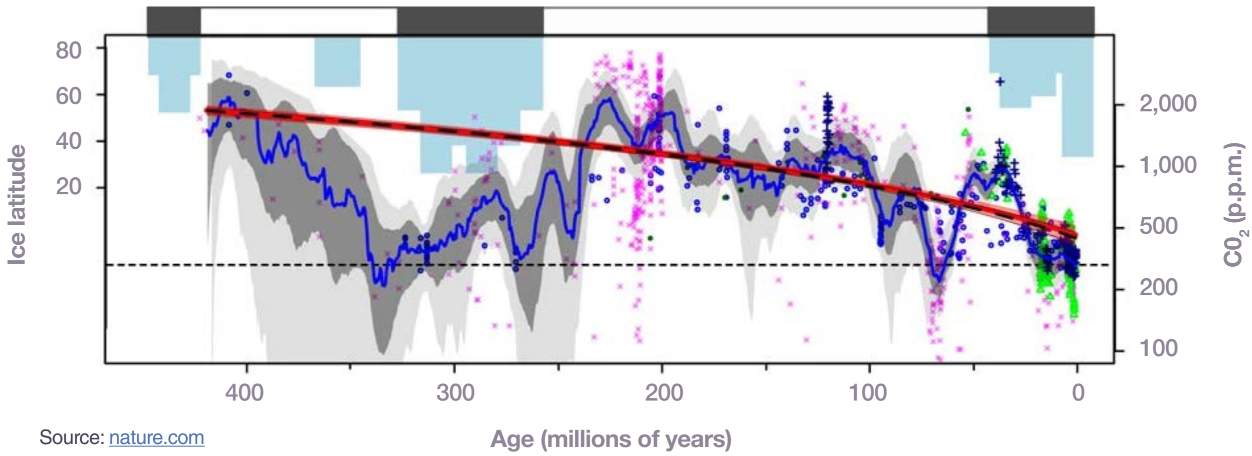
Source: [Climate.gov]

Using ice core data, it is possible to measure CO_2 concentrations over long periods of time. Over the past 60 years or so, global CO_2 concentrations have consistently made new highs, relative to the last 800,000 years. The speed of concentration increase is fast: the increase is 100x faster than previous natural increases.

In financial markets, we often compare different periods of time to help provide context for present economic conditions. An excellent example of this is the Bank of England lending rate, for which the bank publishes data beginning in 1694. For 315 years up to 2009, the rate had remained at 2% or above through the cycle. From 2009 up until September 2022, rates did not go above 2%, making an all-time low of 0.1% in March 2020 (Source: [Bank of England]). That decade was unprecedented, and an outlier over the last three centuries.

Fortunately, to help us understand the context for CO_2 concentrations and possible impacts on society and companies, we can look back over many millions of years.

Exhibit 3: CO_2 ppm in the atmosphere over the last 420 million year



Source: [nature.com]

CO_2 concentrations have been this high before. About 3 million years ago concentrations of ~400 ppm occurred at the same time as global temperatures were ~2.5-4 degrees warmer and sea levels were at least 4.8m higher than today (Source: Climate.gov).

It is exceedingly difficult to predict the climate response to the recent increase in CO_2 levels. However, these observations help us think about outcomes that could affect portfolio companies. We are not making predictions: we are simply stating that there will be an impact due to increased atmospheric CO_2, and this impact will vary according to the aggressiveness of humankind's response. In short, these data support our continued focus on climate as a long term risk.

In the near term, three important topics for Australian equity investors are the following:

Disclosure of Carbon Emissions - From January 2025, companies which meet two of the following: 500+ employees, $1000m+ of assets, or $500m+ of revenue will have to report carbon emissions under 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 (the decline rate) from July 2023, or offset those emissions using Australian Carbon Credit Units (ACCUs). ACCUs can be traded but the cost of ACCUs within the Safeguard Mechanism is capped. While the Safeguard Mechanism is unlikely to be unwound in its present form, a new government could reduce the decline rate, which would impact 2030 emissions targets and the cost impact to companies with assets in the Safeguard Mechanism.

Carbon Border Adjustment Mechanism (CBAM) – In order to account for products produced in different regulatory regimes that each have different costs of carbon, jurisdictions around the world are introducing carbon adjustment mechanisms for imports. For example, the cost of producing concrete in Australia will be increased under the Safeguard Mechanism, and so to level the playing field, the government could add an import duty to concrete produced with a lower carbon price than an ACCU. We expect the government to finalise its CBAM policy in 2025.

Thematic engagements

We participated in **73** climate focused thematic engagements, covering a variety of issues including:

- Biofuels and waste to energy, including interactions with private companies and consultancies focused on waste to energy
- The evolution of energy policy, the need for gas, and the decarbonisation of the electricity grid
- ACCU futures, market supply demand dynamics, and company procurement trends
- Sustainable aviation fuel technology pathways, pricing, global legislation, supply and demand dynamics, investor sentiment
- Green steel and the opportunity for Australia
- Carbon border adjustment mechanisms in the EU and Australia
- Methane emissions for coal mines and how companies are measuring methane emissions
- Data centres and the impact on the grid

[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.

Company engagements

We participated in **25** climate focused company engagements. We often engaged with companies more than once through the year, which provided for a continuing conversation and an opportunity to build relationships with company representatives. We engaged with BHP, Rio Tinto, Mineral Resources, Qantas, Nufarm, and Woodside. These engagements covered numerous focus areas, including methane emissions in coal seams, sustainable aviation fuel, emissions targets, 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, how to account for climate related investments, and approach to innovation joint ventures.

Case study: BHP Group

We engaged with BHP both through Platypus led meetings with the management and board, and collaboratively through our membership of Climate Action 100+.[2] The broad aim of our engagements was to learn about BHPs decarbonisation approach, and then pressure the company accordingly in areas for which we would like to see more focus.

We engaged with BHP through meetings and written communication. We covered three main topics: the Climate Transition Action Plan (CTAP), the Safeguard Mechanism, and methane emissions from coal mines. From our perspective, BHP are a great example of engagement best practice: the company responds in a timely and thoughtful manner to questions and produces large amounts of information for investors.

Exhibit 4: BHP engagements through 2024

Month (2024)	Type	Description
January	**Written**	Communication on Safeguard Mechanism liabilities and cross checking of Platypus calculations (see here).
February	**Individual engagement**	Further discussion on written communication regarding Safeguard Mechanism.
February	**Group engagement**	Focused on climate targets, use of carbon credits, and diesel displacement.
June	**Written**	Co-signatory of letter that encouraged the company to develop an industry leading approach to the measurement, disclosure, and abatement of methane from BHPs metallurgical coal operations.
June	**Group engagement**	Discussion on decarbonisation strategy and approach to Scope 3. BHP made it clear that they need technological innovations to meet emissions targets.
September	**Group engagement**	Methane emissions from Safeguard Mechanism properties and BHPs approach to methane measurement.
September	**Group engagement**	CTAP engagement with BHP, including discussing steelmaking and scalable pathways to decarbonisation.

Source: Platypus

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

The key takeaways from our engagements are:

- BHP has reached its 2030 target for Scope 1 and Scope 2 emissions at the time of writing. That means BHP is aiming for all production growth from here to be carbon neutral.
- For methane emissions from coal seams, BHP is in the process of improving measurement techniques. Platypus co-signed a letter in which it was stated that as investors we would like to see BHP develop a best-practice and industry leading approach to the measurement, disclosure and abatement of methane emissions. The 2024 CTAP detailed BHP's approach and future work, and we look forward to continuing engagement on methane.
- With respect to the Safeguard Mechanism, BHP is decarbonising operations where it makes economic sense relative to the ACCU price. The company did not confirm our estimates of ACCU liabilities (see Platypus article here).

We will continue to engage with BHP through 2025 both individually and as part of Climate Action 100+.

FIRST NATION RELATIONSHIPS

Social licence to operate is earned over time. For mining companies, operating on the lands of various different nations, it is important that strong relationships are built and maintained between affected stakeholders. Where possible, it is important that companies move towards approaches that share economic benefits, rather than thinking about First Nation relationships in terms of cost. There are listed businesses for which this is the case. Vysarn is a notable example, with the company entering into an equity agreement with the Kariyarra Aboriginal Corporation to extract sustainable quantities of water in Western Australia.

It is important that we hold our portfolio companies to account with respect to their approach to First Nation relationships.

Thematic engagements

We participated in **8** First Nation focused thematic engagements, covering a variety of issues including:

- Section 10 of the Aboriginal Heritage Act, applications under which allow for the Federal Minister for the Environment to stop a project that will negatively impact Aboriginal heritage
- Legal expert discussions on mining in various jurisdictions
- Business impact on Aboriginal Heritage
- Best practice around Reconciliation Action Plans

Company engagements

We participated in **12** First Nation focused company engagements. Our aim with these engagements is to encourage our portfolio companies to move towards what we view as best practice with respect to First Nation relationships.

Case study: Sandfire Resources (SFR)

We engaged with Sandfire Resources, a global copper miner with operations in Botswana and Spain. Sandfire's initial growth came from DeGrussa, a copper-gold deposit in Western Australia. Beginning in October 2022, DeGrussa is on care and maintenance

(Source: About Sandfire - Sandfire).

Background

In 2017 and 2018, employees of SFR disturbed artefact scatters at the DeGrussa mine at heritage sites of the Yugunga-Nya. SFR released two announcements regarding the disturbance:

- **November 2023** – SFR advised of the historic disturbance of artefact scatters at DeGrussa. Brendan Harris (CEO, appointed April 2023) initiated an external investigation to be conducted by Gilbert and Tobin on why the artefacts were disturbed and why it took so long to notify the Yugunga-Nya.
- **June 2024** – The investigation was published in full by SFR. The report found that the disturbances occurred in error due to ignorance and process, which included lack of clarity on executive responsibility for heritage at the time.

Background

Exhibit 5: SFR engagements through 2024

Month (2024)	Type	Description
June	**Meeting**	Management discussed the report from Gilbert and Tobin, the reasons for publication, and how the governance processes at the company are evolving.
June	**Phone call**	We had further questions regarding the presentation, which the CEO responded to over the phone.
June	**Meeting**	SFR organised a meeting with Gilbert and Tobin to discuss the report. We were interested in more details about how the investigative process was coordinated.
August	**Meeting**	The CEO at time of the incident, has a component of his unvested long term incentive (LTI) at risk. In light of the scattering, the board chose to reduce this by $137,110, equivalent to 2% of the total award. In light of the significance of the event, we did not think that this reduction was large enough. We made our views clear to the company.
September	**Meeting**	We discussed the progress of the relationship with the Yugunga-Nya with the CEO, and how the company could meet the needs of the Yugunga-Nya to their satisfaction.
October	**Meeting**	We met the Chairman and members of the board, and discussed the artefact scattering and the board's response.
October	**Meeting**	The former CEO has $2m LTI at risk in 2025. We scheduled a second meeting with the Chairman to express our view that the board should consider being more assertive with the remaining part of Mr Simich's LTI.
October	**Letter**	In order to make our position clear, we constructed a letter encouraging the board to be more assertive with the remaining part of the former CEO's LTI for 2025. The board responded in writing.

Source: Platypus

During the year, we had a number of conversations with representatives of the Yugunga-Nya in order gain a deeper understanding from their perspective. These conversations helped us build a view of the overall trend for the engagement, and how the interactions between the company and the Yugunga-Nya were evolving. They also helped with our engagement with SFR, providing detailed context for our conversations.

The remuneration report in 2024 included the reduction in the former CEO's LTI. However, because we agreed with all other parts of the report, we voted with the company.

The response from the company has been proactive, and in our view is a step forward in terms of attention and response to First Nation concerns by an S&P/ASX 100 company. We will continue to engage with SFR through 2025.

Escalation

During 2024, we updated our ESG policy to include escalation. In response to ESG issues that are brought to light, our first step is to engage with the company. We take a collaborative approach and we understand the value of long term relationships.

Extract of our ESG Investment Policy: Our escalation approach

Material ESG issues which we view as having the potential to negatively impact earnings or valuations are factored into investment decisions. Likewise, where material ESG issues likely to have an effect on earnings or valuations are identified, these are factored into sell decisions.

Escalation forms part of our understanding of materiality and is an important part of integrating ESG.

When the Platypus investment team considers that a company has failed to demonstrate an adequate response to what we consider a material ESG issue, we can use our engagement escalation framework.

Platypus is a high conviction, fundamental equities manager which means that engagement escalation will necessarily be company specific. Escalation can include use of either one or a combination of escalation tools such as:

- Votes against Director elections;
- Support of shareholder resolutions;
- Specific requests of the board and management to address the material ESG issue.

Platypus will consider divestment when we think the company response has been insufficient to address the material risks, and where we have formed the view that further engagement is unlikely to achieve outcomes that address our concerns.

Escalation may not follow the same sequence in each case.

For each escalation, there will be a clear requirement that Platypus provides the company. These will be issue and company specific and where possible will be time bound.

Case study of engagement in action: Mineral Resources (MIN)

Mineral Resources (MIN), is a diversified miner with exposure to iron ore and lithium. At the beginning of 2024 we were shareholders of MIN. After engaging directly with the company regarding the events surrounding the Kali Mineral IPO we excited the position on material governance concerns within the business. A summary of this engagement is detailed on the following page.

Timeline of events

- **In January 2024**, we were made aware that the CEO of Mineral Resources had personally participated in the Kali Minerals IPO a lithium explorer. His participation as a substantial shareholder was used to market the IPO in various financial publications including the Australian Financial Review.

- **On January 8th** (the IPO date) the shares closed at 44c on the 8th January, reached an intra-day high of 89c on the 10th January, and ended the first trading week at 60c. It should be noted that pre-IPO shares in KM1 were issued for 25c.

- **On January 10th**, Mineral Resources lodged a substantial shareholder announcement for its position in KM1. Using data from that notice, it could be inferred that Mineral Resources were 51% of traded volume on January 8th. We engaged with the company to understand the background and governance frameworks behind the share purchases. We were underwhelmed with the company's initial response.

- **On January 12th** we sent a letter to the board and Chair asking them to provide further clarification around the events and the role of board oversight. The board responded to this letter on the 16th January, we then sent a follow up letter to the Chair on the 30th of January.

- **On February 5th** we then had a 1:1 meeting with the Chair to understand the governance processes around the event and potential changes the company would make going forward. Post this meeting we exited the position.

Community Involvement

Platypus has been supporting the Art and Dementia program at the Museum of Contemporary Art since 2018. The support provides for a free 10 week research program for people living with dementia and their carers at the MCA. The program focuses on creating new connections and life enriching experiences through creative engagement with contemporary art and artists. In regular visits to the MCA, small groups are supported by trained MCA Artist Educators to have discussions in the gallery followed by hands on creative art making sessions. Participants and their carers are able to extend their creative engagement and expression with specially designed take home art making packs (Source: MCA).

Looking ahead

The environment for responsible investing is changing. Significantly, the new administration in the United States is leading the change in tone. There is a renewed focus on energy production, regardless of carbon emission profile. Companies are withdrawing from diversity and inclusion commitments, content responsibility of digital companies is being transferred to the platform users, and asset managers are withdrawing from public commitments around emissions targets. The Net Zero Asset Managers Initiative, a climate finance alliance, has suspended its activities, reviewed its structure and will no longer disclose its membership list. In 2024, a number of large asset managers had withdrawn from CA100+. Additionally, in Texas, Judge O'Connor ruled that American Airlines breached its fiduciary duty by basing investment decisions on ESG and other non-financial factors. At the time of writing, compensation is yet to be determined. In Europe, the impact of recent elections on EU policy remains unknown, however the results reflect a more negative sentiment towards environmental concerns.

In the opinion piece regarding the case against American Airlines, Judge O'Connor stated that "ESG investing is a strategy that considers or pursues a non-pecuniary interest as an end itself rather than as a means to some financial end." He used examples to demonstrate his point: if an investor takes into account social license to operate as a way to de-risk an operation and improve long term returns that is *not* classified as ESG investing because returns are the primary motivation.

At Platypus, ESG investing is not separate to our goal of adding value above and beyond the S&P/ASX 300. ESG is another lens through which to understand companies and their approach to management, their stakeholders, and the way they view their role in society. It supports us in making better investment decisions.

Judge O'Connor further commented that "there must be a sound basis for characterizing something as a financial benefit. Otherwise, anything could qualify as a financial interest and can serve as pretext for non-pecuniary interests." This is aligned with our approach, and where possible we calculate direct earnings impact from ESG considerations. Examples of this include calculations of the financial impact of the Safeguard Mechanism on BHP and RIO and detailed estimates of the earnings headwind for Endeavour Group in light of limiting electronic gaming machine availability to hotel patrons.

These ideas form the lens for our 2025 outlook. The backdrop for our ESG analysis is long term investment outcomes, supporting our clients to meet their retirement needs. As a result, we focus on issues important to the investment landscape. Climate will remain front of mind and we expect policy responses to continue. There are multiple parts to this: Carbon Border Adjustment Mechanisms, sustainable aviation fuel, decarbonisation of the grid, energy storage and demand, and the continued electrification of transportation are some of the topics that are especially relevant. Something that also has a climate impact is waste and pollution. Over the course of 2025, we expect the legislative response to both plastic waste and forever chemicals to evolve, with some corporates benefitting and some less so. Another important consideration for investors are First Nation relationships. The best long term outcomes result when all stakeholders benefit, and the best approaches starting to emerge is one of combined ownership, rather than direct compensation.

While we expect responsible investing to continue to be front of mind for investors and asset owners, we think that returns outcomes will be more important than ever. We continue to believe that it is in the long-term interests of investors to consider environmental, social, and governance issues both individually and as a whole when allocating capital.