PLATYPUS
ASSET MANAGEMENT

JUNE 2023

Responsible Investment Report

2022

Contents

Foreword

At a time when the world is facing pressing global challenges, responsible investing has become more important than ever. This report is a testament to our commitment to responsible investing. We recognise the importance of ESG factors in determining the long-term success of our investments, and we are proud to report on our progress in integrating these factors into our investment processes. Through our engagement with companies, we aim to encourage them to adopt more sustainable practices and improve their ESG performance.

We appreciate that responsible investing is a journey, not a destination. There is always room for improvement, and we remain committed to continually evolving our approach to investing in a responsible and sustainable way.

We hope that this report will serve as a useful tool for our stakeholders, providing transparency into our investment processes, engagement, and stewardship activities.

Our view is that 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 as such we endeavour to 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 articulates the framework through which we conduct our ESG-related activities.

ESG INTEGRATION

Our view is that integrating ESG issues in 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 where material ESG factors are considered alongside financial issues when making investment decisions. We consider material ESG issues as part of risk mitigation and buy and sell decisions. Material ESG issues which we view as having the potential to negatively impact earnings or valuations are factored into our investment decision making and form an integral part of our fundamental investment analysis. An ESG stock assessment is carried out before a stock is bought for the portfolio[1]. Likewise, where material ESG issues likely to have an effect on earnings or valuations are identified, these are factored into sell decisions.

We 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 investments.

ACTIVE STEWARDSHIP

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

ESG issues encapsulate the relationships between a company, its employees, the environment, and society. As active owners, we work to improve the performance of companies on ESG issues in areas where we think we can make a difference. Our stewardship approach includes proxy voting and a robust engagement agenda, informed by ESG focus areas we consider critical for particular investee companies identified.

INDUSTRY COLLABORATION AND ADVOCACY

We see value in supporting initiatives and engagements through which 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).

1. ESG stock assessments are undertaken in accordance with our ESG Investment Policy *(Click here for more information on the ESG Investment Policy).*

Our policies and commitments

OUR POLICIES

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

Our ESG Investment Policy

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

ESG integration and engagement form the foundations of our approach to responsible investment. Our policy articulates our approach to ESG integration and engagement. We also include our position on thematic ESG issues which we consider to be material.

Our Proxy Voting Policy

*(**Click here** for more information on the **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 duty to clients and beneficiaries as active owners investing on their behalf.

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 2022

$4.4 Billion
under management

851
resolutions voted

5%
votes cast against management

15%
of shareholder resolutions supported

12%
of shareholder resolutions supported despite management recommending against

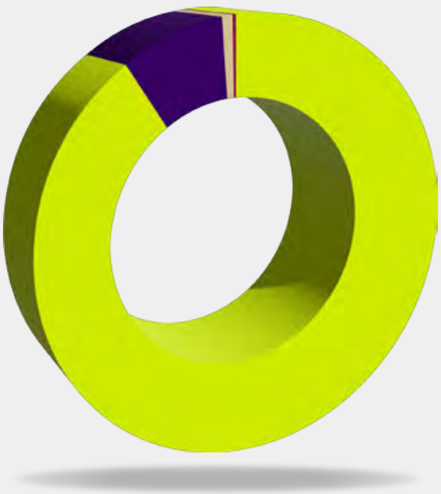
46 Company engagements

55 Thematic engagements

Source: Platypus, all data at 31 December 2022

Voting record

Our firm-wide voting record is summarised below.

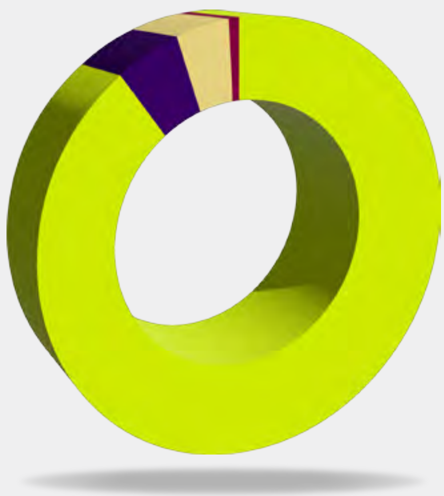


PLATYPUS AGAINST VOTES IN 2022

Resolutions in 2022

774	For	69	Against
6	Mixed*	2	Abstain

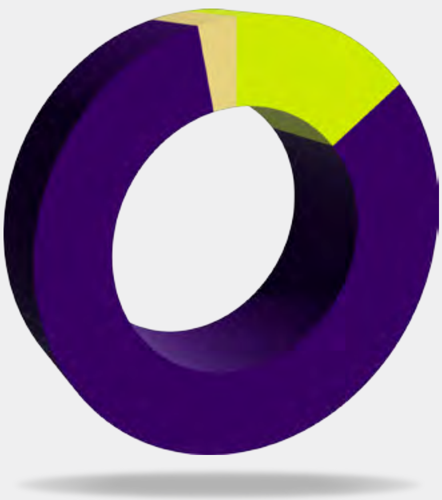
851 TOTAL



PLATYPUS VOTES WITH/AGAINST MANAGEMENT IN 2022

Resolutions in 2022

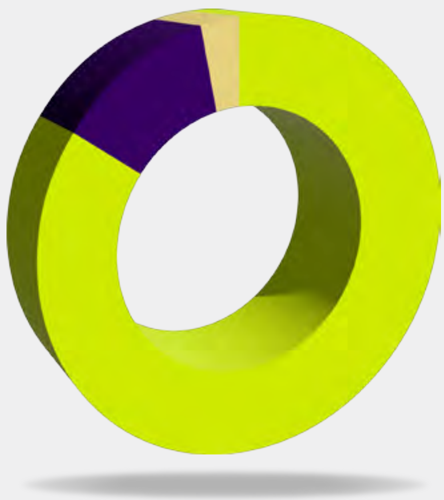
767	With Management	43	Against Management
35	N/A*	6	Mixed*



PLATYPUS VOTES ON SHAREHOLDER PROPOSALS IN 2022

Shareholder Proposals in 2022

5	For	27	Against
1	Mixed*		



PLATYPUS VOTES ON SHAREHOLDER PROPOSALS WITH/AGAINST MANAGEMENT IN 2022

Shareholder Proposals in 2022

28	With Management	4	Against Management
1	Mixed*		

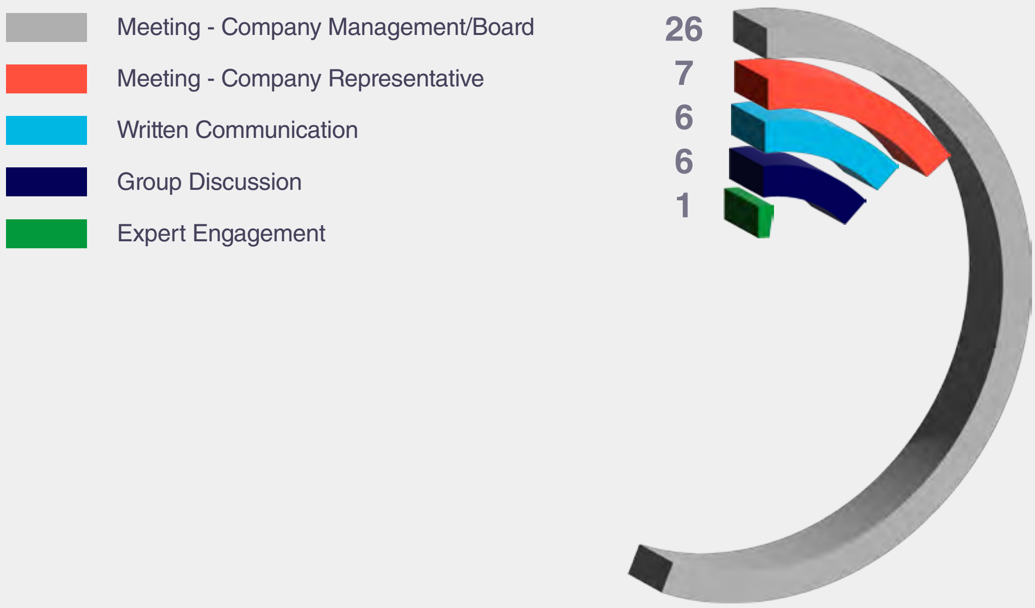
33 TOTAL

**Our voting may differ among funds based on client requirements. N/A includes resolutions where management did not make a recommendation, or we were directed to vote another way by a client.*

Company meetings

In 2022, we had **46** company specific engagements on ESG issues such as biodiversity, climate change, responsible gambling, supply chain, modern slavery, board governance and remuneration.

Number of Company Engagements by Type



Number of Company Engagements by Category

Thematic focus areas

CLIMATE CHANGE

During 2022, we saw the focus on climate change accelerate, with much attention being placed on the energy transition, including company announcements around climate focused capex, renewable energy sourcing, net zero targets and ESG-linked remuneration.

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

We believe that considering environmental, social and governance issues in investment decisions can lead to better investment outcomes. This is because ESG issues can materially impact earnings and valuations in companies and across sectors.

One important ESG issue is climate change.

The Intergovernmental Panel on Climate Change (IPCC) has warned that significant transition is necessary to limit severe climate-related risks to food production, infrastructure, water supply, human security and economic growth. Without action in line with the goals of the Paris Agreement[1], average global temperature rises of around 4 degrees Celsius can be expected to result in incredible economic losses globally over the next 80 years[2].

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 twofold: 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.

We are after the following, from higher risk companies:

1. Action on governance and clear accountability at the board level for climate change policy.
2. Quantitative emissions targets and emissions intensity targets relative to the Paris Agreement.
3. Science based emissions targets, being targets founded on the latest climate science.
4. Disclosure on climate scenario analysis.
5. Reporting under the Carbon Disclosure Project
6. Disclosure on lobbying activities, which we expect to be consistent with the Paris Agreement.

On climate action more broadly, we publicly state our support for the Paris Agreement - which calls for global emissions reduction with the aim of keeping global warming below two degrees Celsius and net zero emissions by 2050 – and the reporting framework proposed by the Taskforce on Climate-related Financial Disclosures (TCFD)[3].

We are also a signatory to Climate Action 100+, a coalition of global investors seeking science-based emissions reductions from the world's largest emitters.

1. The Paris Agreement on Climate Change, a legally binding international treaty on climate change negotiated under the Framework Convention on Climate Change, a unit of the United Nations, and finalized on 12 December 2015 in Paris.
2. See IPCC Special Report "Global Warming of 1.5C"
3. The Financial Stability Board, an international body that monitors and makes recommendations about the global financial system, created the TCFD to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks—risks related to climate change.

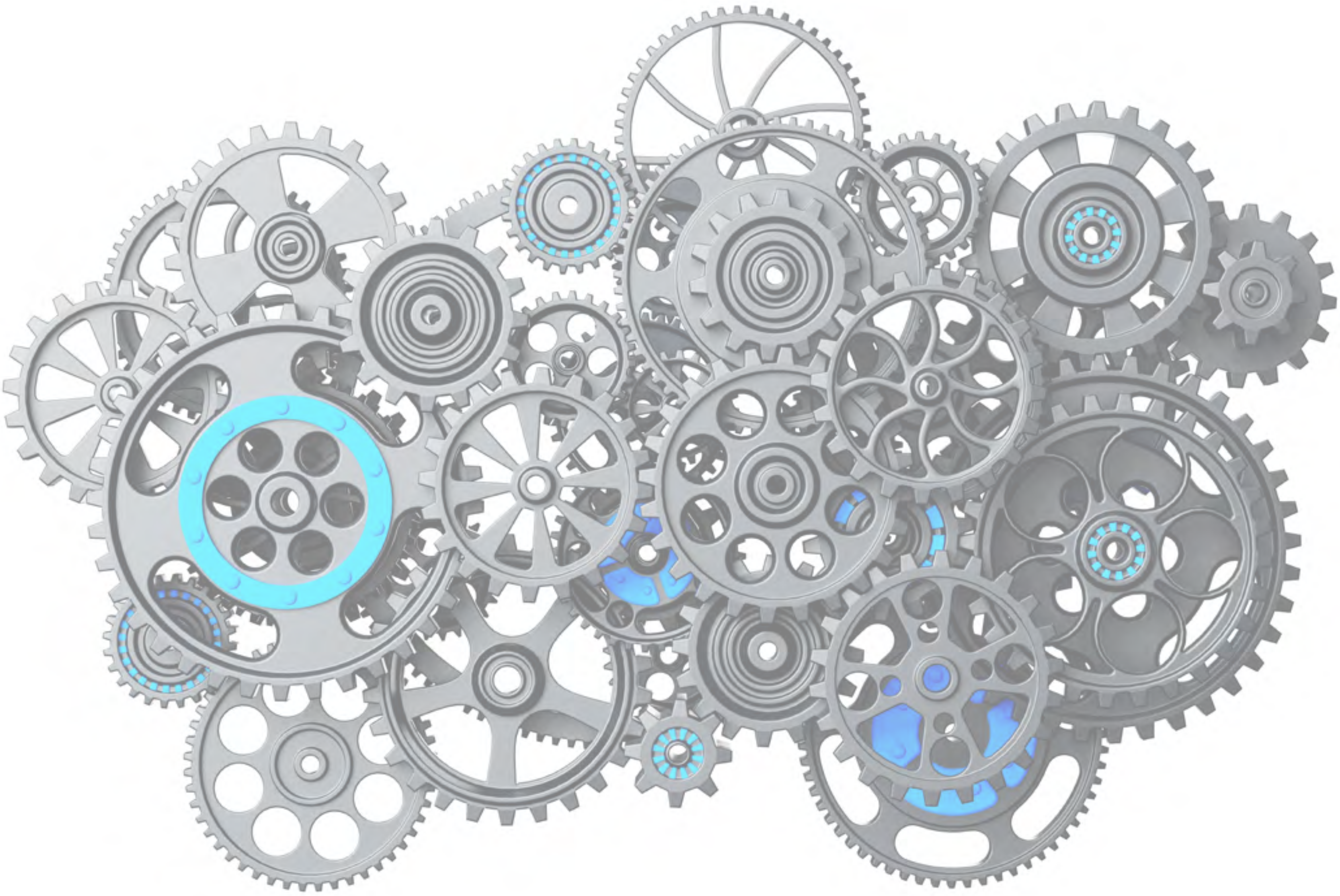
Thematic engagements

We participated in **28** climate focused thematic engagements, covering a variety of issues including:

- Risks inherent in the energy transition
- The role of carbon markets in the energy transition
- The development of climate change policy
- The role of emerging technologies as part of the energy transition, including trends and opportunities related to renewable energy and the use of critical minerals in battery technology
- The assessment of the viability of company net-zero plans, targets, and trajectories
- The role of company directors and their duties in relation to addressing the risks and opportunities posed by climate change
- Understanding just transition implications, including the potential impact on employees owing to the transition from coal-fired power plants to alternative energy sources

Company engagements

We participated in **11** climate focused company engagements. Some of the companies which we engaged included Aurelia Metals, APA Group, Brambles, Commonwealth Bank of Australia, Nextdc, Qantas Airways, Woodside Energy Group and Worley. These engagements covered specific focus areas such as understanding companies' decarbonisation transition plans in detail. This included discussions around the use of carbon offsets as part of decarbonisation targets; whether the targets set were science-based and aligned with a net-zero trajectory; how companies were addressing climate-related risks within their business models; progress on measurement of emissions, in particular scope 3 and the setting of related targets; capital allocation towards addressing climate-related risks and opportunities, both in relation to actual proposed expenditure and timelines.



Case Study

Woodside Energy Group

Woodside Energy Group (WDS) is an example of a company that we engage both through our own Platypus led meetings with the company's management and board, as well as through Climate Action 100+, an investor led forum which we are a member of.

During 2022 we engaged with Woodside Energy Group in relation to its climate change strategy. These engagements took the form of one-on-one meetings with executives and board members. We were also actively involved in collaborative group meetings with the company, facilitated through The Investor Group on Climate Change (IGCC) and Climate Action 100+. Our engagements culminated in a letter which we sent to the board. The following were the key issues which we engaged on:

- ***Capital allocation framework and new energy investments*** *– more detail on how the framework disclosed would support Woodside's decarbonisation strategy. In particular, how and when capex would be allocated across new energy investments.*
- ***Scenario analysis*** *– improvements to the disclosure of inputs used in the scenario analysis and more detail on how they apply. This included market share assumptions, demand as well as gas and carbon prices used.*
- ***Scope 3 targets*** *– a phased approach towards setting this target, with an initial focus on those activities over which Woodside had most control, for example, supply contracts, the commissioning of new facilities, shipping, and business travel.*
- ***Offsets*** *- meeting emissions reductions with abatement rather than offsets.*

MODERN SLAVERY

The issue of modern slavery continues to gain widespread attention globally as human rights issues and labour standards remain critical areas of focus on the engagement agenda for investors.

Progress has been made in Australia since enacting the Modern Slavery Act in 2018. This legislation has been instrumental in raising awareness and stimulating corporate accountability in Australia. However, much work remains to be done on addressing the prevailing challenges, emerging trends, and potential areas for improvement.

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. Thanks to Australia's Modern Slavery Act (2018), all Australian-domiciled companies earning revenue of over $100 million a year are required to start mapping the human risks in their supply chains and publicly report on their efforts.

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.

The statement reflects our view that modern slavery goes beyond ethics. Business models that rely on underpaid workers, weak regulation or illegal activities are unsustainable and give rise to significant compliance and brand risk. We take supply chain risks very seriously.

Thematic engagements

We participated in **6** modern slavery focused thematic engagements, covering a variety of issues including:

- The review of Australia's Modern Slavery Act
- Global approaches towards addressing modern slavery risk
- Insights into conducting human rights due diligence investigations
- Assessment of supply chains
- Identification of forced labour practices
- Modern slavery in the electronics industry in Asia

Company engagements

We participated in **11** modern slavery focused company engagements. We continued to lead collaborative engagement work on modern slavery with the JB Hi-Fi and Super Retail Group. This work was part of the Investors Against Slavery and Trafficking Asia-Pacific which comprises 41 investors with AU$8.2 trillion in Assets under Management (AUM).[4]

4. https://www.iastapac.org/about

Case Study

JB Hi-Fi Limited

JB Hi-Fi (JBH) is an example of a company that we engage both through our own Platypus led meetings with the company's management and board, as well as through Investors Against Slavery and Trafficking Asia-Pacific (IAST) which we are a member of.

JB Hi-Fi Limited is an Australian listed retailer of consumer electronics, technology, telecommunications, home and appliances and software with operations in Australia and New Zealand. Its retail brands are JB Hi-Fi and The Good Guys.

Engagement strategy focus areas:

- *Detection of modern slavery risk within the company's private label range*
- *Improving the quality of processes, particularly audits and worker voice systems*

Objectives:

- *Independent and frequent audit framework covering private label manufacturers*
- *The use of independent data sets maintained by Responsible Business Alliance to identify modern slavery risks in large third-party manufacturers*
- *Worker voice mechanisms at the private label supplier level*
- *Greater disclosure on the instances of modern slavery detected in the supply chain*

We are fortunate to have contributed towards this important engagement. Our view is that continued awareness of these issues by the company will lead to action, meaningful change and improved disclosure.

Ultimately, it is only through collective action and a steadfast commitment to upholding human rights standards that we can hope to create a world where every individual is free from modern slavery.

Looking ahead

The responsible investment landscape continues to evolve at a rapid pace. We anticipate a continued acceleration in the adoption of ESG principles and responsible investment practices. ESG considerations have now firmly established themselves as essential factors in investment decision-making, as stakeholders increasingly recognize the materiality and long-term sustainability implications of environmental, social, and governance factors. Based on current market trends, regulatory developments, and societal shifts, we expect to see the pace of change accelerate even further, particularly in relation to systemic risks such as climate change.

Environmental factors, such as climate change mitigation, renewable energy, and resource efficiency, will remain at the forefront of ESG investing. The urgency to address climate-related risks and transition towards a low-carbon economy will drive increased investment in clean technologies, green infrastructure, and sustainable solutions. Moreover, investors will demand greater transparency and disclosure on carbon footprints and environmental impact from the companies they invest in.

We anticipate that there will be an increased focus on nature, encompassing climate change, biodiversity loss and water conservation as key themes going forward. There will be a need to consider the combined impacts of these risks, given their interconnected nature. Whilst focus on the environment is a critical part of the ESG puzzle, the social impacts of transitioning to a low carbon world are also expected to come to the fore. Ensuring a *just transition*, in particular, for those most vulnerable will be a critical part of the commitment. This is just one example of where issues typically classified under separate categories of “E” and “S” see a degree of overlap. Our view is that going forward, a reframing of ESG is required to ensure that issues are not considered in silos, but rather in a holistic manner which reflects a balanced and measured view.

Investing responsibly will remain pivotal in shaping the global investment landscape. We expect shareholder activism and engagement to intensify as investors demand greater accountability, transparency, disclosure and ultimately action linked to real world outcomes. It is essential that investors remain agile, adaptive, and well-informed to navigate this evolving terrain successfully.