



Responsible
Investment
Report

2025



Contents

Foreword	3
Our approach to responsible investment	4
Our policies and commitments	5
Active stewardship	7
Focus areas	10
Community Involvement	16
Looking ahead	16

Foreword

The past year has seen a change in attitude to regulation in both the United States and the European Union, which together account for ~44% of the global economy. The administration in the US has prioritised energy of all forms and reduced or removed numerous environmental, social, and governance (ESG) regulations. Partly in response, the EU introduced legislation to simplify rules surrounding sustainability reporting, with a focus on reducing administrative costs for small and medium enterprises. Against this backdrop, however, capital continued to flow: the International Energy Agency estimated that in 2025 US\$2.2 trillion was allocated to renewables, nuclear, energy grids, storage, low-emission fuels, and electrification. This is double the US\$1.1 trillion going to oil, natural gas, and coal. Within the US, US\$400 billion was invested into clean energy, compared to US\$187 billion into fossil fuels. China had a similar ratio with a total investment of US\$884 billion. These two facts: one regarding the policy environment and one global energy investment highlight the following points. First, as the longer term economics become more compelling, policy becomes less relevant to capital allocation decisions. Second, the size of the capital flows highlight the momentum behind the energy transition. Third, outside of policy rhetoric, the capital allocation decisions reflect a broad consensus on the need to move towards a less carbon intensive economy.

This underpins our approach to ESG. The link between underlying economics and any ESG or diversity strategy should be clear to all stakeholders. This helps mitigate policy risk and supports buy-in throughout an organisation and with shareholders. When engaging with companies, we seek to understand how ESG is integrated into business strategy, for example through procurement initiatives or the use of an internal carbon price. We find that the best businesses balance the short term needs of listed markets with longer term strategic considerations that build value over time.

Through 2025, some commentators stated that ESG concerns are independent of shareholder returns. We disagree: while we acknowledge the term ESG can have political connotations, taking account of the impact of environmental concerns, thinking about the careful balance of a business's social licence to operate, and ensuring strong governance all have an impact on business valuation. The latter supports the former two, and we often observe companies with better governance enjoy higher valuations compared to peers. Over the last year in Australia we saw numerous examples of poor governance leading to lacklustre share price performance. Ultimately, governance processes within an organisation support frameworks that enable individuals to focus on their strengths, and put guardrails around individual hubris that often lead to value destruction.

At Platypus we focus on ESG integration: the 'ongoing consideration of ESG factors ... with the aim to improve risk-adjusted returns.'¹ We believe that this is important for all investors, and this report goes into detail regarding how we approach ESG within our investment process.

¹ <https://www.responsibleinvestment.org/support/article/ri-approaches-esg-integration>

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 leads to better investment outcomes.

ESG issues can materially impact earnings and valuations. As active managers, ESG issues are considered alongside financial issues when making investment decisions.

They are factored into investment decision making, forming an integral part of our investment analysis. When considered material, they will directly impact portfolio weight.



ACTIVE STEWARDSHIP

We are committed to advocating for better business 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 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 change that is in the interests of shareholders.

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). Being involved in collaborative engagement adds to our understanding of listed companies, helping complete the investment thesis.

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 our [ESG Investment Policy](#))

ESG integration and company engagement form the foundations of our approach to responsible investment, articulated in our policy. This policy was unchanged in 2025.

Our Proxy Voting Policy and Process

(Click here for our [Proxy Voting Policy and Process](#))

Voting requires an individualised approach: each company is different, has a unique history, and has their own opportunities and challenges. High conviction active management is particularly suited to thoughtful voting and engagement with management.

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.

Our policy articulates the principles which we follow in relation to key expectations.



OUR COMMITMENTS



Climate Action 100+ member

Investor Group on Climate Change (IGCC) member



Investor Group on Climate Change

**IAST
APAC**

**Investors Against
Slavery and Trafficking
Asia Pacific**

Investors Against Slavery and Trafficking (IAST) member

Principles for Responsible Investment (PRI) signatory since 2017

Signatory of:

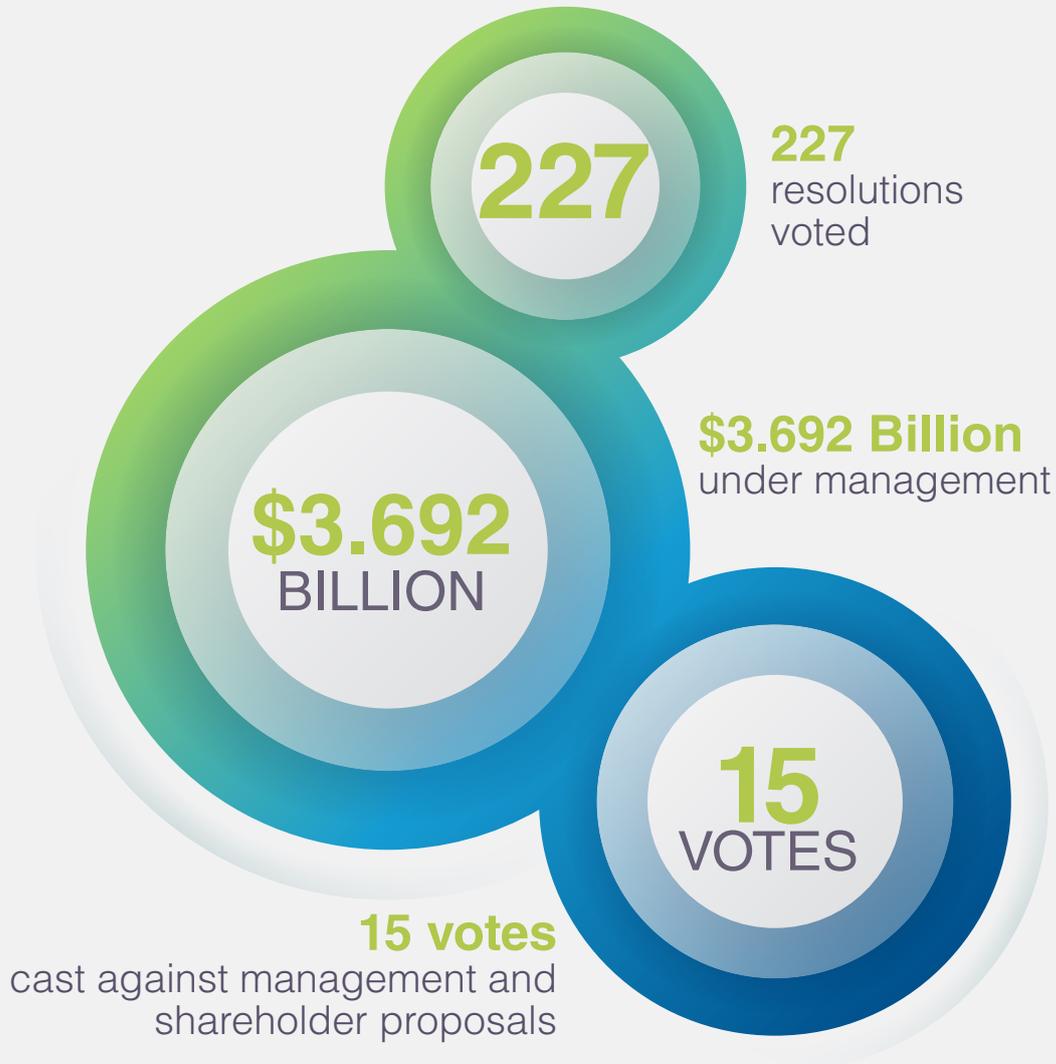


**Responsible
Investment
Association
Australasia**

Responsible Investment Association Australasia (RIAA) member

Active stewardship

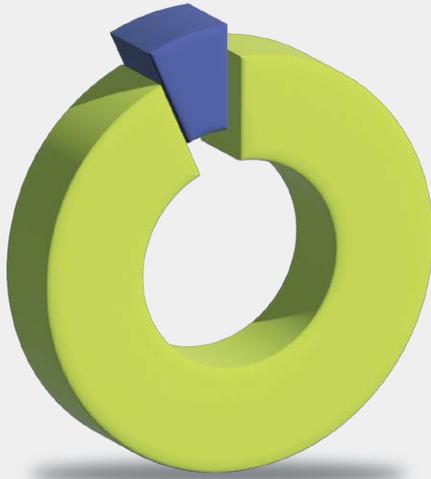
Summary of our work on ESG and active ownership in 2025



Source: Platypus, all data at 31 December 2025

Voting record

Our firm-wide voting record is summarised below.



PLATYPUS AGAINST VOTES IN 2025
Resolutions in 2025

■ 212 For	■ 15 Against
■ 0 Unvoted*	■ 0 Abstain

227 TOTAL



PLATYPUS VOTES WITH/AGAINST MANAGEMENT IN 2025
Resolutions in 2025

■ 208 With Management	■ 9 Against Management
■ 7 N/A*	■ 0 Unvoted*

224 TOTAL



PLATYPUS VOTES ON SHAREHOLDER PROPOSALS IN 2025
Shareholder Proposals in 2025

■ 0 For	■ 3 Against
■ 3 With Management	■ 0 Against Management

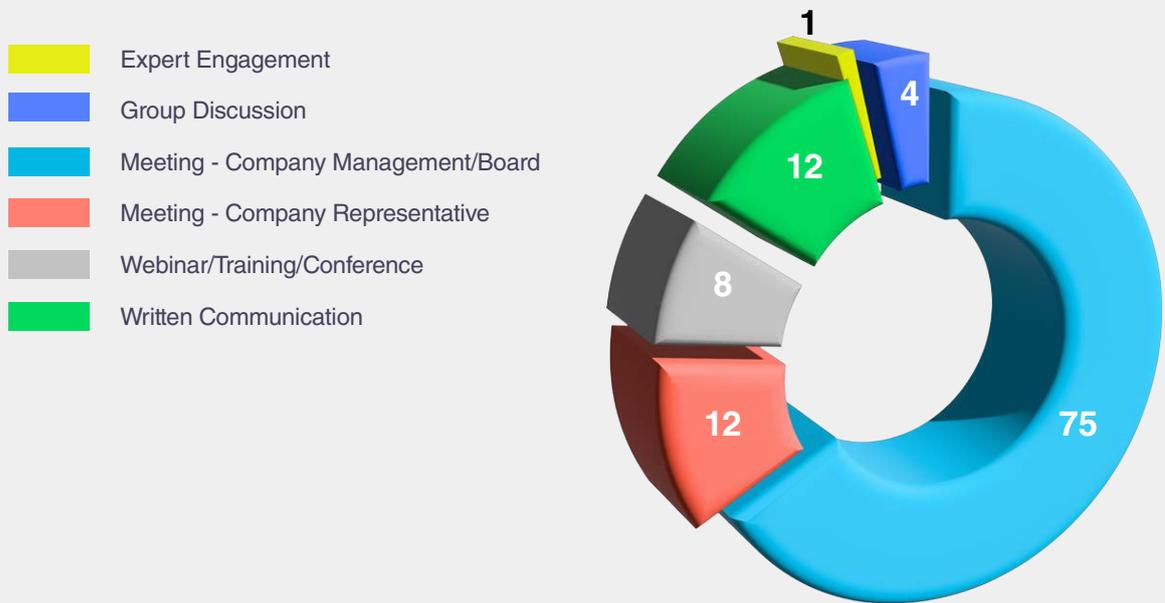
3 TOTAL

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.

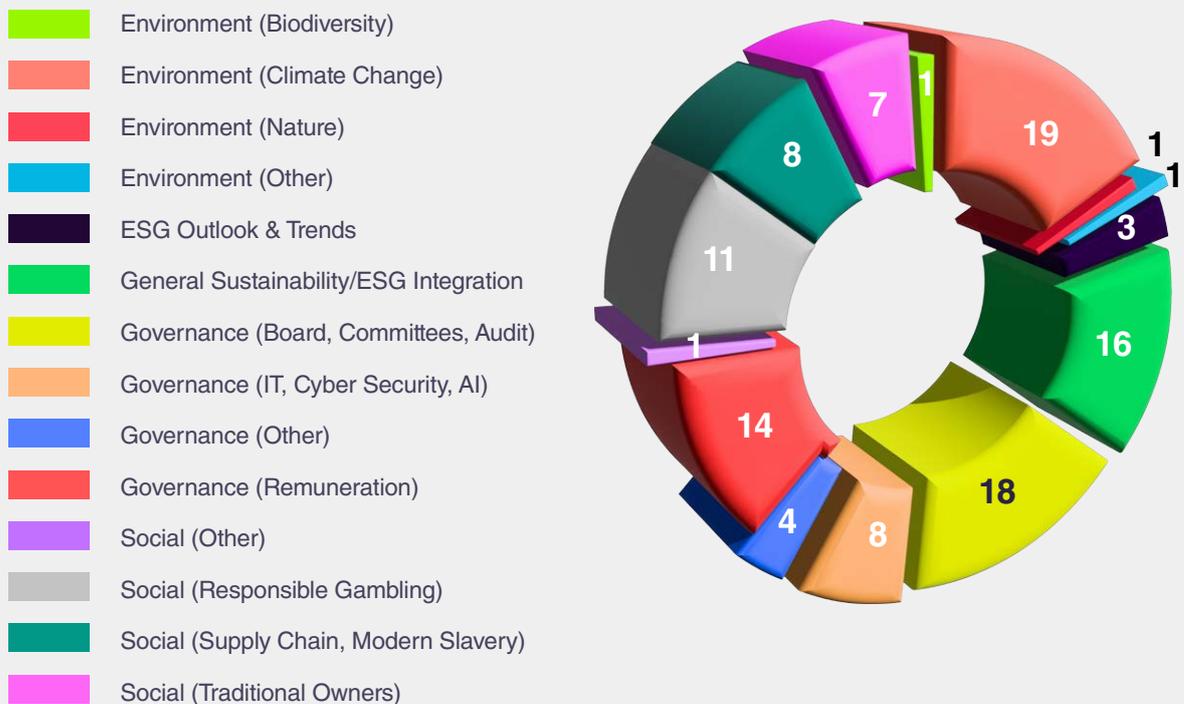
Company meetings

In 2025, we had **112** 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



Focus areas

CLIMATE

Through 2025, we focused on methane. We published a [report](#) that goes into detail about why reducing methane emissions is important.

- Methane contributed 0.5 degrees of climate warming in the 2010s, about two-thirds as much as carbon dioxide (CO₂);
- Reducing methane emissions in the short term will have a large impact on reducing global temperatures. Over 100 years, methane has a global warming potential (GWP) of 28, which means that compared to CO₂, methane has 28 times more impact than CO₂. Over 20 years, this increases to 84 times;
- Methane is ~18.9% of total CO₂-e GHG emissions (using 100 years GWP);

- Coal mines contribute about ~10.5% of global anthropogenic methane emissions. It is possible methods for estimating methane emissions from open-cut coal mines are underestimating methane emissions. If true, this would have an impact on both Safeguard Mechanism liabilities and Australian emissions more broadly.

The potency of methane to short term warming (84x more than CO₂) makes reducing methane emissions a compelling near term opportunity.

Our approach to methane demonstrates how we interact with multiple stakeholders as part of our broader research, making sure that we focus on the impact on listed companies.

Date	Type	Description
5/03/2025	Expert engagement	Met with experts from openmethane.org approach to understand methane estimation in the atmosphere.
19/03/2025	Expert engagement	Continued discussions with openmethane.org to understand details around approach.
23/04/2025	Expert engagement	Engaged with academic and UN experts on published research on atmospheric methane measurement from open-cut coal mines.
9/05/2025	Expert engagement	Discussed methane emissions with experts from the UN linked International Methane Emissions Observatory (IMEO).
20/05/2025	Written communication	Email discussion with BHP investor relations on methane Method 1 and Method 2 measurements. (see page 13 of the report).
20/05/2025	Expert engagement	Continued dialogue with openmenthane.org.
21/05/2025	Company meeting	Met Whitehaven Coal and discussed Method 1 and Method 2 methane measurement and cost and risks of Ventilation Air Methane (VAM) technology. (see page 14 of the report).
23/05/2025	Company meeting	Met Yancoal and discussed Method 1 and Method 2 methane measurement and cost and risks of VAM technology within mines.
4/06/2025	Written communication	Correspondence with UN expert on Method 2, clarifying limitations.
20/06/2025	Company meeting	Met with Santos to discuss Oil and Gas Methane Partnership (OGMP) certification and the company's intentions.
11/08/2025	Conference	Discussions with IEEFA, Environmental Defense Fund, Cathy Foley, Stanmore, CSIRO, Peak Carbon on methane in coal, oil, and gas.
26/08/2025	Expert engagement	Discussion with UN experts about methane in steel supply chain and how Platypus could contribute.
15/09/2025	Expert engagement	Met with Peak Carbon about VAM abatement technology, and discussed engineering and policy limits in Australia.
15/12/2025	Expert engagement	Participated in CSIRO roundtable with VAM suppliers, coal companies, regulators, and researchers on methane in coal mines.

We will continue to engage on methane through 2026.

MODERN SLAVERY

We are members of IAST and as part of this group are support investors for an engagement with Fisher and Paykel (FPH). We discussed the application of IAST's Find It, Fix It, Prevent It framework to FPH with our collaborators, then engaged with the company. We highlighted how we thought FPH could progress, and listened to how achievable this

progression was in the context of FPH's business. In follow up communications, we put time frames around our requests. To be clear, FPH's approach to modern slavery and procurement is leading compared to peers. However, all practices can be improved, and we took this approach with FPH. We will continue this engagement through 2026.

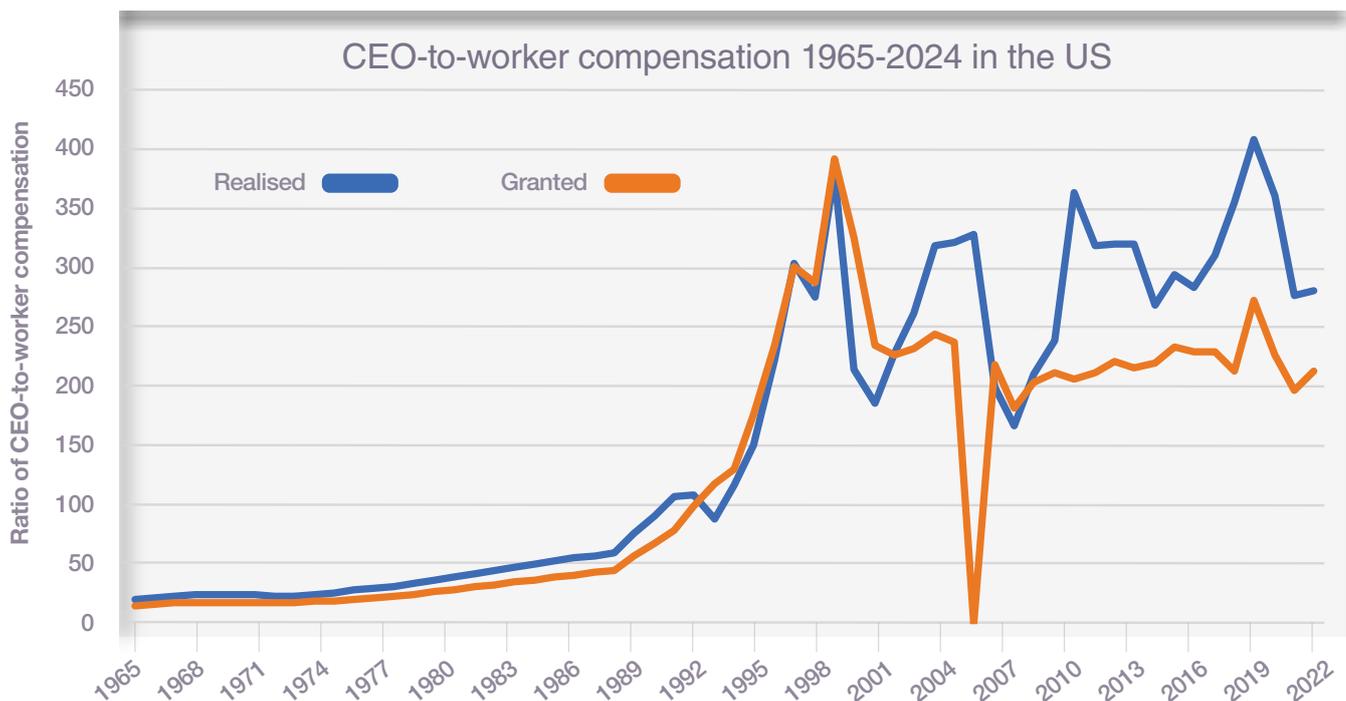
REMUNERATION

Voting on and discussing remuneration with board members and Chairs forms an important part of our engagement.

Remuneration is a topic that can have moral underpinnings: opinions on remuneration are often concerned with the principles of right or wrong behaviour. We often hear phrases like 'we need to pay for talent' or on the other side of the argument something similar to 'that pay packet is egregious'. Remuneration is contextual, and both phrases to some extent are unhelpful in deciding what is appropriate. As active managers, we are well placed to take a thoughtful approach to voting, taking into account shareholder experience, expectations of future growth, and alignment between management and shareholders.

As with all things in investing, we find historical comparison helpful. The Economic Policy Institute, a non-profit think tank, has calculated the ratio of CEO-to-worker compensation from 1965 to 2024. The gap widened dramatically from 1990 to 2000 but has stayed relatively stable since then.

While we do not believe that CEOs are necessarily more skilled today than in the past, broader context is important here. We see a similar trend with athletes and those in the entertainment industry. In fact, this phenomenon of winner takes all was considered in a 1981 paper by the economist Sherwin Rosen.² He argued that lesser talent is a poor substitute for superstars and that through technology many buyers can be serviced simultaneously, leading to superstars reaping large rewards. There are some similarities with CEOs. For large, global companies with many thousands of employees, CEO decisions will have a large impact. For decisions that turn out well for the company, the employees, and the shareholders, CEOs should be rewarded. Unfortunately, this is where the comparison to star athletes ends and the nuance begins. CEO selection and remuneration are closely linked: we address each in turn.



Source: [Economic Policy Institute - Sept 2025](#)

² Rosen, S. (1981). The Economics of Superstars. *The American Economic Review*, 71(5), 845-858.

Case study: NextDC

We engaged with NextDC, a data centre operator, on their remuneration report in October 2025. We sought clarification from the board and remuneration committee on their thinking. With this example, we highlight the nuance of voting and engagement and how voting against a remuneration report is often a balancing act.

Remuneration report

We highlight the parts of the remuneration report that were important to us at the time of our voting.

- For the second tranche of the FY22 long term incentive (LTI), the performance period was measured from the 27th August 2021 to 27th August 2025. For vesting, outperformance of NXT to the ASX 100 accumulation index was required. For this particular period, the total return for NXT was 32% while the total return for the ASX 100 was 43%. Despite not achieving the threshold, the Directors used their discretion and decided to award 50% to the CEO, citing the AI model DeepSeek and other events outside management control.
- The remuneration report included a one off grant with face value \$150m, allocated 1/3 to CEO and 2/3 to ~40 other executives. NXT realise there is a talent war and the grant is a response to the broader environment.

Comments

In light of our comments on remuneration frameworks, there are both positives and negatives in NextDC's remuneration report. Providing significant equity ownership to a large number of senior staff is positive, creating alignment and a sense of shared responsibility and success. However, while the second tranche of the FY22 LTI did not meet a pre-defined vesting criteria, 50% was awarded by the board to the CEO anyway. This action tilted the balance and we voted against the remuneration report.



Case study: James Hardie

During 2025, James Hardie (JHX) acquired AZEK, a US listed decking and exteriors manufacturer. JHX shareholders were not able to vote, even though the transaction required an increased issuance of ~35% new shares. Additionally, the James Hardie board did not negotiate a break fee for the transaction: AZEK would have been entitled to sue for completion under Delaware law if the James Hardie board terminated the deal. These actions were not well received by shareholders, and given the JHX remuneration structure this had a flow on effect.

Remuneration report

There was one part to the remuneration report that we focused on:

- Part of the scorecard that is used to measure outcomes is based on safety. The preferred method used by the board is called 'DART'. This refers to days away, restricted or transferred and measures any combination of injuries and illnesses that led to workers remaining away, restricting their activities, or transferring to another job. DART worsened from FY22-FY25 in all geographies, except North America, which was especially poor to begin with. The board used discretion, pointed to improving trends within the disappointing numbers and chose to award executives 55% of the maximum entitlement, even though pre-defined hurdles were not met.

Another part of the remuneration report that we will watch going forward is the long term incentive (LTI). The largest part of the LTI, which itself forms a large part of executive remuneration is paid in cash, referenced to the share price. This lessens the alignment with shareholders and introduces a time dependency that leads to odd outcomes. For example, in 2025, the share price that was used to determine the amount of the cash LTI did not include the negative reaction to the company result in August 2025. And because the award is cash, executives did not experience the value contraction that shareholders did.

Comments

Alignment between management and shareholders could be improved through better remuneration structures in which both management and shareholders win and lose together. We acknowledge the details are nuanced, yet we expect stress testing by the board of certain scenarios to highlight inconsistencies. The timing of the LTI award in August 2025 is a case in point.

While we are not opposed to board discretion with respect to formal scorecards, because the safety record had not met initial targets and the shareholder experience was poor during the period, we disagreed with the board in this instance. This action tilted the balance and we voted against the remuneration report.



In addition to the remuneration report, we voted against the incumbent Chair. With respect to the AZEK transaction, while within the letter of the law, it was outside general stakeholder expectations. We held the Chair ultimately responsible for the way in which the transaction was structured. In addition, the AZEK transaction resulted in a change in admission status from ASX listing to ASX Foreign Exempt Listing, perceived by investors as the first in series of steps to remove JHX from the ASX entirely. The reaction to the transaction was so severe that the ASX initiated a public consultation ([see here](#)) titled 'Shareholder approval of dilutive acquisitions and changes in admission status.' As part of responsible investment at Platypus, we engage with regulatory bodies and other organisations when appropriate. We submitted a letter to the ASX consultation on the 1st December 2025. We made three points:

1. shareholder approval should be required for a change in admission from ASX listing to ASX Foreign Exempt Listing,
2. shareholder approval should be required via ordinary resolution for a voluntary delisting by a dual listed entity on the ASX, regardless of whether the entity was first listed on a foreign exchange or not,
3. and the current limit on issues of securities without approval under exceptions 6 and 7 in Listing Rule 7.2 should be reduced to 25%, and should apply to all listed companies.

All three were not met by JHX with the AZEK transaction. In this instance, the broader market agreed with us and the Chair did not achieve the number of votes necessary for another term.



Community Involvement

Platypus continued with its support of the Art and Dementia program at the Museum of Contemporary Art (MCA). 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 roll back in regulations seen through 2025 will slow through 2026. Internal company initiatives that remain in place at the end of 2025 likely have a clear economic justification, and so we expect these to continue. For external capital allocation, we think that within the US and the EU especially, companies will be more cautious where returns are dependent on regulation. This will not be resolved quickly: it will take a new generation of leadership whose plans have not been altered by legislation for trust to return. That said, there are a number of entrenched trends that we expect to continue through 2026.

The speed with which AI, particularly large language models (LLMs), have both been developed and adopted by users is remarkable. ChatGPT reached 100 million active users two months after launch, making it the fastest growing consumer application in history. As at January 2026, it has

over 800 million weekly active users. There are a number of responsible investment topics slowly becoming more front-of-mind that arise from AI.

The first is with the models themselves. They have been trained on data - often all the data on the internet combined with other sources (e.g., books). This data has not been edited, is often written by non-experts (e.g., opinions on the safety of vaccines), and represents the political opinion of its author. It is unlikely that the average opinion is correct in all cases and this will feed through to the output of the model. Heuristically, LLMs are 80% accurate and without the appropriate guardrails can produce harmful content in some cases. How these guardrails should work and who is responsible is an evolving landscape. The best companies with a view to the long term will be aware of their broader responsibility, regardless of regulatory environment, and

think carefully about how to implement appropriate model governance.

The second is with data and model sovereignty. Where data is stored and where it is used often cross geographical boundaries. As a result, legislation in one jurisdiction can reach into others. A model created under less restrictive legislation might not be able to be used elsewhere. This is a risk: businesses buying models from technology companies will not be able to use LLMs if they are not compliant with local law. Additionally, companies need to be aware of how their customer data is both stored and used by LLM providers. For fast growing industries, there is a risk that this is thought through after the fact.

The third is with the underlying infrastructure. AI requires large amounts of compute, which requires physical location, and electricity and water usage. Companies need to navigate their social license to operate carefully here: communities do not want higher electricity prices or water restrictions because a local data centre has not been thoughtfully placed or designed. This is of course political and we expect marginal seats to have greater focus.

Linked to AI is the energy transition. As the grid decarbonizes, continued investment in the physical grid will be required. There will be cost and supply pressures for those parts of the

grid that only have one or two suppliers globally. Transformers are an example here. Additionally, we expect battery technology to develop quickly, and for grids that need coal or gas for firming, it is possible that battery technology will enable these to be replaced quicker than expected at present.

Finally, we expect defence as a theme to continue. The world order has been altered by the Trump administration and the US can no longer be relied upon in the way that it once was. As a result, defence spending will increase more broadly and this will impact the relevant listed equities. For investors, it is important that governance within defence companies is of the highest standard. We expect the equity market to respond negatively to governance breaches that result in products being used in unintended ways. This is the benefit of public market scrutiny in a sector that historically has been avoided by the responsible investment community.

We remain committed to integrating ESG into our investment process from the perspective of both risk and opportunity. ESG provides a view of the current trends and an expectation that companies take their stakeholder relationships seriously. We believe that this approach is in the long term interests of shareholders, employees, the broader community, the government, as well as company management. And this will continue to impact how we allocate capital here at Platypus.



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