

ESG and Sustainability Quarterly Report

March 2023

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Antares March 2023 Quarter ESG & Sustainability Activity

57 ESG specific research initiatives

carried out by the team across numerous topics through engaging with companies and domain experts

23

Environmental

- Decarbonisation strategies
- Safeguard mechanism
- Energy efficiency
- Solar energy
- Weather impacts on agriculture
- Water security
- Carbon sequestration
- Biodiversity
- EV fleets and charging
- Fast fashion
- Product provenance
- Timber
- Sustainable packaging
- Circular economy

22

Social

- Safety
- Fatalities
- Company culture
- Cybersecurity and data
- Automation
- Gender and age diversity
- Responsible gaming
- Anti-Money Laundering
- Cashless gaming trials
- Product labelling
- Impact of cannabis on alcohol consumption
- Regulatory reform in employment programs

12

Governance

- Board renewal
- CEO transitions
- Succession planning
- Remuneration
- Retention and incentives
- Capital allocation
- Disclosure and transparency
- Independent valuations
- Organisational accountability

8 key strategic engagements

1. Engaged with industrial company following fatality on increased safety measures.
2. Engaged with resources company following fatality on implications for executives.
3. Provided CEO and Chair of biotech with our views on different capital funding options
4. Engaged with health insurer on merits of precision medicine in risk assessments.
5. Provided small cap company with suggestions for improved stakeholder relations.
6. Engaged energy company regarding implications on dividend policy as a result of capital required for energy transition.
7. Engaged with industrial company on detailing transition plans and challenges in reducing scope 1 emissions.
8. Engaged with consumer company on improving disclosure of social impact metrics.

1 portfolio decision across the funds influenced by ESG insights

- Added Sandfire Resources (electrification/decarbonisation)

19 resolutions at 3 meetings



18 were voted "for",
1 was voted "against".




Our one "against" vote was against the election of a non-Board endorsed Director candidate.

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Antares key ESG & Sustainability – key examples during the quarter

Issue	Context	Research & Findings	Actions, Outcomes & Implications
 <p>Safety and Fatalities (Social)</p>	<p>We discussed fatalities that have recently occurred in a portfolio company in the mining sector. This has been a growing concern of ours in industrial and mining sectors as we believe labour shortages have led to less experienced people taking up roles they are less qualified for.</p>	<p>The two fatalities occurred during routine maintenance work, with an additional contractor also seriously injured during the incident. Internal investigations have revealed the employees were not operating outside of standard procedure, however contact with the OEM of the equipment involved has revealed a similar incident has occurred with another customer.</p>	<p>Mitigation: We discussed with the company the opportunity for the industry to share safety information given a similar incident had occurred previously. Company A also has a history of fatalities (5 of the last 6 years) and we have articulated that whilst training is important in dangerous operating environments, there is also a need to build redundancy and safety mechanisms in the event harm does occur in order to minimise the effects of.</p> <p>Incentives: We note that the company has 25% of management short term incentives linked to safety and community. We have engaged with the Board to inquire what the consequences for management will be, noting that the Board has discretion to penalise management outside of the safety STI in the event of fatalities. The matter is under review.</p>
 <p>CEO transitions (Governance)</p>	<p>CEO turnover remains elevated in a post COVID environment</p>	<p>We met with seven newly appointed CEOs of companies under Antares coverage to discuss their initial views on their respective companies and to gauge any potential changes in strategic direction.</p>	<p>Turnover to continue: We expect CEO turnover to continue at an elevated rate across the ASX as the latest reporting season showed that companies are struggling to deal with cost inflation. We believe this may be a symptom of companies transitioning from a period of low inflation to high inflation, which has seen the focus switch from top line growth to efficiency and profitability. This new environment may require a different set of skills and hence new leadership. We also observe that some management teams appear fatigued post COVID.</p> <p>Key themes with incoming CEOs were around company culture (fix or preserve), greater discipline and efficiency and strategic direction (in particular portfolio management and capital allocation). We also spent time engaging with a number of other companies where we see key person risk on succession planning.</p>
 <p>Safeguard mechanism (Environmental)</p>	<p>Parliament passed reforms to Australia's safeguard mechanism which will take effect from 1 July 2023. The reforms apply to facilities with >100kt of CO2-e emissions intensity.</p>	<p>The reforms set a baseline scope 1 emissions reduction of 4.9% p.a. to 2030. There are adjustments to this for industry averages and levels of production. We met with CSR to discuss the impact of the changes on the Tomago aluminium smelter.</p>	<p>CSR management acknowledged the difficulty of reducing the smelter's scope 1 emissions, however CSR continues to target reduction in Scope 2 emissions by a greater shift towards renewable energy usage. Given the challenges in achieving scope 1 reductions, we explored the scenario where Tomago becomes uneconomic due to energy policy.</p> <p>In this scenario, we assess that the company can possibly shut the smelter and sell the land. The company estimates that remediation costs associated with doing so are not excessive and the land size on which the site is located is relatively large.</p>

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