ESG and Sustainability Quarterly Report September 2023

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Antares September 2023 Quarter ESG & Sustainability Activity

52 **ESG specific research initiatives**

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

23

Environmental

- Water rights
- Biodynamic farming
- Solar energy
- Recycling
- Biofuels
- Hydrogen
- Sustainability capex
- EV charging
- Decarbonisation
- Waste management
- Green ammonia
- Carbon offsets

17

Social

- Workplace safety
- Gaming reforms
- Fraud
- Cybersecurity
- Theft
- Automation
- Community engagement
- Skilled labour availability
- Staff turnover
- Medical advertising
- Industrial action

12

Governance

- Capital allocation
- Turnaround strategy
- Appointment of CEO
- Board structure
- STI targets
- Organisational restructure
- Capital allocation
- Retention plans

8 **key strategic engagements**

1. Engaged with large cap company on potential environmental and safety risks as well as potential liability due to toxic material on sites.
2. Engaged with insurer on remuneration governance post low payout ratio announcement.
3. Engaged with gaming company on opportunity to reduce social risks via diversification.
4. Engaged with materials company on lack of direct presence at operations under JV.
5. Provided feedback to resources company on concerns about capital allocation in the current environment where skilled labour is lacking and could create safety risks.
6. Requested two large cap companies to develop policy on public disclosure of fatalities to enable better transparency and engagement.
7. Met with executives and board of transport company to understand key issues following regulator and media scrutiny and provided views on appropriate action for redress.
8. Met with small cap company to understand issues with earnings visibility due to inadequacy of reporting systems and controls.

2 **portfolio decision across the funds influenced by ESG insights**

- Initiated new position in Johns Lyng Group (climate change)
- Exited position in Iress (governance)

31 **resolutions at** **6** **meetings**

30 were voted “for”.
1 was voted “against”, 0 “abstained”.

Our against vote related to remuneration

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Antares key ESG & Sustainability – key examples during the quarter

Issue	Context	Research & Findings	Actions, Outcomes & Implications
Carbon Border Adjustment Mechanism (Environmental)	The Federal Government has announced a review into the introduction of a Carbon Border Adjustment Mechanism ('CBAM'). The review stems from the reforms of the Safeguard mechanism which came into effect in 1 July 2023. The review report is proposed to be finalised in the late 2024.	Under CBAM, Australia will impose a carbon tariff on products that are imported from countries with less stringent emissions reduction policies. The aim of a CBAM is to address the potential carbon leakage that may occur when importing products from foreign producers. The steel and cement industries will be the focus of the review.	In recent results, Boral (BLD) emphasized the need for a CBAM, with Berrima particularly exposed to carbon leakage. We met with the management from BLD and ABC to discuss the potential impact of the review on their operations and earnings. Both management teams believe the Federal Government is likely to introduce a CBAM to protect domestic cement manufacturers. BLD and ABC produce cement that is lower in carbon intensity compared to foreign producers and hence both companies believe that a CBAM will be positive for their cement earnings. We continue to monitor how the review progresses.
Safety and fatalities (Social)	The number of fatalities continued to rise in FY23, with 23 reported across mining, energy, industrial and retail sectors. Safety metrics were mixed. Generally, building material, resources and energy sectors saw an improvement in TRIFR whilst consumer companies reported mixed results.	The requirements on companies to report workplace fatalities to the market are a grey area depending on assessed materiality. We note that whilst companies have generally improved reporting of fatalities in recent years, there is scope to improve on the timing and the delivery of the announcements. A meaningful number of fatalities continue to be undisclosed or only reported in media. Furthermore, some companies attributed their deteriorating safety metrics to increased theft. Theft has been an emerging issue in the reporting season. Companies are investing in technology and training the staff in response.	We engaged with one of our portfolio companies following two fatalities during the year and how these were disclosed to the market. We noted that our preference is for fatalities to be disclosed on the ASX or via an official media release as this allows for more timely engagement and is material to human capital. The company acknowledged that such action would have been the right thing to do in hindsight and will adjust its approach going forward. Additionally, we met with two of our portfolio companies that reported deteriorating safety metrics. They noted the safety concerns were mainly due to rising theft as well as the verbal and physical abuse of their staff. Both companies are conducting staff training to better prepare them from the potential risk of injury. We also requested clarification on policy around public disclosure of fatalities with these companies.

Issue	Context	Research & Findings	Actions, Outcomes & Implications
On-site presence (Governance)	Alumina (AWC) has a 40% stake in Alcoa World Alumina and Chemicals (‘AWAC’) whilst the other 60% is owned by Alcoa. AWAC is one of the world’s largest producers of alumina and miners of bauxite. Recently, they have failed to secure mining rights to high grade bauxite sources in WA, resulting in an uncertain operational outlook.	Our analysis suggests that AWC lacks a direct presence at the AWAC site. AWC is Melbourne based whilst AWAC is in WA, making it difficult for the management to gauge how the day-to-day operation is going and to collect appropriate information to make decisions.	We engaged with AWC’s management to provide feedback on the need for them to have a direct presence in WA. Our rationale for the suggestion is that AWAC is the only asset AWC owns and by being closer to the site, AWC management will be better able to gather information and influence the outcomes of decisions. The management was receptive to the suggestion and have begun a review on how to best engage with decision makers in WA. We will continue to engage with the company and be watching for tangible signs of progress in upcoming meetings.

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