INVESTMENT MANAGEMENT

2024 ESG AND SUSTAINABILITY REPORT

About this report

This is Alphinity's fourth Environmental, Social and Governance (ESG) and Sustainability Report. This report highlights key ESG and sustainability outcomes and achievements for the reporting period across all Alphinity strategies including the Alphinity Australian Share Fund, Alphinity Concentrated Australian Share Fund, Alphinity Australian Sustainable Share Fund, Alphinity Global Equity Fund - Active ETF, and the Alphinity Global Sustainable Equity Fund - Active ETF.

This reporting period is 1 January 2024 to 31 December 2024. Unless stated otherwise, the data, outcomes and examples in this report are from this period.

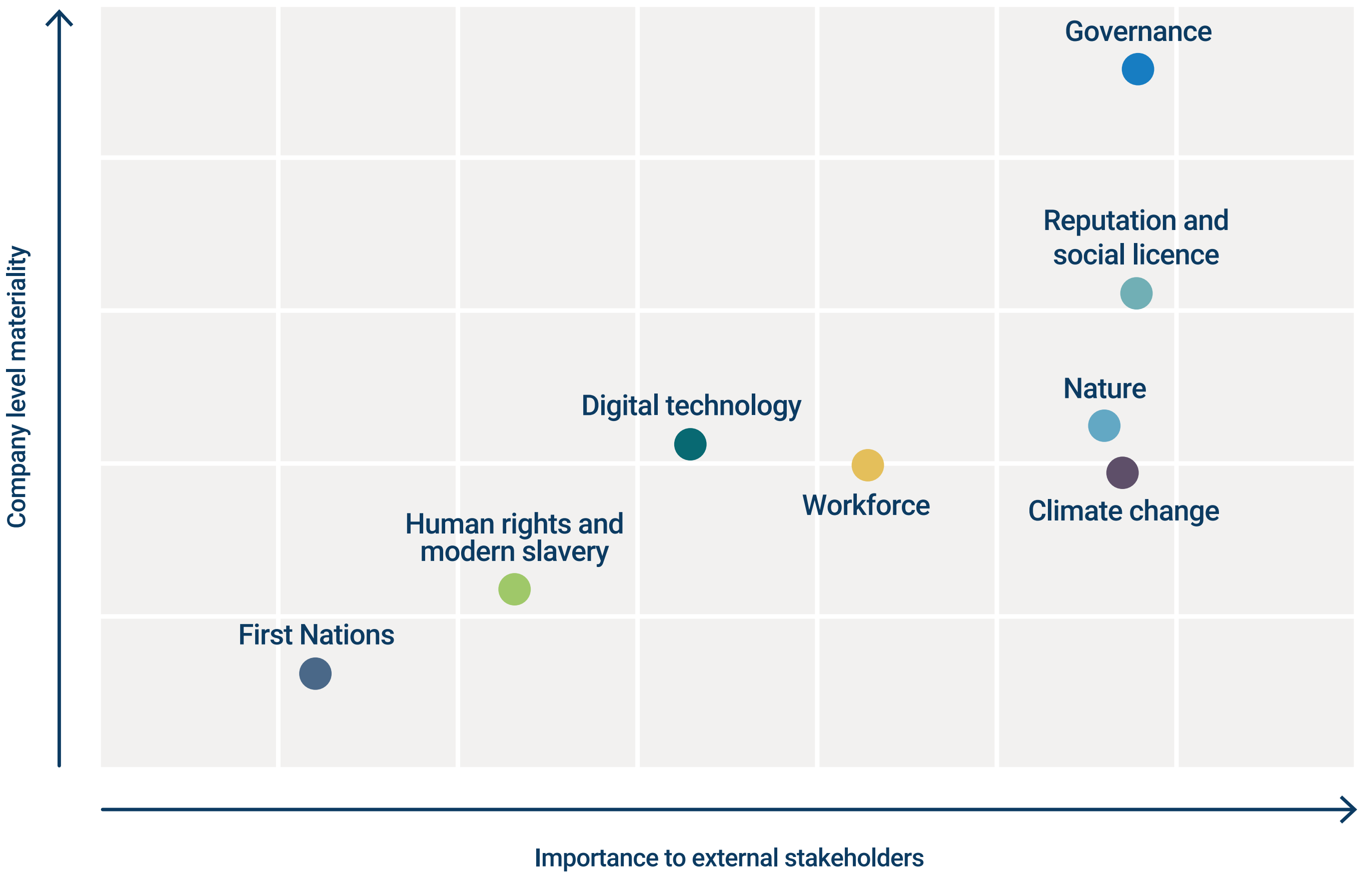
Materiality

Each year, we review the overall materiality of various ESG topics for all companies held during the reporting period. The purpose of this review is to structure the thematics section of this report, identify suitable case studies and confirm the forward-looking research program related to ESG and sustainability issues.

In 2024, we assessed our holdings against more than 40 individual ESG factors (identified using external ESG guidelines such as the Sustainability Accounting Standards Board Materiality guides and our own knowledge) and identified 8 material thematics: nature, climate change, workforce, reputation and social licence, governance, digital technology, human rights and modern slavery, and First Nations.

The following matrix presents the output of the internal materiality assessment against the view of external stakeholders. To represent the view of external stakeholders we account for ongoing interactions with our clients and their view on ESG topics, external regulatory requirements, and ESG-related guidelines and frameworks.

2024 Materiality matrix



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Introduction from the Alphinity founders

Andrew Martin
Principal,
Portfolio
Manager

Bruce Smith
Principal,
Portfolio
Manager

Stephane Andre
Principal,
Portfolio
Manager

We are proud to present Alphinity's fourth ESG and Sustainability Report. The report is full of case studies and examples that demonstrate our ongoing commitment to sustainability, investing responsibly, and transparency. We hope it will provide some insight into our ESG and sustainability-related priorities, processes, policies and outcomes.

Alphinity's ESG and sustainability team prepares this report and manages the wide range of activities that fall under our five pillars of responsible investing. Delivery of these activities, however, is the responsibility of the entire investment team. Our collaborative approach to ESG and sustainability, whereby all teams work together to identify and manage risks, enhances our ability to integrate ESG-related matters into investment decisions.

We believe that ESG integration plays an important role in helping us to fulfil our fiduciary duty to maximise returns and manage risks on behalf of our clients. It ensures our analysis and investment decisions will consider all material drivers of risk and opportunity, including non-financial aspects such as climate change, workforce culture, social licence, controversies, and governance. As such, it is essential to our ongoing success as an investment manager.

Greenwashing has become a key focus for regulators in Australia, resulting in increased scrutiny on asset managers to ensure that their ESG claims are substantiated and transparent. Alphinity remains fully committed to maintaining the highest standards of transparency and veracity in all aspects of our ESG and sustainability activities, and this report reflects our ongoing efforts. We also take great care to ensure that our marketing materials and fund disclosures are not only compliant with regulatory requirements, but provide our clients and potential clients with honest, reliable, and meaningful information. This constant focus on upholding the integrity of both our actions and communications helps to strengthen the trust that our clients place in us, knowing they can rely on the authenticity of our ESG commitments.

Regardless of the political environment, we know that our responsible investing efforts will help us to achieve our ultimate goal of delivering attractive long-term risk adjusted returns for our clients. As such, we remain committed to delivering activities in line with our ESG and stewardship policies, our two sustainable strategies, the needs of our investors and, most importantly, to meet our fiduciary obligations.

2024 has been another exciting year for Alphinity.

We:

- Welcomed five new team members including Monique Rooney as a Senior Research Analyst on the domestic team, Ty Archibald and Matisse Clark as Global Research Analysts, Jasmine Singer as an ESG and Sustainability Associate, and Andrew Hair as the Chief Commercial and Operating Officer.
- Completed a landmark research project with the CSIRO on Responsible AI and published our insights along with a framework for investors. Across the year we delivered many presentations to our clients and other stakeholders to discuss the project outcomes. We were also invited to speak on a responsible AI panel at the United Nations Principles of Responsible Investing (PRI) global conference in Toronto, Canada.
- Developed and integrated a Net Zero Asset Alignment Framework in line with global standards which helps us to better understand climate and transition-related risks and opportunities across our portfolios.
- Increased our ESG engagement with companies. In 2024, we engaged approximately 120 companies across more than 200 individual meetings. Similar to past years, the common topics addressed through our engagements were climate change, data, privacy, responsible AI, health and safety, and governance.

This report presents more than 100 case studies and examples, and showcases our efforts in ESG integration, engagement research, framework development, and proxy voting against our five pillars of responsible investing.

Looking ahead to 2025, we expect ESG to continue to be a polarising issue. In response to changes in the political environment, we have already seen several large global companies change their approach to ESG-related target setting, especially in the areas of diversity and inclusion and climate action. We expect that there will be ever-increasing pressure on investors to focus their ESG efforts on material issues and financial returns.

We remain optimistic that leading companies and investors, who value social licence and have a longer-term view, will remain committed to ESG, sustainability, and responsible investing. However, 2025 is guaranteed to be another interesting year.

Our Operations

About Alphinity

Established in
2010

21
full time employees

5
strategies across Australian and global listed equities

2
dedicated sustainable strategies

$A42.6 billion
of assets under management
(31 December 2024)

Who we are

Alphinity is an active equities investment manager based in Sydney. Our purpose is to always put clients' interests first by striving to deliver consistent outperformance. We do this through our philosophy of investing in quality, undervalued companies which our research concludes are in, or about to enter, a period of earnings upgrades.

Alphinity was established in 2010 by its four founders who had all worked together in Australian equities at a large global firm since the early 2000s. In 2015, Alphinity expanded to include a highly experienced global investment team, applying the same philosophy and process to the much larger set of equity investment opportunities outside of Australia. We now have two dedicated teams managing Australian and global equity strategies, supported by a range of specialist resources.

Our boutique ownership structure results in an alignment between our portfolio managers and the objectives of investors in our strategies. By outsourcing the bulk of business management, distribution, administration and compliance services to Fidante, a wholly-owned subsidiary of ASX-listed financial services company Challenger Limited, Alphinity employees can focus solely on investing and adding value for our clients.

We have five active strategies across Australian and global equities, including two sustainable strategies. Our sustainable strategies aim to invest in listed global and Australian companies that we assess as having the ability to make a net positive contribution to society in areas of economic, environmental and/or social development by contributing towards the advancement of the 17 United Nations Sustainable Development Goals (SDGs).

Our team

Our team is made up of 21 full time employees across portfolio management (both Australian and global equities), ESG and sustainability, trading and quantitative research.

In 2024, we welcomed five new team members including; Monique Rooney as a Senior Research Analyst in the domestic team, Ty Archibald and Matisse Clark as Global Research Analysts, Jasmine Singer as an ESG and Sustainability Associate, and Andrew Hair as the Chief Commercial and Operating Officer.

Global

Jeff Thomson
Portfolio Manager

Jonas Palmqvist
Portfolio Manager

Chris Willcocks
Portfolio Manager

Trent Masters
Portfolio Manager

Matisse Clark
Research Analyst

Ty Archibald
Research Analyst

Domestic

Bruce Smith
Principal, Portfolio Manager

Stephane Andre
Principal, Portfolio Manager

Andrew Martin
Principal, Portfolio Manager

Stuart Welch
Portfolio Manager

Jacob Barnes
Senior Research Analyst

Andrey Mironenko
Senior Research Analyst

Monique Rooney
Senior Research Analyst

Shared resources

Jessica Cairns
Head of ESG and Sustainability

Moana Nottage
Senior ESG and Sustainability Analyst

Jasmine Singer
ESG and Sustainability Associate

Andrew Hair
Chief Commercial and Operating Officer

Andrew Taylor
Head of Trading

Elfreda Jonker
Client Portfolio Manager

Richard Hitchens
Head of Quantitative Research

Nick Ying
Trader/Quantitative Analyst

Fidante administration and distribution (~110 staff)

- **Investment operations**
- **Risk & performance**
- **Compliance**
- **Fund finance**
- **Business services**

Our strategies

Alphinity has five active strategies across domestic and global equities with total funds under management of $A42.6 billion as at 31 December 2024.

Strategy name	Strategy summary	Year established	Number of stocks
Australian Share	Diversified portfolio of quality large-cap Australian shares	2010	35-55
Concentrated Australian Share	Concentrated portfolio of Australian shares representing our best ideas	2010	20-30
Australian Sustainable Share	Diversified portfolio of Australian shares that support one or more of the United Nations Sustainable Development Goals	2010	35-55
Global Equity	Concentrated portfolio of high-quality global shares diversified across different industries and countries	2015	25-40
Global Sustainable Equity	Concentrated portfolio of global shares that support one or more of the United Nations Sustainable Development Goals	2021	25-40

Operational ESG

Alphinity has a small operational footprint, however, we recognise that we need to manage our impact and make a positive contribution where possible. We have provided information on our carbon footprint, charity initiatives and diversity in this section. Our approach to managing human rights and modern slavery in operations is outlined within our Modern Slavery Fact sheet.

Carbon emissions

We have purchased 377 tonnes of carbon offsets through Carbon Positive Australia as a donation to help fund nature-based projects across Australia.

Operational Carbon Footprint

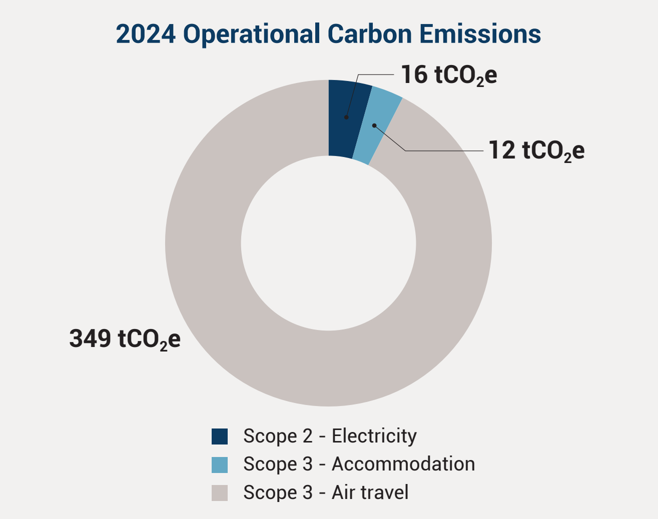
Alphinity's operational energy use is relatively small and consists of three main components. Scope 2 emissions are calculated using information from our electricity provider and state level emissions factors. Scope 3 emissions are estimated using flight and accommodation details provided by the internal team and emissions factors provided by Blue Halo.

Emissions from domestic and international air travel are a material contributor to our overall emissions footprint. Members of our investment team regularly travel to complete essential company research that enhances our fundamental analysis and informs investment decision making. We also travel to meet with our investors. We are aware of this impact and try to reduce the amount of travel wherever possible. We also have a policy against flying business class.

Our 2024 emissions footprint is estimated to be 377tCO_2e. We have no Scope 1 emissions since we do not use fuel in our operations.

2024 emissions estimates are:

- Electricity used to power our single office in Sydney (Scope 2): 16tCO_2e
- Indirect fuel use for air travel (Scope 3): 349tCO_2e
- Indirect electricity used in accommodation when employees travel (Scope 3): 12tCO_2e



Other relevant Scope 3 emissions for our operations include emissions from taxis, public transport and working from home. We are considering how we can include information about these sources in future years.

Diversity

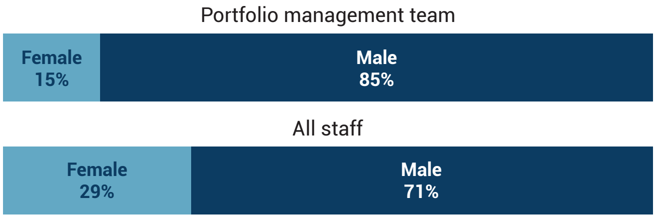
Alphinity prides itself on fostering an inclusive and stable work culture. As a boutique asset manager, Alphinity has a relatively small number of employees and a low rate of staff turnover. Our activities are supported by the large and highly diverse workforce at Fidante Partners.

Our workforce is culturally diverse with people from a range of backgrounds and nations. Almost half our employees were born outside of Australia, from places including Sweden, Belgium, Japan, South Africa, England, Russia and China. While we celebrate this diversity, we recognise the ongoing challenge of increasing gender diversity, particularly within the portfolio management team. We are pleased to report that the gender diversity of our investment team, including the portfolio managers and analysts, and shared resources such as ESG, trading and quantitative research, has increased to 26% this year.

When it comes to recruitment, our goal is to have a fair interview process that identifies the best candidates for each role. We remain cognisant of encouraging individuals from diverse backgrounds and genders to apply for all roles and strive to maintain inclusive language through our advertisements to reduce potential bias in our hiring processes.

The below chart presents our diversity metrics for staff employed full time as at 31 December 2024.

Gender diversity



Ethnic diversity

Giving back

We are proud to have offered financial and volunteering support to **Women's Community Shelters (WCS)** and to have again supported **Ardoch** for the third year. Our choice to support WCS and Ardoch reflects our preference to engage with local charities that align with the interests of our team.

Ardoch

Ardoch is a children's charity focused on improving educational outcomes for children and young people in disadvantaged communities across Sydney and Melbourne.

We funded the Learning through Lunch and Broadening Horizons initiatives in 2024. One volunteering day involved a Tafe experience with high school students to share our day-to-day role as investment specialists. Sadly, Ardoch closed its operations in December after 36 years of operation. We are seeking alternative charities to support in 2025.

Women's Community Shelters (WCS)

WCS is an Australian charity working directly with local communities in Sydney to set up crisis accommodation shelters for women and children experiencing homelessness and domestic violence.

The charity works with communities to establish new shelters, which provide short term emergency accommodation. Over the past eleven years, WCS has changed the conversation on women's homelessness, domestic and family violence in NSW and supported nearly 7,600 women and children. We are seeking opportunities to volunteer through the Helping Hands initiative to carry out gardening, painting or repairs to their properties.

Pillars of Responsible Investing

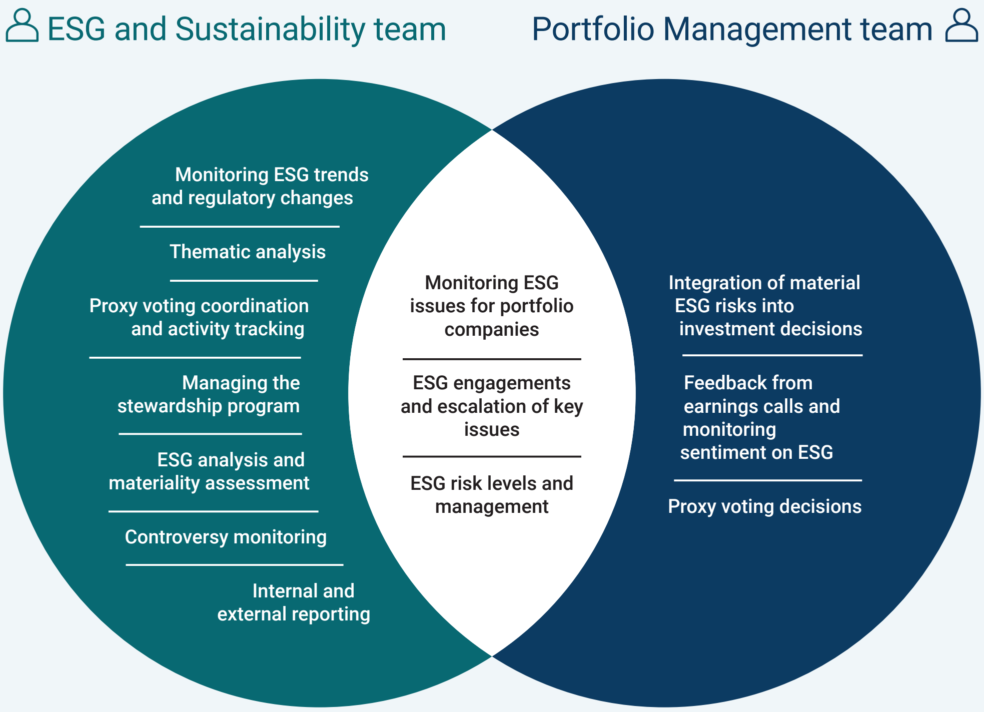
We are signatories to the United Nations-backed Principles for Responsible Investment (PRI). The PRI defines responsible investment as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.

Our five pillars of responsible investing were established in 2021 and are relevant for all aspects of Alphinity's investment practices across all strategies. The five pillars, which are summarised on the following page, are: ESG Integration, Stewardship and Engagement, Sustainable Investing, Thematics, and Transparency.

Our PRI Transparency Report is available **here**.

Roles and responsibilities

The implementation of activities under our pillars of responsible investing are shared between all members of the investment team. This helps to ensure that responsible investing, and our fiduciary responsibility to deliver the best risk return outcome for our clients, is embedded at all stages of the investment process.



The ESG and sustainability team also facilitates regular teach-ins on different topics. Topics covered in 2024 include:

- Changes to European and UK sustainability regulations.
- Modern slavery and human rights risk management.
- Net zero transition and enhancements to our climate change framework.
- Responsible artificial intelligence risks and opportunities.
- Reflections from the annual PRI conference, and Responsible Investor Europe.

Our pillars

The following outlines our five pillars of responsible investing and key 2024 updates. Each pillar is supported by goals and related objectives.

Pillar	Goal	2024 updates
ESG integration We integrate ESG factors into investment decision making	Implement an ESG Framework to identify and manage ESG risks and opportunities for holdings and potential holdings	• Completed three new frameworks to better analyse more complex issues such as Responsible AI • Expanded the number of ESG topics to more than 40 (from 25 in 2023) and enhanced our scoring approach • ESG risk level assessed for all 2024 portfolio companies
	Monitor ESG risks and opportunities and influence on investment decisions	• No material changes in 2024. Examples of ESG integration, engagement and research are presented throughout this report
Stewardship and active engagement We are active managers and focus on using our influence to encourage better ESG outcomes where we believe it can improve risk and return outcomes	Establish ESG engagement objectives and engage with companies on an ongoing basis to manage ESG risks	• Completed 199 ESG engagements with approximately 120 companies • More than 40 active engagement objectives across 2024 holdings
	Vote on all resolutions put to shareholders	• We voted on 100% of proposals put to shareholders. Further information on voting practices is in the proxy voting section of this report
	Escalate ESG issues in line with our Stewardship Policy	• No material changes in 2024. Examples of escalation are throughout this report
Sustainable investing We have two dedicated sustainability strategies structured around the UNSDGs	Use a consistent and documented approach for the Sustainable Development Goal (SDG) analysis	• Our SDG alignment results as described on page 37 has been assured by KPMG for the third year. KPMG's limited assurance report is attached to this report
	Report the SDG alignment strategy holdings	• Our weighted SDG alignment are presented in this report. The positive and negative alignment to the SDGs for all holdings in the reporting period are presented in Appendix 2
	Maintain Responsible Investment Association of Australia (RIAA) certification for both sustainable funds	• Our two sustainable strategies were re-certified under the RIAA certification program in May 2023 and received the highest classification level of 'Sustainable Plus'. Recertification will be required in 2025
Thematics We consider, research, and assess key ESG and sustainability thematics	Identify key sustainability thematics and undertake research to inform broader views on ESG and sustainability, or for specific companies	• Used our ESG materiality assessment for 2024 holdings to identify 8 priority thematics aligned with 30 key ESG issues. An overview of each thematic, including our research efforts, company engagements, and case studies are presented under pillar 4 of this report • Completed 5 research trips to better understand thematic and ESG issues such as European regulation and the energy transition
	Integrate thematic assessments into our ESG Framework	• We have developed 5 thematic frameworks, three of which were finalised this year
Transparency We disclose proxy activities, portfolio holdings and have a public ESG Policy and Stewardship Policy	Publish an annual ESG and Sustainability Report	• This is Alphinity's fourth annual ESG and Sustainability Report. It covers the reporting period from 1 January 2024 to 31 December 2024
	Review Responsible Investment policies and develop additional policies as needed	• All policies have been reviewed and updated as necessary. No additional policies have been published in 2024

PILLAR 1

ESG integration

Alphinity seeks to identify and invest in attractively valued, quality companies which we believe are in, or are about to enter, an earnings upgrade cycle. Integrating environmental, social and governance (ESG) considerations into investment decisions is the responsibility of the portfolio management team with the support of the ESG team. It is viewed as a key component of fundamental investment analysis.

ESG issues can have an immediate and long-term material impact on company performance, can disrupt business operations and can increase operating costs. However, they can also increase efficiency, create new product opportunities and support a company's social licence to operate. By deepening our understanding of how individual companies manage ESG issues, we aim to more effectively identify the related risks and opportunities, enhancing our ability to achieve our objective of delivering above-average, long-term sustainable returns.

Our investment approach incorporates five methods for integrating ESG considerations into investment decisions. The method used depends on the materiality of the identified ESG issue and the overall risk to the portfolio.

	Integration approach	Description
Less immediate or limited potential impact	Monitor	ESG risks that are long-term, highly uncertain, or not immediately material are monitored by both the portfolio management and ESG teams.
	Engagement	Company engagement informs our view on ESG risks and is used as a strategy to manage ESG risks over time. Where a risk does not warrant financial modelling or a change in the portfolio, an engagement objective may be set to achieve better reporting, management practices or outcomes over the immediate or longer term.
	Financial modelling	Where an ESG issue is quantifiable, with a direct identifiable financial impact, it can be integrated into financial models to measure the impact to the investment case. We may also test the potential impact of ESG issues with longer time horizons, or less certain financial outcomes, through sensitivity analysis or scenario modelling.
	Portfolio management	The investment team may adjust the size of a portfolio position (positive or negative) to manage a material ESG issue. This could be in response to an individual ESG event or issue, or may be due to the overall ESG risk level and fundamental ESG view of the analyst.
ESG issue materially impacts the investment case in the immediate or short-term	Divestment	Divestment is generally the last resort. We might divest from a company if the ESG risks are perceived to be material enough to undermine the investment case. Typically, this may be related to a significant controversy, governance concerns or a change in operating conditions.

ESG Framework

Material ESG risks and opportunities are assessed using an in-house methodology and process. This is made up of three main components: Thematic frameworks, ESG materiality and risk levels, and ongoing risk management. There is close collaboration between the ESG and portfolio management teams to implement the ESG Framework. These activities are supported by stewardship activities that span engagement, proxy voting, research and external reporting.

Assessments under the ESG Framework are completed as part of pre-investment due diligence and on an ongoing basis for existing holdings. We document the outcomes of our analysis using a standard company ESG review template, in internal thematic research reports, and as part of a live risk register. For companies in our sustainable strategies, the review report also includes information on the SDG analysis and SDG score (see page 33 for more information).

We utilise a materiality approach to analyse the balance of ESG factors for a particular company and determine the best path forward. When completing this assessment we include issues across the short, medium and long term and those that potentially create impact at a systemic, industry and company level.

To ensure that all material and relevant ESG issues are considered, Alphinity seeks to access multiple sources of ESG information, with a preference wherever possible for first-hand insights obtained by the portfolio management and ESG teams from direct company engagement, industry experts or other third parties.

Alphinity ESG Framework

Inputs: ESG data, company reporting, industry reports

STEP 1: Thematic frameworks
- Bespoke thematic frameworks for complex topics (e.g. climate change, modern slavery, workplace culture, responsible AI)

STEP 2: ESG materiality and risk level
- Materiality assessment
- Industry assumptions and standards (e.g. SASB)
- Short, medium and long-term considerations
- ESG risk level and priority issues

STEP 3: Risk management
- Actions including modelling, engagement, monitoring
- Reviewed incrementally by investment teams with support from ESG team

Outputs: ESG risk level, priority issues and engagement objectives

Inputs:

The main inputs consist of ESG data, company disclosures and industry reports. The portfolio management and ESG team also generate insights from direct company engagement and other third-party sources such as experts and ESG data providers.

Step 1
Thematic frameworks:

Thematic frameworks are an input into our materiality assessment and cover topics such as climate change, modern slavery, workplace culture and responsible AI. These frameworks also help us to complete benchmarking assessments and collect specific data points relevant to different topics.

Step 2
ESG materiality and risk level:

Our ESG materiality assessment covers over 40 material E, S and G factors that lead to a risk level for each company: 1 (low), 2 (medium), 3 (high) or 4 (avoid). Material issues are converted into risk statements and integrated into a risk register. The determination on material issues, risk statements, and the overall risk level is made collaboratively between the portfolio management and ESG teams. Any company that is assessed at the highest risk level of 'avoid' has not met our minimum ESG risk criteria and will not be considered for investment (or will be divested if it is an existing holding).

The materiality assessment is also used to identify trends in topics across portfolios, consider additional analysis that may be needed to develop thematic frameworks, and to identify priority ESG engagements or research projects.

Step 3
Risk management:

Material risks are integrated into a risk register which is managed on an ongoing basis. Depending on the risk, the management strategy may include financial modelling, portfolio management decisions such as limiting position size, or engagement and stewardship activities. These risks are reviewed for portfolio companies at least twice annually to ensure that material changes are captured and actioned.

Outputs:

The primary outputs from this process are:

- ESG risk level for all companies in our portfolios along with risk statements which are managed through a live risk register.
- ESG review reports which document thematic, ESG materiality, management, and risk statements at a point in time. These review reports are a record of reviews completed pre-investment and incrementally for long-standing portfolio positions. We may also complete reviews for companies in the wider fund universes as directed by the Portfolio Management team.
- Investment considerations and integration actions for fundamental analysts (where relevant).
- Engagement objectives and priority ESG issues for further research, engagement or monitoring.

An illustration of the overall process is presented below.

More information on our approach to ESG integration can be found in our ESG Policy. Examples of ESG integration are also provided in this section.

2024 enhancements to our ESG Framework

In 2021 we introduced an ESG materiality tool to support the consistent identification and analysis of ESG aspects for companies across our investment universes. In 2022 we enhanced this framework by assigning an internal ESG risk level. In 2023 and 2024 we have integrated thematic frameworks and have enhanced the scoring methodology by introducing a management score. The graphic below presents an overall picture of our ESG Framework.

Data

We onboarded the Bloomberg ESG data discovery function as an enhanced input into our company ESG risk materiality assessment process. This has also been valuable in benchmarking ESG data points of our portfolios relative to the index. Key tools utilised include:

- The 'Good Governance' assessment that examines management structure, employee relations, remuneration and tax compliance, enhancing our understanding of company-level corporate governance performance.
- Climate disclosure and management data, which includes company-level net zero ambitions, science-based interim targets, emissions reporting, green revenues and TCFD alignment.
- Physical climate risk metrics such as the proportion of company assets with high exposure to water stressed regions or proximity to ecologically sensitive locations. This has enhanced our assessment of nature dependencies and impacts for mining companies.

Thematic frameworks

- Finalised and published a Responsible AI Framework with the CSIRO. We integrated components of this framework into our own analysis. See case study on page 22.
- Finalised a Sustainable Banks Framework to better analyse the overall sustainability and ESG risk profile of large retail and investment banks. This framework has been integrated into our analysis. See case study on page 17.
- Developed and finalised a Net Zero Alignment Framework to measure the proportion of companies aligned with net zero by 2050. This framework is now part of our climate risk assessment process, which also measures various portfolio carbon metrics. See the climate change thematic section on page 42 for further details.
- Initiated a project to expand our Workplace Culture Framework (published in 2022) to cover other sectors beyond mining, such as consumer retail and investment banks. See the workforce thematic section on page 57 for further details.

Materiality assessment

- We expanded the number of ESG topics to more than 40 (from 25 in 2023) to capture the nuance between various issues. For example, in 2023 we assessed two climate change topics: transition and physical risk. In 2024, this was updated to include three topics: emissions footprint, energy transition, and physical climate risk. Similarly, in 2023 data privacy and cyber security were assessed as one topic. In 2024 this was separated so each risk is assessed individually.
- We enhanced our scoring assessment to assign a materiality score of 1 to 5, with 1 representing a high opportunity and 5 representing a high threat. We now also assign a management score from 1 to 3, with 1 representing lagging management practices for the specific ESG issue and 3 representing leading management practices for the same issue. We use data inputs, information from company reporting, analyst knowledge and insights from engagement and bespoke frameworks (e.g. Responsible AI) to complete these assessments.

The graphic on the following page illustrates the application of the materiality and management scores, and conversion into risk statements on a matrix.

ESG Framework illustration

This illustration demonstrates the application of the ESG Framework. It outlines materiality and management assessments, risk statements and the overall risk level for a mining company and a consumer company, as examples.

Inputs: Thematic frameworks, company engagement, industry reports, data providers

Materiality Assessment: 40+ ESG topics assessed to identify company-level material issues

	Thematic	Example topics
Environment	Climate change	Physical climate change Energy transition Emissions footprint
Environment	Nature	Biodiversity Deforestation Water use Circular economy Pollution Air quality Green products
Social	Workforce	Workplace culture Psychosocial safety Physical safety Strikes Diversity and inclusion
Social	First Nations	Heritage management Indigenous engagement
Social	Modern slavery and human rights	Operations Supply chain Products and services
Social	Social licence	Customer experience Community relations Product quality and safety Product and business ethics Affordability Health and nutrition
Social	Digital technology	Cyber crime Data privacy Responsible AI
Governance	Corporate governance	Board effectiveness Shareholder alignment Remuneration Corruption and bribery

Analysis

Company specific analysis of issue materiality and management.

Materiality	
1	High opportunity
2	Opportunity
3	Relevant
4	Threat
5	High threat

Management	
1	Lagging
2	Average
3	Leading

Sample of material ESG topics and management scores (example company)	Supermarket Materiality	Supermarket Management	Miner Materiality	Miner Management
Physical climate change	4	1	5	2
Emissions footprint	2	3	4	1
Energy transition			1	2
Biodiversity	4	1	5	3
Deforestation	4	2	3	3
Pollution			4	3
Water use			2	1
Psychosocial safety	4	2	5	2
Physical safety	4	3	5	3
Heritage management			4	3
Modern slavery supply chain	4	1	3	2
Modern slavery operations	3	1		
Customer experience	1	3		
Health and nutrition	1	3		
Access and affordability	5	2		
Cyber crime	4	2	3	1
Data breach	4	3		
Responsible AI	3	1		
Board effectiveness	4	3	4	2
Corruption and bribery			5	2

Risk Assessment: Converting shortlist of material issues into risk statements and overall risk level

Example supermarket: Level 2 risk (Medium)

Consequence \ Likelihood	L	M	H
L			Weather impacts on supply chain
M	Serious injuries	Data breach (membership)	Pricing inquiry / reform
H	Supply chain (Modern slavery Deforestation)	Cyber attack	

Example miner: Level 3 risk (High)

Consequence \ Likelihood	L	M	H
L			Union action
M	Cyber attack	Psychosocial safety incidents Heritage impact Environmental fines	Energy and water costs
H	E/S catastrophe	Permitting delays (E&S) Fatalities	

Outputs: Risk management includes integration into investment decisions, engagement and further research

ESG integration examples

How ESG considerations are integrated into the investment process varies depending on the individual sector and company circumstance, the relative exposure in our strategies, and the materiality of the ESG topic. The portfolio management team is responsible for determining the best integration approach for a specific issue, or set of issues, with support from the ESG team.

ESG issues can be integrated through portfolio management decisions, financial modelling and adjustments to valuations, engagement and stewardship, active monitoring, or divestment.

We outline examples of how we have integrated ESG throughout the year below. More examples can be found in the thematic sections of this report.

Company, Event	What Happened?	What Did We Do?
South32 Worsley bauxite mine expansion	US$554 million impairment expense due to additional environmental conditions	Engaged with the company, decreased position size in portfolios until we received confirmation of the appeals process
Super Retail Group Misconduct legal case	CEO and former head of human resources accused of having an undisclosed relationship	Engaged with the Chair regarding governance concerns and its response to public allegations and legal action. Subsequent downgrades lead to our divestment in November 2024
Woolworths Multiple controversies	CEO departure following a series of controversies and government inquiries	Engaged with the CEO and Board, divested in 2024 due to ongoing social licence and reputational risks and financial headwinds
BHP Group Samarco UK Class action	UK class action related to the 2015 Samarco tailings dam collapse in Brazil	Engaged with the company and legal experts, maintained an increased provision for the Samarco remediation and settlement liabilities above BHP's reported estimates to account for additional costs
Schneider Electric Anticompetitive behaviour	Schneider Electric and other OEMs and distributors have been accused of anticompetitive behaviour in the French electrical market	Quantitative assessment to test the potential implications by running earnings and cash flow sensitivities for different penalty levels (1-10% of turnover), confirmed minimal impact and maintained position
Waste Connections Elevated temperature landfill (ETLF) event	First ETLF at Chiquita Canyon landfill, US$160 million provision	Decreased position size, visited site, joined community calls, held meetings with executives to monitor the issue and remediation processes
Morgan Stanley Money laundering allegations	Allegations related to money laundering in wealth management	Engaged with the company, shared peer disclosures to encourage public policy position

CASE STUDY

Sustainable banks framework

In 2024 we finalised a bespoke framework to better analyse the overall sustainability and ESG risk profile of large retail and investment banks.

Financial institutions make up a unique industry where ESG and sustainability are interconnected. Large banks can significantly influence global economic health – positively through mobilising capital and offering access to funds, but also negatively where irresponsible banking practices can have widespread negative impacts across regions.

Over the past two years, we have developed a tailored framework to address governance, risk, and cultural concerns in banks. Given the size and complexity of many banks in our investment universe, this framework has helped us to complete more targeted ESG analysis on the most material issues, and supports benchmarking and peer comparisons across different institutions.

We have identified over **40 criteria** to evaluate a bank's risk profile. These criteria include the effectiveness of the board, non-financial incentives in remuneration, clawback mechanisms related to reputation and ethics, risk controls and disclosure of misconduct cases, the severity and frequency of controversies, and the presence of guardrails and due diligence processes for high-risk financing.

The benefits of this framework are that it:

- Provides a structured approach to assessing whether a bank is suitable for our sustainable strategies, and guides discussions with the **Sustainable Compliance Committee**.
- Enables us to gather specific evidence to assign our **ESG risk level** of a bank and subsequent actions such as company engagement.
- Enables **stewardship** activities to be based on our knowledge of best practice and comparative views across different banks, including specific engagement objectives.

In 2024 we used this framework to assess and rank six global financial institutions including Bank of America, which was subsequently added to our global equity strategies.

Research inputs	Assessment framework: Completed by ESG and Portfolio Management Teams		Outputs
	Minimum standard: A bank must pass this assessment to be investible and rewarded SDG8 alignment for our sustainable strategies		
Third party	**Assessment Criteria**	**40+ assessment criteria**	
Regulatory disclosure Public news and media ESG and controversy reports Other specialist reports	**Financial:** Is the bank adequately managing its financial risks to protect shareholder value and economic stability?	Market risk Credit risk Liquidity risk	**Evidence to support SDG8 alignment and approval for sustainable strategies**
Company Annual and ESG reports Direct engagement Earnings calls and presentations	**Corporate governance:** Do governance practices reflect the integrity and effectiveness of the company and leadership team?	Compensation Board of Directors Risk Management Controversies	**ESG summary (criteria-level risk scores) and overall risk level**
	Responsible banking and investment: Are responsible banking guidelines in place that outline expectations around high-risk financing, and consider ESG risks?	Exclusions and risk management ESG management and governance Predatory lending Operational ESG management	**Engagement priorities / objectives**

Research trips to enhance our ESG assessments

UK: Emerging responsible investment themes

Our Senior ESG and Sustainability Analyst attended the Responsible Investor Europe conference once again to gain insights into leading practices in sustainable investing, thematic research and stewardship. The significance of biodiversity as an emerging investment thematic was a strong focus, along with unlocking transition finance to decarbonise the economy. This reinforced our priorities to continue enhancing our nature and climate change frameworks.

Additionally, understanding new regulations like Europe's deforestation and supply chain due diligence laws is valuable for us to better assess regulatory risks and changing stakeholder expectations for portfolio companies.

China: Energy transition

In August 2024, our Senior ESG and Sustainability Analyst joined a tour through China's energy and manufacturing sectors involved company meetings and visits to wind farms, battery production factories, recycling plants and rare earth processing facilities. This built on our understanding of the challenges and opportunities in China's net zero transition and is relevant for the upstream scope 3 emissions risks of portfolio companies.

It also highlighted the human rights, social and environmental risks in the critical mineral supply chain, and prompted us to consider how companies prioritise sustainable procurement in their climate transition action plans. This is an engagement focus in 2025.

Canada and New York: Energy transition, First Nations and banks

In October 2024, our Head of ESG and Sustainability attended the three-day UNPRI annual conference in Toronto. As part of this trip she also went to Calgary, Vancouver and New York where she participated in more than 25 meetings, along with 5 other investors, with companies in the energy, materials, and financial sectors.

The purpose of the trip was to understand the status of the energy transition, deep dive into Carbon Capture and Storage technologies, to benchmark indigenous engagement practices in Canada, and to engage with large banks whilst in New York.

A case study on this trip is on page 52.

Pilbara: First Nations' engagement

In July 2024, our Head of ESG and Sustainability joined a small group of ESG analysts on a research trip to Western Australia where they met with a range of companies in Perth including six listed mining and energy companies such as Fortescue Metals Group and Woodside Energy and five Traditional Owner groups in the Karratha and wider Pilbara region such as the Robe River Kuruma Aboriginal Corporation and the Banjima Native Title Aboriginal Corporation.

A case study on the trip is on page 72.

Singapore and India: Consumer spotlight

In December 2024, our Head of ESG and Sustainability joined a Portfolio Manager and travelled to Singapore and Mumbai to attend the Loreal Capital Markets investor tour. In Singapore they met with a number of Singaporean banks before joining Loreal for presentations from the SAPMENA Management representatives.

In Mumbai, the investor group heard presentations from Indian management representatives, participated in a number of store visits, a consumer engagement session and a brand activation event at a local college. After the official Loreal event, they also attended meetings with Tata Consumer, Hindustan Unilever, a number of local banks, and a local Sustainability Consultancy.

PILLAR 2

Stewardship and engagement

As investors, we have the ability to influence the behaviour and actions of companies that we own. We take this responsibility very seriously and are committed, where possible, to use this influence to reduce environmental, social and governance risks over the short, medium and longer-term to maximise value for our clients.

Contributing to the responsible investment industry and publishing thematic research and frameworks has become a cornerstone of our approach to stewardship. For material, systemic issues such as workplace culture, and responsible AI, we have completed deep research through structured engagement programs, and published findings for the wider investment industry. This not only sets clear expectations for investee companies but also encourages other investors to prioritise the management of these issues.

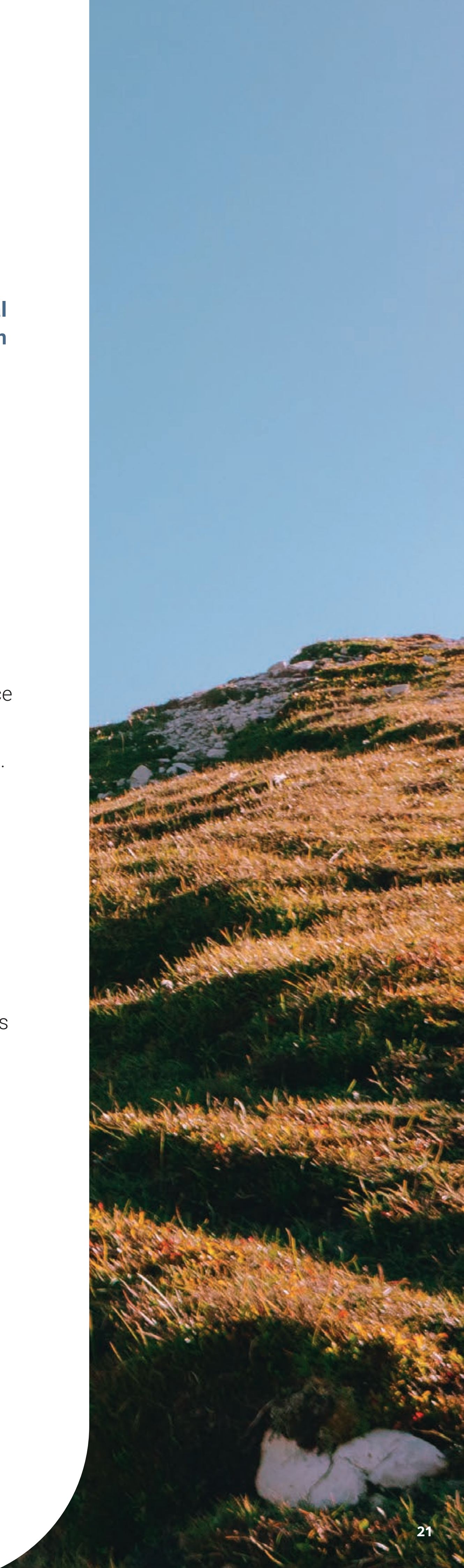
In 2024 we presented at 19 ESG events, including the United Nations Principles for Responsible Investment annual conference in Toronto, Canada.

We are disciplined and focussed in our approach to stewardship. We therefore link our stewardship activities to our ESG Framework. This ensures that activities like engagement and proxy voting are focussed on the most material issues for each company. Our overall approach is outlined within our **Stewardship Policy**.

We may escalate certain ESG issues through stewardship practices where we feel that appropriate action has not been taken by a company. For example, by seeking a further meeting, raising concerns with the Board, voting against specific Directors or resolutions, or issuing formal written communication to the company.

In 2024, we completed nearly 200 engagements with 124 companies and voted on over 940 resolutions put to shareholders.

This section of the report showcases further data points from our engagement and proxy voting activities throughout the year and highlights case studies and examples.



CASE STUDY

Responsible AI research with the Commonwealth Scientific and Industrial Research Organisation (CSIRO)

Project overview

In May 2024 we finalised a 12-month collaborative partnership with the Data61 CSIRO Responsible AI research team to develop a responsible AI framework for investors.

This project was initiated following close to two years of internal research into the ethics of AI and after we realised that there was limited existing guidance for investors and companies.

With the support of the Data61 team, we engaged with 28 listed companies to:

Understand
the state of play when it comes to AI uptake.

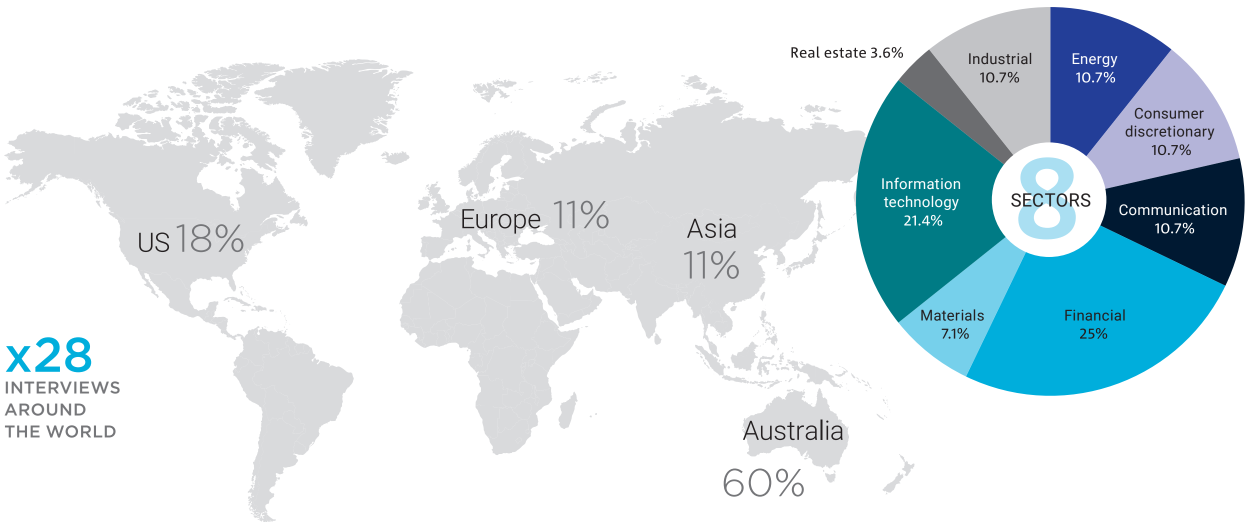
Identify
good practice implementation of responsible AI governance, strategy and risk management.

Gain
an understanding of company practices for those actively considering responsible AI.

Develop
a framework for investors to assess responsible AI, building on CSIRO's existing research and Australia's AI Ethics Principles.

At the completion of this work we published our framework in the form of an open-sourced excel toolkit alongside a research report. The report also presented a number of company examples and good practice case studies.

The scope of our company interviews



The framework

This Responsible AI (RAI) Framework that we produced has three components underpinned by 12 ESG topics that are all relevant to AI. The framework is designed to set a leading standard in responsible AI, can be used flexibly depending on the investor's scope and need, integrates a threat and opportunity view, and is designed to bridge the gap between existing ESG theory and AI ethics principles.

The deep dive assessment is the most detailed component and is informed by CSIRO research and the RAI question bank and metric catalogue.

A snapshot of the framework is presented below.

Step 1
Use case analysis
- Materiality assessment for 27 key AI use cases across 9 key sectors

Step 2
RAI governance indicators
- 10 indicators that can be used to assess the overall commitment, accountability and measurement of RAI

Step 3
RAI deep dive
- Deep dive questions and indicators to assess company performance against Australia's AI Ethics Principles

Desktop research, high level engagement ↔ **Detailed analysis and engagement**

Example assessment process for a consumer company

This is an example of how the full three-part-framework can be used.

In this scenario, an equity investor would like to understand the ESG threats and opportunities associated with an Australian consumer company that is exploring the use of AI for its marketing and customer service. The company already uses AI for supply chain management, floor design, stock management and for an internal chatbot.

Step 1
AI use case

Investor identifies 4 potential use cases, reviews the use case materiality, and determines 2 are most material

Step 2
RAI governance indicators

Investor engages with the company to confirm the use cases and complete the RAI governance assessment

Company scores 5/10 for RAI governance

Based on the 2 medium materiality use cases, moderate RAI governance score, and potential concern about the reputational risks of the customer service offering in particular, the investor decides to complete Step 3

Step 3
RAI deep dive

The investor reviews the RAI deep dive assessment (using Step 3) and confirms the principles that should be subject to further research and review. These will be the focus of the engagement with the company

The investor organises a call with the company's RAI Officer (or similar AI expert) and completes the RAI deep dive assessment (using Step 3)

For more information on the project, including engagement insights and examples download our report here. This framework has been integrated into our overall ESG Framework and materiality analysis. A case study is presented on page 15.

Engagement

Wherever possible, we aim to engage with representatives of the companies in our portfolios and across the wider investment universe. Engagement provides us with a detailed understanding of ESG risks and opportunities and allows us to communicate our expectations to company management.

We engage through various forums, such as one-on-one, small group and large group meetings. Our engagement approach also varies depending on the issue. For proxy matters, we typically engage with the Board or Investor Relations. For ESG issues, we connect with ESG experts, such as the Sustainability Manager, and for controversy-related matters, we often engage with Investor Relations, Executives, or the Board.

Our engagement agenda is informed by our ESG Framework and determined by the portfolio management and ESG team together. We endeavour to have the appropriate member of the portfolio management team attend ESG meetings as the insights feed back into our ESG risk assessment and can influence investment decisions.

This section includes key engagement metrics and examples of engagement outcomes. More detailed engagement examples are provided throughout the thematic sections of this report.

2024 engagement metrics

We track a range of metrics for our engagements which allows us to monitor and report our ESG engagement practices to internal and external stakeholders. In 2024, we added a number of additional factors to our engagement tracking processes, bringing the total number of data points collected for each engagement to 13.

Some examples of data points collected are; the purpose of engagement, ESG topics addressed, the attendee seniority level, meeting success score and if any specific feedback was provided to the company.

In 2024 we completed **199 ESG engagements** with **124 companies**

40% of engagements were held with ESG specialists

46% of engagements were held with Board Directors, Executives or Senior Management

Common topics were **climate change, data, privacy, responsible AI**, and **health and safety**

Around **50%** of meetings were held for a general ESG update or to complete ESG due diligence

20% of meetings were held to address a specific issue, controversy or concern

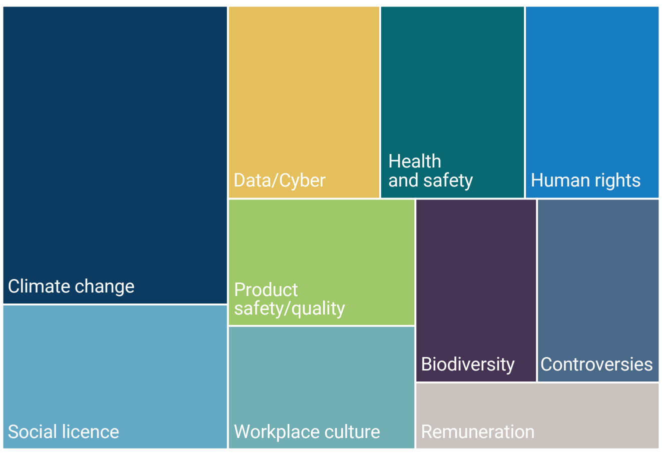
37% of meetings resulted in a follow up action

36% of meetings were given the highest success score of 3*

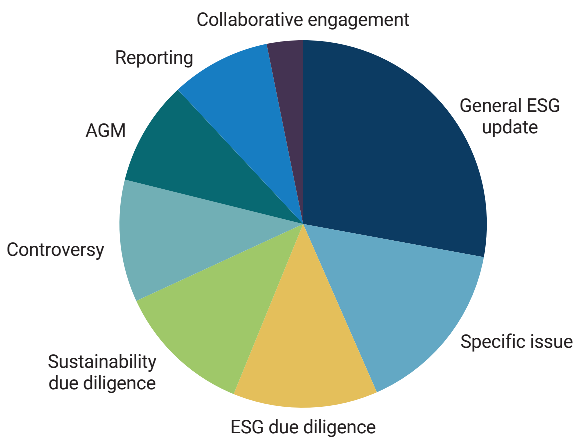
*A success score of 3 indicates that the primary goal was addressed, good quality information was obtained, or an engagement objective was well received.

The following charts shows the relative proportion of the **top 10 engagement topics** across meetings with Australian and global companies and the percentage of engagements by reason.

Top 10 Engagement Topics



Engagements by Reason



Progress on engagement objectives

Engagement often operates on long timelines and can take many years. For important issues we establish engagement objectives with clear 'asks' that can be progressed by the company.

Across our 2024 holdings there were more than 40 active engagement objectives covering a range of issues such as climate risk management, deforestation risk management, governance and responsible AI.

The following examples highlight some engagement objectives that were progressed in 2024. We recognise that we are one of many stakeholders that may be seeking action on certain issues and that it is sometimes impossible to say with any authority that outcomes were a result of our engagement. Any claims related to outcomes are attributed with this in mind.

Company	Engagement Area	Background	Objective	Progress
Aristocrat Leisure	Responsible gaming	Leading developer of gaming software and solutions, risks related to responsible gaming is an important ESG focus area	Set measurable objectives for responsible gaming and publish a strategy to investors	Published updated responsible gaming strategy in 2024 called 'Empowering Safer Play' with six specific goals and 2030 targets. The company confirmed that Alphinity's feedback was a key consideration for the strategy development
Brambles	Deforestation	Global provider of logistics solutions, sources significant amount of timber for pallets	Improve oversight of certified timber sourcing program and increase certainty on deforestation risk management through audits	Confirmed improved audit program and management practices
Qantas	Governance and customer experience	Experienced controversies in 2023 impacting social licence and investment risk	Improve customer metrics, complete and implement a governance review, measure and improve social licence	Board completed a governance review and published findings for investors, updated executive remuneration with social license component, and improved customer metrics
Commonwealth Bank of Australia (CBA)	Responsible AI	Use of AI throughout business, reputational and regulatory risk	Publish ethical AI principles and policy and demonstrate implementation	CBA published its Responsible AI Policy in 2024, Annual Report included improved metrics and details on governance
BHP Group	Climate risk	Global mining company exposed to international carbon pricing and increasing costs and disruption from energy prices and physical climate risks	Implement a market leading approach to the energy transition, align with net zero, and reduce operational and supply chain risks	2024 Climate Transition Plan included improved milestones and details, further details still required on physical risk and post-2030
Marsh McLennan	Social licence	Facing pressure to stop insurance brokerage services for controversial projects	Improve disclosure on Client Engagement Principles and demonstrate adequate risk considerations for controversial deals	Enhanced disclosure in 2023 ESG report, but continued advocacy for transparency on high-risk decisions remains a priority
Sherwin Williams	Product sustainability certifications	Paint and coatings company with a range of products with environmental and safety credentials, proportion of certified products not disclosed	Disclose sustainability credentials of product portfolio to support customer interests and mitigate greenwashing risk	Launched a dedicated website that outlines all certifications of architectural paints, plans to roll out similar in industrial paints
Zoetis	Antimicrobial Resistance (AMR)	AMR is a systemic risk, Zoetis is a leading developer of antibiotics for livestock and companion animals	Report amount of antibiotic sales, increase sales of alternative solutions, and implement initiatives to manage AMR risks in the value-chain	Reported a decrease in antibiotic sales year-on-year for the past six years, introduced AMR targets to focus on value-chain stewardship

Collaborative engagement

We collaborate with other investors where we believe a coordinated voice will be more effective in achieving an outcome that aligns with our investment and stewardship objectives. When considering participation in collaborative engagements, we look for alignment with our portfolio holdings and ESG priorities. We carefully consider the objectives of the engagement and whether it will create additional benefit beyond our existing engagement activities.

We are proud to support collaborative engagement initiatives organised by the UN PRI, the Investor Group on Climate Change (IGCC), FAIRR and HESTA's 40:40 Vision. Each membership requires approval from our senior management to ensure alignment with Alphinity's stakeholders, internal ESG philosophy, stakeholders and external commitments. Contribution to these initiatives is led by the ESG and sustainability team, with support from members of the portfolio management team.

Climate Action 100+: Aligns with our commitment to support net zero by 2050 and provides insight on climate change risks for portfolio and prospect companies.

We are proud to have been assigned as co-leads for the new Wesfarmers engagement, a long-term holding in our Australian strategies, starting in 2025. This complements our long-standing role as supporting investors for Incitec Pivot and Orica, which are similar to Wesfarmer's industrial business. We continue to support the working groups for two global portfolio companies: Trane Technologies and Walmart.

PRI Advance: Aligns with our commitment to support human rights and offers insight into social risks for portfolio and prospect companies.

This relatively new coalition seeks to advance human rights and social issues in the mining and renewable energy industries. We are pleased to have been involved since 2023 as co-leads for copper miner Freeport McMoran. In 2024, we also raised our hand to support the BHP and Rio Tinto working groups as we have long-standing relationships with both companies and have deep knowledge of their performance across social elements like indigenous rights, psychosocial safety and modern slavery. We also gain valuable insights into emerging human rights risks and other aspects such as grievance mechanisms through this community. Further information on progress for each engagement is provided in the Human Rights chapter on page 69.

FAIRR: Aligns with our view that antimicrobial resistance (AMR) is a systemic risk and provides analysis on other risks such as sustainable proteins within portfolio and prospect companies.

We have been members of FAIRR since 2021 and participated in its AMR collaborative engagement with a former portfolio company, Zoetis. FAIRR also provides valuable research reports on additional topics such as sustainable proteins and worker safety in the meat industry.

Proxy voting

Alphinity takes its ownership responsibilities seriously and believes the right to vote as a proxy for our investors is a valuable asset. Our primary objective when voting is to maximise the value of our clients' investments. We do this by voting on Director elections, analysing and voting on remuneration reports, and by critically assessing the value of a wide range of shareholder resolutions raised each year.

Our overall approach to proxy voting is outlined within our Stewardship Policy.

Each analyst, following discussion and agreement with the portfolio managers and ESG and sustainability team, is responsible for making decisions on all proxy items put to shareholders. In making this decision, we consider the context and specifics for each company, best practice corporate governance standards, insights from our proxy advisors and issues flagged within our ESG Framework and engagement activities.

2024 proxy voting metrics

We voted over 2200 resolutions across our Australian and global strategies in 2024. Of these, 93% were proposed by management and 7% were proposed by shareholders. Across all strategies:

We voted on **100%** of all proposals put to shareholders

We voted against management resolutions **6%** of the time

We voted in favour of shareholder resolutions **19%** of the time

85 shareholder resolutions were proposed across our holdings in 2024. The most common topics for resolutions in 2024 were climate, governance, diversity and inclusion and responsible AI. We evaluate each resolution on its own merits and consider the details of each request along with the alignment with our ESG Framework and risk statements. See examples below.

Proxy voting examples

Examples of votes against management resolutions

Company	Item	Explanation
Rio Tinto	Approve Remuneration Report & Elect Sam Laidlaw as Director	We voted against the remuneration report due to concerns with changes to the financial measures in the STI. We also voted against the re-election of the Chair of the Remuneration Committee due to ongoing concern with remuneration structures and the lack of accountability following controversies.
Telstra	Grant of restricted shares to CEO Vicki Brady & Remuneration Report	We voted against the grant of shares to the CEO and the Remuneration Report due to concern with some accounting adjustments which inflated executive remuneration outcomes. This vote position was confirmed following a meeting with the Chair of the Board.
Goodman Group	Elect Danny Peeters as Director	Notwithstanding our positive view of Mr Peeters as an executive, we voted against his re-election in line with our policy, as we have communicated to the Board for many years, that there should be no executives on the Board other than the CEO.
Alphabet	Elect Director John L Hennessey, Frances H Arnold	We voted against the re-election of these two directors due to their roles on the Nominating and Corporate Governance committee and ongoing issues with dual share class structure.
Ferguson	Amend Certificate of Incorporation to Limit the Liability of Officers	We voted against this item as we felt the Board had not presented a reasonable justification and explanation for the proposed change. We were also concerned that any reduction in liability may reduce accountability over governance and financial outcomes. The company did not offer an engagement ahead of this AGM.
SK Hynix	Elect Yang Dong-Hoon as Outside Director	We voted against the election of Yang Dong-Hoon to the Board due to concerns about his link to Governance issues at the Hana Financial Group. Mr Yang was on the Hana Financial Group Board when the Board chairman, another Director and the company's CEO were sanctioned by the Financial Services Commission for poor risk oversight in selling derivative-linked funds.

Examples of votes for and against shareholder resolutions

Company	Item	Vote	Explanation
NAB, Westpac and ANZ	Transition plan assessments	Against	Although we supported the general sentiment to increase transparency related to the credible transition plans and financing decisions, we felt that all four major banks have taken significant strides forward in supporting net zero and managing climate-related risk. Compared to five years ago, the level of commitment, clarity of intent around fossil fuel lending, and reporting on working with customers has improved significantly. We met with the NAB and Westpac Chairs who both acknowledged they understand the intent of the most recent proposals and agreed to consider enhanced reporting.
Coles and Woolworths	Identify and report on the impacts of farmed seafood	For	This proposal supported greater transparency to shareholders on the risks across the farmed seafood value chain. We agreed that greater analysis and disclosure on this topic helps the supermarkets to identify and mitigate supply chain risks, manage regulatory exposures, and address community or customer concerns.
Coles and Woolworths	Cease procuring farmed salmon for its Own Brand products from Macquarie Harbour	Against	This proposal called for the supermarkets to stop sourcing salmon from the Macquarie Harbour immediately. Given the specific nature of this proposal, and the potential detrimental impact to its sourcing practices, we did not vote in favour. We also felt that the previous resolution addressed the underlying issue of farming risk within this region.
Alphabet	Report on risks related to AI generated misinformation and disinformation	For	There is currently no disclosure on this issue and we believe there is benefit from greater transparency on mis/disinformation related to generative AI, to allow shareholders more insight into potentially material risks or practices.
Microsoft	Report on risks related to AI generated misinformation and disinformation	Against	Microsoft is a leader in Responsible AI. We engaged with Microsoft in 2023 as part of the Responsible AI research project and are comfortable with the organisation’s governance and overall approach. Microsoft also published a RAI Transparency Report in 2024 which was a first of its kind in the listed market.
Amazon	Commission a third party audit on working conditions	For	Given the ongoing workforce issues and complaints around safety, which threatens workplace culture and operational efficiencies, we determined a third party audit would be valuable.
AirBNB	Report on political contributions and expenditures	For	Given recent community and regulatory controversies being high profile, it is in shareholders’ best interests to understand more about political contributions & lobbying.

CASE STUDY

Rio Tinto: Stewardship in practice

Rio Tinto has faced significant environmental and social controversies over the past few years, including the destruction of Juukan Caves, issues of workplace culture linked to bullying, racism and sexual harassment and more recently the Bougainville mine human rights claims. These come in addition to ongoing pressure to decarbonise its operations and supply chains and better manage the physical risks of climate change. The company produces iron ore, copper, aluminium and mineral sands, operates worldwide and employees roughly 60,000 people.

Mining companies must comply with strict regulations and maintain strong governance and social licences to operate. Without these, they risk community concerns, regulatory breaches and environmental disasters, which can impact their economics, share prices, and investment performance. Companies like Rio Tinto and BHP therefore require rigorous ESG risk management and oversight.

We have engaged with Rio Tinto on environmental and social issues for many years. In 2020, following the destruction of Juukan Caves, we intensified our engagement by advocating for greater penalties for Senior Management to be applied by the Chair of the Board. Consequently, we voted against the Remuneration Report, the Chair of the Board, and the Chair of the Remuneration Committee.

Since then, we have continued to engage on First Nations' rights and heritage management. Additionally, we have prioritised engagement in areas such as remuneration structure, water risk and community involvement, and measuring social license.

We have voted against the Remuneration Report and the Chair of the Remuneration Committee on several occasions due to persistent concerns regarding remuneration structures, the application of discretion, and the lack of accountability in the event of significant controversies.

This case study outlines our five current engagement priorities, the timeline for our stewardship activities, and incremental outcomes that have been achieved.

Engagement priorities

There are many ESG topics relevant to Rio Tinto, however, the following five areas are currently prioritised through engagement, research and proxy voting activities.

- Improve the measurement of **social licence** including insights from key stakeholders (e.g. traditional owners).
- Improve workplace culture and **psychosocial safety** to reduce the number of instances of **sexual assault** and improve the overall psychosocial safety in the workforce.
- Undertake a review of **water impact** across assets (e.g. Resolution Copper, QMM, Serbia), report findings to investors, and address specific concerns from various communities.
- Mitigate **risks in the Pilbara** related to traditional owners, permitting risk, and ongoing negative media.
- Update **remuneration structure** to properly incentivise management and mitigate ESG risks (including social licence and psychosocial safety).

We use a multi-faceted approach to implement our stewardship priorities for Rio Tinto. The timeline on the next page illustrates how we have conducted **research** into priority topics, **engaged** with the company, established engagement **objectives** and **escalated** matters to senior management or through voting activities.

Timeline of stewardship activities with Rio Tinto since the destruction of Juukan Caves in 2020

	Engage	Research	Escalate	Alphinity Objective
2020	**Engaged** with Board and management team following the destruction of Juukan Caves	Meeting with **experts** and indigenous people to understand the impact of Juukan Caves		
2021			**Voted against** the Remuneration Report, Chair of Remuneration Committee and the Chair of the Board due to conduct and accountability concerns	Implement **Board recommendations to improve heritage management** and conduct a review into practices across the organisation
2022	Targeted **engagement program** (Rio Tinto and other miners) following the release of the Rio Tinto Report into Workplace Culture Letters to all companies engaged through the **Workplace Culture** project with feedback and opportunities for improvement	Published a report with findings from engagement program and a **Workplace Culture Framework** for investors **Site tour** to BHPs West Australian Iron Ore mining operations and engaged specifically on psychosocial safety and safety for women. This informed our engagement with Rio Tinto	**Voted against** the re-election of Chair of the Remuneration Committee	Improve workplace culture and psychosocial safety to reduce the number of instances of **sexual assault** and increasing overall psychosocial safety in the workforce
2023	**Engaged** with Board to discuss changes to remuneration structure and integration of social licence measure			Update **remuneration structure** to properly incentivise management to mitigate ESG risks (including social licence and psychosocial safety)
2024	Concern over **water** related complaints at various assets raised with the company Meeting with **Executives** to discuss management of indigenous relations Written feedback regarding **remuneration structures** and proposed changes	Participated in a small group **site tour** in the Pilbara hosted by the Robe River Kuruma Traditional Owners. Also met other First Nations' organisations Small group **community meetings** (e.g. Panguna, PKKP) Small group investor meetings in Calgary to **benchmark indigenous engagement** best practices	**Voted against** the re-election of Chair of the Remuneration Committee and Remuneration Report Joined PRI Advance **collaborative engagement** focussed on human rights. First meeting in Aug 2024 **Letter to Chair & CEO** with findings and concerns from research trip	Mitigate **risk in the Pilbara** related to Traditional Owners, permitting risk, and negative media Undertake a review of **water impact** across assets (e.g. Resolution Copper, QMM, Serbia) and address specific concerns from various communities

Outcomes

Engagement outcomes can sometimes take many years to achieve. For Rio Tinto, we have not fully achieved any single objective, however, there are a number of incremental outcomes and observations:

- In our experience, company management continues to be open to feedback and willing to engage with investors on a range of ESG and sustainability matters. When required, the company has also gone above and beyond to share insights with investors that others have not done. For example, the Board review into the destruction of Juukan Caves and review of global heritage practices. Another example is the independent review into Workplace Culture, published in 2022, and the updated review, published in 2024. These types of reports are highly unusual and have successfully set a precedent that other companies have since adopted.
- Feedback from representatives of the Puutu Kunti Kurrama people and the Pinikura people (PKKP) indicate that Rio Tinto has made good progress to repair that relationship. It is also implementing a co-management agreement model with the PKKP and intends to roll this out more widely.
- Rio Tinto included a social licence measure within its Short-Term Incentive in 2023. In 2024, the Remuneration Report included further explanation of how this measure was assessed which reflected our feedback throughout 2023 and 2024.
- Rio Tinto has continued to implement the recommendations of its internal cultural review and is developing cultural maturity metrics to gain a better view on cultural change across the business.

Rio Tinto has an **ESG Risk level** of 3 under our ESG Framework. It has been a Level 3 since we implemented this framework in 2021. The material nature of these multiple risks also means our exposure is managed through position sizing.

Next steps

Notwithstanding the above progress, further work is still needed. Looking ahead to 2025 we will continue to:

Engage with Rio Tinto management on First Nations' rights, community engagement and heritage management. We recognise there has been good progress in this area in the past four years, however, there is still conflicting feedback between different groups and several ongoing controversies that may cause material social licence impacts.

Engage with the Board of Directors to improve the integration of material ESG factors into Remuneration structures including significant psychosocial safety incidents.

Monitor Rio Tinto's progress to measure its social licence holistically across the group, implement the further recommendations of the Workplace Culture review update published in 2024, and integrate appropriate measures into Remuneration.

Ask Rio Tinto to disclose more information to investors on operational impacts to key water bodies and the implications for social licence.

Ask Rio Tinto to disclose the amount and types of disciplinary actions related to psychosocial safety complaints and incidents.

PILLAR 3

Sustainable investing

Our sustainable strategies

Alphinity has two sustainable strategies, both of which are available to investors through our funds, or as customised mandates. These funds are the Australian **Alphinity Sustainable Share Fund** and the **Alphinity Global Sustainable Equity Fund**. These strategies aim to invest in companies that generate products and services that have a net positive alignment to the United Nation's Sustainable Development Goals (SDGs), exceed our minimum ESG criteria, and which are also identified as undervalued and within an earnings upgrade cycle.

Each Fund has a charter[1] that defines activity exclusions for companies generating revenue from activities incongruent with the SDGs, such as the production of fossil fuels and the production of gambling equipment.

We use the SDGs as a framework to identify sustainable companies and determine our sustainable investible universe for these strategies. The 17 goals have a universal application and aim to mobilise efforts to end all forms of poverty, improve health and education, reduce inequality, and spur innovation and economic growth, while managing climate change and encouraging preservation of our oceans and forests.

These goals were primarily developed for use by governments, not-for-profit organisations, and industry bodies. However, given their holistic nature and the 169 individual targets, we believe that they are also a suitable framework to define sustainability in the context of investing.

The **Sustainable Compliance Committees** are responsible for approving companies for the two sustainable investible universes. The committee considers the SDG score and ESG aspects when making their decision on company approvals.

Alphinity's SDG Alignment Framework

SDG alignment is measured using an in-house methodology which positively and negatively aligns company revenues with relevant SDGs to arrive at a net score.

We align company revenues to the **169 targets that underpin the 17 SDGs** as this best represents the contribution across the various goals. We also apply a **materiality factor** of low, medium or high for each revenue alignment to reflect the strength and clarity of the contribution.

A detailed outline of our approach and SDG alignment methodology can be found within our Sustainable Investing Factsheet.

To maintain consistency and rigour in this analysis, industry assumptions guide the process and **limited environmental assurance** has been performed over the SDG Alignment Framework three times since FY22. KPMG's limited assurance is attached on **page 98**.

To date, more than **400 companies** have been assessed under our framework and have an up to date net SDG score. The SDG alignment of all companies held during 2024 are presented in **Appendix 2**.

2024 Enhancements

The SDG Alignment Framework is designed to help us balance the positive and negative implications of company products and services on sustainable development. As we increase the number of companies with an SDG score, we revise our methodology and add to, or refine, our industry assumptions.

Examples of changes made through the year include:

- Added an assumption to capture the negative impact from significant data collection to cybersecurity and privacy (SDG16.4 refers to crime).
- Updated our assumptions for technology and AI value chain companies to capture the negative impact of data centres to SDG13 (Climate Action). Impacts from water withdrawal (SDG6 Clean Water and Sanitation) are considered for some companies like semiconductor producers and major AI enablers.
- Wholistically reviewed our assumptions for diversified miners and mapped positives and negatives across the SDGs for different commodities (e.g. iron ore, lithium) by their end markets. A negative alignment was added for iron ore mining in the Pilbara, Western Australia to SDG11 (indicator 11.4 refers to cultural heritage) to acknowledge impacts to cultural heritage.

[1] Sustainable Funds - Alphinity

The role of the Sustainable Compliance Committee

Making decisions about sustainability requires judgements which can sometimes be complex and nuanced. Companies may positively impact one SDG but negatively impact another. As such, what someone perceives to be a 'sustainable' company may not be aligned with someone else with different views and values.

Helping the ESG and portfolio management teams work through these areas is one of the main functions of our Sustainable Compliance Committees. We also aim to be very clear in our fund documentation and external communications to avoid ambiguity.

For each sustainable strategy, the committee is responsible for overseeing the SDG and ESG company analysis, and approving the sustainable investment universes. Both committees include two Portfolio Managers and the same two external experts. They advise on company engagement priorities, industry trends, global policy changes, and key issues worthy of further research and exploration. The committees are supported by the ESG team, which chair the committee meetings and provide research to assist discussions.

In 2024, there were **19 committee meetings** where over **70** companies were discussed. This included proposed companies for approval, portfolio companies, and other companies where initial sustainability considerations were considered.

55 companies were proposed for approval by the committee, of which **80%** were granted approval.

Companies that were not approved typically needed further research or engagement before they could be reconsidered, and continue to be active discussions in 2025.

Examples of issues discussed with the committees in 2024 include:

Sustainability of the gig economy

The gig economy is a relatively new industry that lowers barriers to entry, supports economic opportunity and offers flexibility. It also poses risks such as weak worker protection and regulatory exposure if labour reforms are enforced by government. To contemplate this balance, we completed desktop research, comparative reviews and engaged with Uber's sustainability team to gain a better view on the benefits and harms. We concluded that the gig economy is generally beneficial, however, targeted assessments of company-specific management of work hours, wages and safety are needed to mitigate risks of exploitation.

Comparative analysis of real estate companies

We reviewed four Australian companies in the REITs sector and used the end-markets of the underlying investments to guide the SDG alignment. We found that companies with majority retail investments (for example, shopping malls) have a net negative SDG score due to the facilitation of excess consumption. Those that invest in housing, infrastructure, offices and logistics have a net positive SDG score and align to **SDG9 (Industry and Infrastructure)** and **SDG11 (Sustainable Cities)**. The Committee approved three of the four companies and **GPT** has been a holding in the Australian Sustainable Share Fund since November 2024.

CASE STUDY

Sustainable Compliance Committee example: Shopify

When the portfolio management team identify a company, with strong financial prospects, for the sustainable strategies, an **ESG review and SDG assessment** is completed to present to the committee. To make their decision, the committee considers the ESG and SDG analysis, and any links with the activity exclusions listed in the Fund Charters. This case study illustrates the approval process for Shopify.

Shopify is an e-commerce platform that provides businesses with tools to sell online and in person, manage inventory, process payments and grow their businesses. These tools are particularly important for small and medium-size enterprises (SMEs) who need easy to use and simple solutions to build their businesses.

Before investing in Shopify we initiated a review to confirm the material ESG risks and considerations, the ESG risk level, the net SDG score and suitability for our Global Sustainable Equity Fund. These were proposed to the committee in November 2024. The committee requested additional evidence from the ESG team to verify the benefits to SMEs related to **SDG8 (Decent Work and Economic Growth)**.

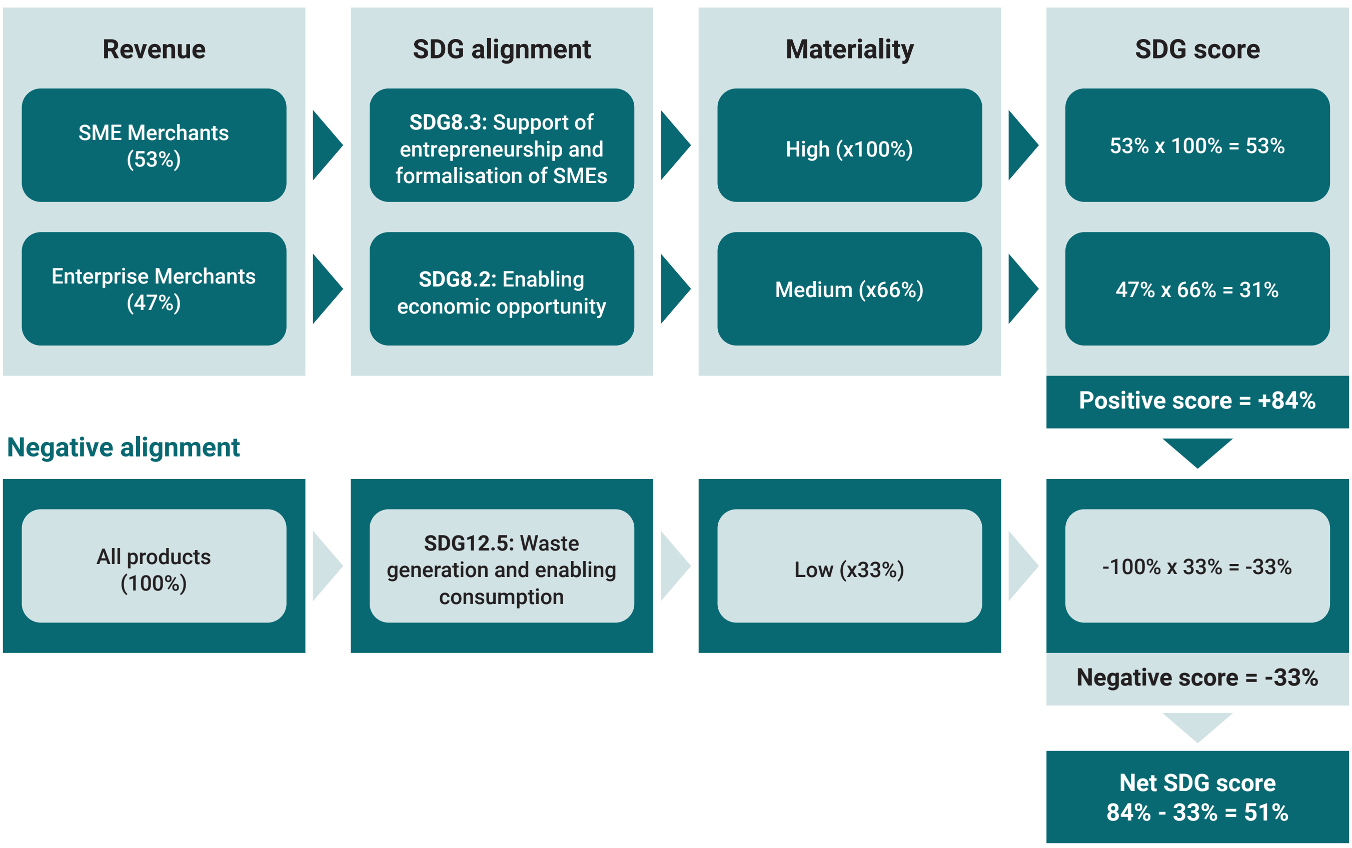
After seeking clarification with the company directly and completing further desktop research, a revised alignment and research conclusions were presented to the committee. The main improvement was the addition of proof points to support the alignment towards target 8.3, which specifically refers to the formalisation and growth of SMEs.

- An external report found that 3.5 million 'Core' merchants make up the majority of Shopify users, while larger 'Enterprise' merchants with sales exceeding 1 million make up only 25 000. A report also found Shopify is the cheaper alternative for payments processing with a 3.2% merchant fee compared to 4.5% from Paypal.
- Using 2022 data from Shopify's Entrepreneur Index, which specifies the jobs created and GDP creation by country, we determined that Shopify enables significant economic contribution.

The outcome of the assessment for Shopify was a net positive **SDG score of 51%**. This reflects the conclusion that Shopify's role in economic productivity and support for SMEs outweighs the platform's role in facilitating excess consumption and waste. Shopify was approved by the **Sustainable Compliance Committee** and subsequently added to the Global Sustainable Equity Fund.

Shopify: Revenue alignment to the SDGs

Positive alignment



2024 SDG insights

The SDGs were structured to address global sustainable development challenges such as health and wellbeing, climate change, financial stability, waste and resource consumption, nature loss and equality.

The SDG insights on the following pages present the SDG characteristics for each sustainable strategy in 2024 using a weighted methodology.[2] We generate these insights by weighting company SDG alignment by the average portfolio position size in 2024. This identifies which SDGs are most strongly aligned through the year.

We also map our SDG alignments to globally important sustainability thematics. The outcome of this mapping is shown below, with examples of activities that contribute to the thematic, and the top company contributors through the year.

Four thematics and 11 SDGs aligned to our funds' holdings in 2024

Thematics and SDGs	Companies that deliver	Top contributors[3]	
		Australian Sustainable Share Fund	Global Sustainable Equity Fund
Sustainable cities 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES	Waste and water management services; urban infrastructure; renewable energy and electrification of cities; iron ore and steel products; safe and efficient transport systems; materials and industrial activity	• BHP Group • Goodman Group • Rio Tinto • Suncorp • James Hardie	• Nvidia • Schneider Electric • ASML • Waste Connections • Arch Capital • Home Depot
Inclusive economies 1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 17 PARTNERSHIPS FOR THE GOALS	Responsible financial services; business productivity solutions; technology and semiconductors that underpin the digital economy; access to internet and information	• Commonwealth Bank • Westpac • National Australia Bank • Wesfarmers • Telstra • Cochlear	• Bank of America • MercadoLibre • Microsoft • Alphabet • Nvidia • AirBNB • Alphabet
Healthy lives 2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Healthy and accessible food; disease prevention and treatment; healthcare services and insurance; safe communities	• Coles • Woolworths • Wesfarmers • CSL • Resmed • Cochlear • Life360	• Novonesis • Chipotle • Zoetis • Merck & Co • Intuitive Surgical • Novo Nordisk • Motorola Solutions
Climate action 7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	Low carbon solutions, renewable energy and battery storage; critical minerals such as lithium, copper and nickel; reliable energy to power our cities and economy	• BHP Group • Pilbara Minerals • Rio Tinto	• Quanta Services • Schneider Electric • Waste Connections

[2] To reflect our sustainable investing activity over the 12-month period of this report, we utilise a weighted approach to SDG alignment rather than point-in-time company-level scores. To do this, we create composite portfolios for each Fund representing all companies held in 2024 and their average monthly holding weight. A weighted net SDG alignment score is calculated by multiplying each company's positive/negative SDG alignment score by its average monthly weight. This methodology upweights the SDG score of companies held at larger weights for longer periods.

[3] Contributors are defined as the top three companies that positively align to the relevant SDG, using the weighted approach specified above.

SDG alignment

Similar to previous years, the SDG characteristics of each sustainable strategy are presented in this section of the report. The circular charts below have been presented in our annual disclosures since 2021 and illustrate the strongest net SDG alignment across all companies held in the strategy for the 12-month reporting period. This year, we have also provided more insights into the SDG alignment for each strategy, outlining the positive and negative distribution across all 17 goals. These additional charts offer a wholistic picture of the diverse SDG alignment within our sustainable strategies, and illustrates both the positive and negative alignment across all 17 goals. We have also included examples of where the negative SDG impacts are managed in line with our ESG Framework.

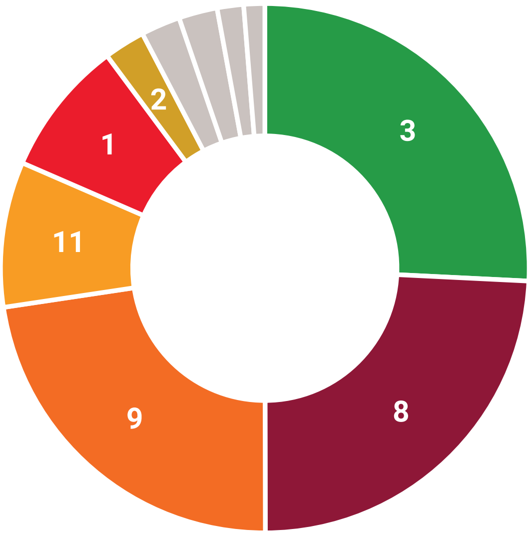
Weighted net SDG alignment per strategy*

The graphs below show the weighted net SDG alignment for each sustainable strategy using the weighted approach outlined previously. These illustrate that on average, both the Australian Sustainable Share Fund and Global Sustainable Equity Fund have the **strongest overall contribution** to SDG3 (Good Health and Well-being), SDG8 (Decent Work and Economic Growth), SDG9 (Industry, Innovation and Infrastructure) and SDG11 (Sustainable Cities). This is consistent with observations in previous years.

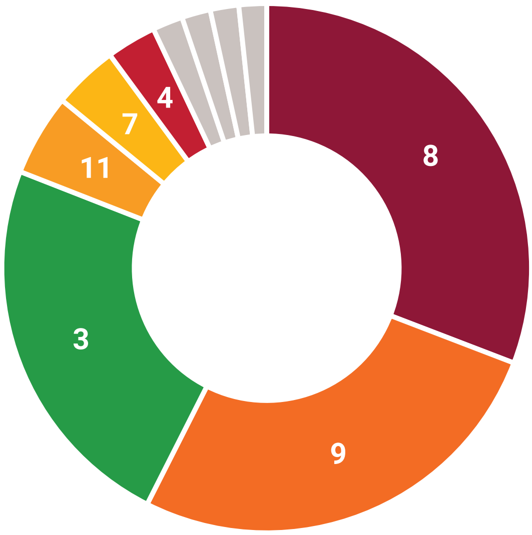
Our sustainable investing approach is to consider the positive and negative SDG alignments and invest in companies where the SDG score is net positive. This year, we found four SDGs that most commonly present with **negative alignment**. These are SDG13 (Climate Action) due to carbon emissions, SDG12 (Responsible Consumption and Production) to reflect waste generation and excess consumption, SDG15 (Life on Land) for ecosystem impacts, and SDG6 (Clean Water and Sanitation) due to water use. Other examples of negative alignment for specific companies are provided for each strategy below.

These negative impacts can often overlap with our **management of ESG issues** and provide a clear engagement agenda with companies. As company's mature in their management of issues like climate change and water, we anticipate that the SDG alignment can be adjusted and company SDG scores can improve over time.

Australian Sustainable Share Fund



Global Sustainable Equity Fund

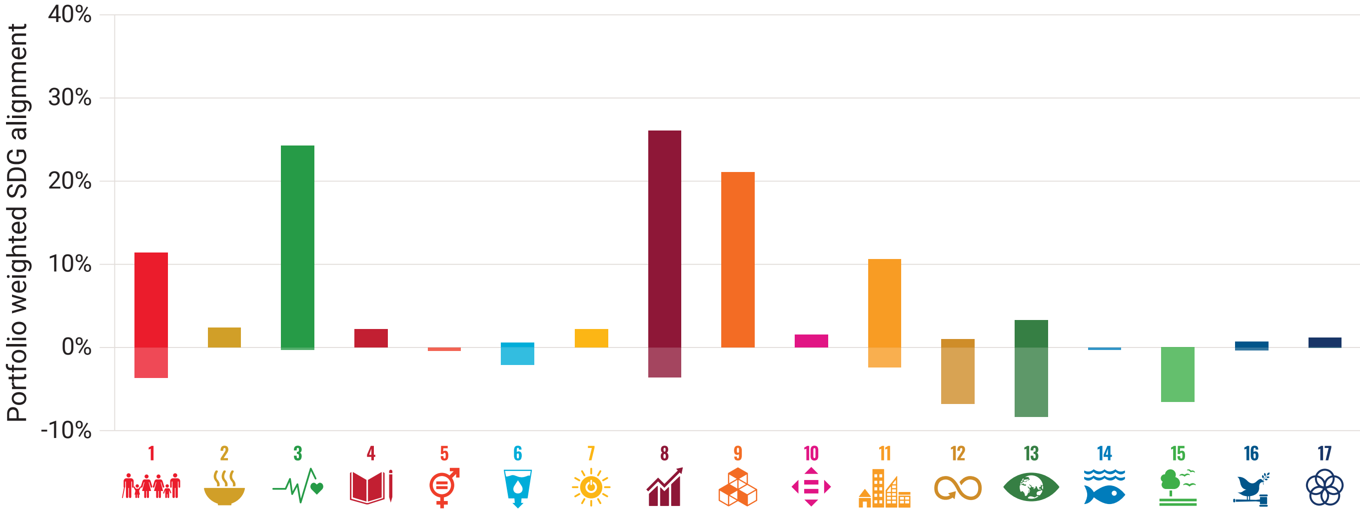


* The charts represents the weighted net SDG alignment as outlined in the methodology on the previous page. Less material SDGs are not labelled in this chart. Positive and negative alignment across all 17 SDGs are presented on pages 38-39. This chart is included in the KPMG Limited Assurance Scope.

Australian Sustainable Share Fund insights

The following graph presents the weighted SDG alignment across all companies held in the strategy for the 12-month reporting period.

Australian Sustainable Share Fund



Positive SDG alignment

SDG8 had the strongest overall alignment as a result of our investment in financial services companies like **Commonwealth Bank**, insurance companies like **Suncorp** and logistic solutions providers like **Brambles,** that facilitate the flow of goods through the economy.

Strong alignment to **SDG3** represents our investments in healthcare companies and solutions like the critical therapeutic products provided by **CSL**, hearing implants from **Cochlear** and respiratory support systems from **Resmed** and **Fisher and Paykel Healthcare**. **Life360** also improves child and road safety through its technology platform.

The alignment to **SDG9** reflects our investment in mining companies like **South32** and **Capstone Copper** which underpin the production of transition metals. Lithium, copper, aluminium and nickel strongly support electrification and development across infrastructure, transport and technology. While these companies demonstrate a net positive contribution to the SDGs, there are impacts to land and water as described in the negative alignment comments.

Service providers like **Cleanaway** and **Transurban**, and construction companies like **James Hardie** and **Reliance Worldwide**, drive the alignment to **SDG11**. Companies engaged in iron ore such as **BHP** and **Deterra Royalties** support infrastructure and underpin renewable energy like wind and hydropower. Additionally, property insurance providers also support resilience of the built environment.

Examples of company-specific alignment to other SDGs include: **SDG2 (Zero Hunger)** for food retailers like Woolworths and Coles; **SDG7 (Affordable and Clean Energy)** and **SDG13 (Climate Action)** for essential future facing commodities like lithium; and **SDG17 (Partnerships for the Goals)** for internet connectivity services from **Telstra**.

Negative SDG alignment

The negative alignment to **SDG13** is driven by the emissions impacts from miners, steel producers and airlines. Our Climate Change section (page 42) outlines the top carbon contributors in the Australian Sustainable Share Fund, their performance against our Net Zero Alignment Framework, and engagement examples.

The negative to **SDG12** reflects inherent waste from healthcare companies, construction waste and the impacts from consumer companies through the sale of low cost discretionary goods (**Wesfarmers, Woolworths**). Circular economy and waste management practices are ongoing engagement areas.

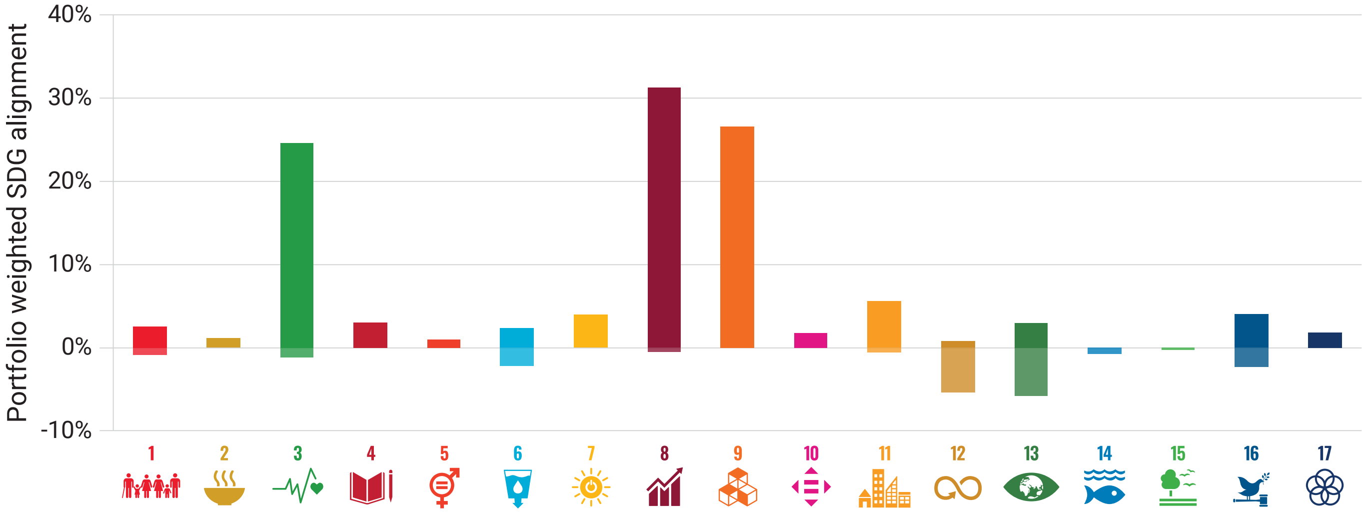
The land footprint from infrastructure developers such as **Goodman Group** and miners, especially those engaged in open pit mining such as **Rio Tinto** and **BHP**, drive the negative alignment present in **SDG15**. We focus on ecosystem impacts and water management (relevant to **SDG6**) within our ESG Framework.

Additionally, the negatives to **SDG1** and **SDG8** were driven by banks. We have introduced the risks brought by unsustainable debt cycles and systemic threats from large financial institutions into our SDG alignment process this year.

Global Sustainable Equity Fund insights

The following graph presents the weighted SDG alignment across all companies held in the strategy for the 12-month reporting period.

Global Sustainable Equity Fund



Positive SDG alignment

SDG8 has the strongest overall alignment as a result of our investment in technology companies like **Microsoft** and **Alphabet**, and enablers of advanced computing and artificial intelligence like **Nvidia**. **MercadoLibre** represented strong alignment as it facilitates e-commerce in a developing economy.

The strong alignment to **SDG9** represents leading-edge technology companies (**Cadence Systems, ASML**) and those that facilitate sustainable industrial activity through electrification and automation (**Schneider Electric**). **Quanta Services** underpins renewable energy and electricity networks, while industrial gases produced by **Linde** support activities across manufacturing and healthcare.

The alignment to **SDG3** reflects the contribution of healthcare companies like **Intuitive Surgical** and **Thermo Fisher**. **Merck's** therapeutic products across oncology and rare diseases enable modern health treatments. **Procter & Gamble** offers a range of personal health and care products.

Waste management companies like **Waste Connections,** building products sold by **Home Depot**, and property insurance companies like **Arch Capital** drive the alignment to **SDG11**.

Examples of company-specific alignment to other SDGs include: **SDG16 (Peace and Justice)** was driven by communication and command centre products from **Motorola Solutions,** and **SDG17 (Partnerships for the Goals)** for access to information from **Alphabet**.

Negative SDG alignment

The negative alignment to **SDG13** is driven by the emissions impacts from large technology companies that draw on energy for data centre activities (**Microsoft, Nvidia**). This has also been influenced by the portfolio weights in these companies throughout 2024. **Linde's** air separation units are energy intensive to operate and particularly emissions intensive in the case of grey hydrogen production. **Novonesis**, a biosolutions manufacturer, and **Waste Connections**, through landfills, are also emissions intensive. Our Climate Change section (page 42) outlines the top carbon contributors in the Global Sustainable Equity Fund, their performance against our Net Zero Alignment Framework, and engagement examples.

The negative to **SDG12** reflects the waste and excess consumption impacts from consumer companies and their products (**Procter & Gamble, Apple, MercadoLibre**). Circular economy practices are engagement topics of interest with these companies.

The water footprint from semiconductor and data centres (**SK Hynix, Nvidia, TSMC**) drive the negative alignment present in **SDG6**. We focus on water management with these companies within our ESG Framework.

PILLAR 4

Thematics

This year, we have identified 8 material ESG thematics and 30 issues which are representative of the wide range of ESG risks and opportunities that we managed across our portfolios in 2024.

In this section we have included a 2024 update on the materiality of various topics, research and engagement activities, and case studies for each thematic.

Climate change

- Energy transition
- Emissions footprint
- Physical climate risk

Nature

- Deforestation
- Biodiversity
- Pollution
- Waste
- Water
- Animal welfare

Workforce

- Health & safety
- Diversity, equity and inclusion
- Psychosocial safety
- Workplace culture

Human rights & modern slavery

- Supply chain
- Operations
- Products and services

First Nations

- Indigenous engagement
- Heritage management

Digital technology

- Data privacy
- Cyber crime
- Responsible AI

Reputation and social license

- Controversy exposure
- Leadership
- Stakeholder impact
- Business ethics

Governance

- Board effectiveness
- Shareholder alignment
- Remuneration
- Sustainability strategy
- Sustainability disclosure

Climate change

Energy transition | Emissions footprint | Physical climate risk

Thematic overview

We recognise that climate change and the disorderly transition pose a considerable systemic risk to the global economy, our investments, and our duty to maximise returns while minimising client risks. Consequently, we are committed in our support of the global objective of achieving net zero greenhouse gas emissions by 2050 or earlier, aligning with international efforts to maintain temperature increases well below 2°C (ideally 1.5°C) as outlined by the United Nations Paris Agreement.

We recognise that any such commitment must be supported with robust goals that are in our clients' best interests and which will not compromise our fiduciary responsibility to maximise risk-adjusted returns.

Climate change and the net zero transition pose both medium and long-term challenges and opportunities for investment environments and portfolio companies. Due to the uncertainty regarding the timing and pathways of the transition in certain sectors, companies impacted are encouraged to develop comprehensive, science-based, scenario-tested, and credible net zero transition plans. Companies should also aim to decarbonise and prepare for the net zero economy in a financially disciplined approach that supports the transition while managing the current energy network and economic conditions.

We complete our climate risk analysis by evaluating each company's specific risks and opportunities, such as their operating model, industry position, and applicable regulations, to determine the quality and appropriateness of their transition plans.

The five pillars of our approach to managing climate change were formalised in 2021 and include:

RISK ANALYSIS
We consider climate-related risks as part of our fundamental approach to ESG management and exclude thermal coal producers with a 10% revenue threshold across all investment strategies.[4]

BENCHMARKING
We complete portfolio-wide assessments on climate change risk and mitigation annually to identify trends, direct stewardship activities and research priorities.

CARBON METRICS
We use a range of carbon metrics across our portfolios to assess sector and company-level risks, and overall progress towards net zero.

STEWARDSHIP
Where we believe climate change factors present material risks or opportunities, we integrate priorities into our stewardship program. We are also members of several CA100+ collaborative engagements.

INVESTMENT CONSIDERATIONS
We consider climate change factors, how they are managed, and transition opportunities as part of a company's investment case.

In 2024, we undertook a project to enhance our approach to assessing transition risk.

We developed and have now implemented a bespoke Net Zero Alignment Framework across all Australian and global investment strategies to better assess company and portfolio alignment with net zero by 2050.

This assessment, coupled with company and portfolio-level emissions footprint analysis, helps us to better identify risks and opportunities and engagement priorities related to climate change.

Our Climate Change Statement presents more information about our approach and is aligned with the Task Force on Climate-related Financial Disclosures (TCFD). See Appendix 3 for a TCFD reference table.

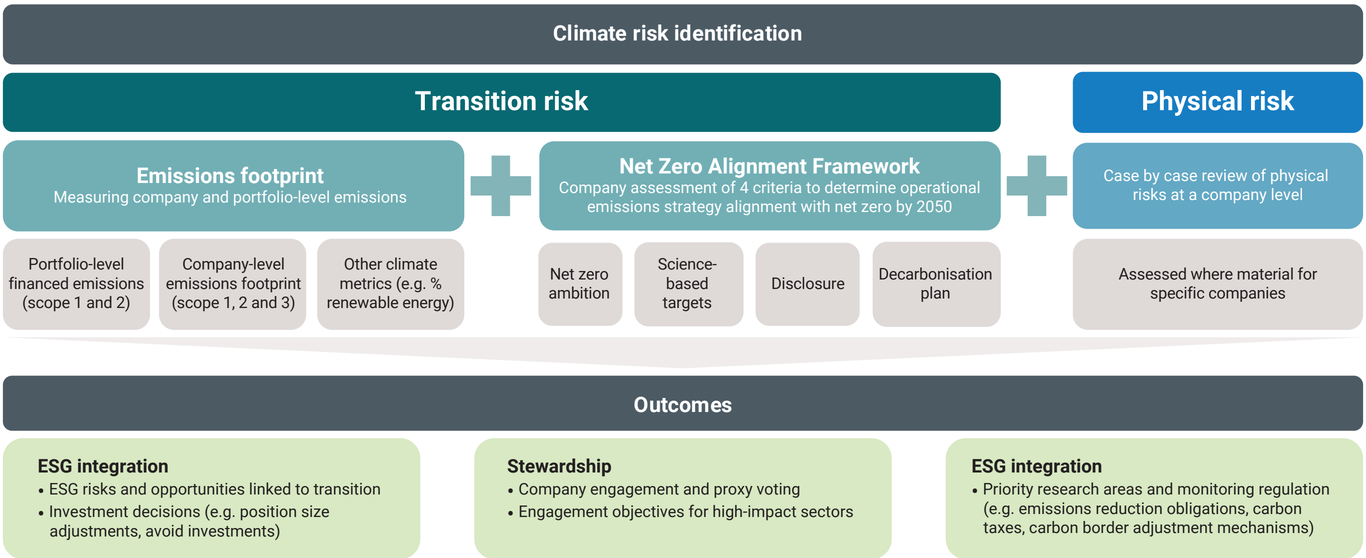
We also measure and disclose Alphinity's group-level financed emissions. These consist of all Alphinity's underlying individual funds. These metrics for the past three years are presented in Appendix 4.

[4] We also exclude fossil fuel producers and companies that generate energy using fossil fuels from our sustainable strategies (10% revenue threshold for the Australian Sustainable Share Fund and 5% for the Global Sustainable Equity Fund).

Considering transition and physical climate risks in investments

The graphic below illustrates the way that transition and physical climate risks are managed in our investments. This is the process by which we implement the five pillars of our approach to managing climate change.

Managing climate change risk in our investments



Transition risk

Emissions footprint

We use various carbon-related metrics to evaluate the transition risk of our investments (and prospects) and identify sector or company-level risks. The purpose of monitoring carbon emissions is to identify progress on emissions reduction and manage companies with a large emissions footprint or high carbon intensity, which are often more exposed to transition risks such as carbon pricing or changes in customer preference. This also helps us to prioritise companies for engagement and further research.

Net Zero Alignment Framework

Our Net Zero Alignment Framework is based on the second edition of the Paris Aligned Investment Initiative's Net Zero Investment Framework (NZIF 2.0) and includes a bespoke set of indicators and scoring methodology.

The goal of this framework is to measure the proportion of companies where operational emissions strategies are aligned with net zero by 2050. This contributes to more detailed analysis of company transition plans, benchmarks portfolio risk, and supports more effective stewardship and investment considerations related to climate change. Through this analysis we also consider the financial viability of different transition strategies or projects and integrate these aspects into our overall view of the plan quality.

Physical risk

Physical risks refer to the impacts of weather events, such as fires, storms, and floods. These risks vary by sector and depend significantly on each company's operating model and asset or supply chain locations. Physical climate risks can also present opportunities for companies, such as repair and maintenance contractors or insurers. This topic is integrated into our ESG Framework and is addressed, where material, for specific companies. We will seek to improve our analysis and reporting of this issue in 2025.

2024 update

Materiality

In 2024, transition risk, physical risk and operational emissions were assessed as some of the most material issues across our holdings. Climate change is well recognised as a systemic risk and the focus on reducing global emissions continued to gain momentum and increase in importance throughout the year.

The anti-ESG movement in the US, and re-election of President Trump, has changed the global sentiment around the energy transition. In 2024, there has been growing acceptance of gas as a transition fuel, a resurgence of nuclear energy as a clean source of baseload power and enabler for renewable energy, stronger support for carbon capture and storage, and reduced focus on 'transformational fuels' like green hydrogen.

Europe and most of Asia has maintained a consistent message on climate change and the energy transition throughout 2024. Under the European Green Deal, Europe has continued to implement policies which support the energy transition. For example, the Gas Regulation and Directive, and the Methane Regulation.

Due to these regional differences in energy transition policy and priorities, along with the good progress many companies have made to reduce their emissions, we have noted that the materiality for **operational emissions** has decreased this year, which in part reflects changes to our holdings compared to the year prior. Similarly, **energy transition** opportunities are less material overall due to a general deceleration in climate change priorities through the year. We still believe that scope 3 emissions, especially through the supply chain, could present a material impact to companies where regulations like the European Carbon Border Adjustment Mechanism are enforced.

Unfortunately, the world continued to warm throughout 2024 and there were reports citing record temperatures again. We saw many severe weather events and we have observed an increase in the importance of **physical risk** as an issue due to growing need for adaptation and resilience planning.

Despite the focus on climate change and the relative maturity in the transition risk space, the overall level of company disclosure on physical climate risks and scenario analysis remains low. This is also a key driver of physical risk being included in the top material topics in 2024, as the actual and residual risks are still challenging to assess.

Research

- Compared disclosures across diversified mining companies to determine transition risk and like-for-like performance. For companies that mine different metals, emissions intensity can be measured using a 'copper equivalent' metric that is adopted by organisations like the Transition Pathway Initiative. This normalises emissions across diversified mining companies and enables comparison within the sector. This analysis led us to identify disclosure gaps and begin engaging with relevant companies on industry positioning and competitiveness.
- Reviewed the remuneration structure of oil and gas companies to benchmark climate-related incentives and understand priorities, such as operational emissions reduction versus new energy investments. The outcomes of this review have been integrated into our stewardship activities.
- Met with companies involved in the Canadian Pathways Alliance and other energy and materials companies to better understand Carbon Capture and Storage solutions, and opportunities in low-carbon hydrogen and ammonia.
- Initiated a research project on data centre energy use and emissions. We undertook site visits and spoke with data centre operators and industry experts. This is part of our broader initiative to advance our responsible AI research and address additional ESG considerations throughout the AI value chain.

Transition risk assessment outcomes

Alphinity manages a range of funds across five different strategies. The following pages provide insights into our transition risk activities and shows the financed emissions and net zero alignment for the managed Fund within each strategy, as at 31 December 2024.

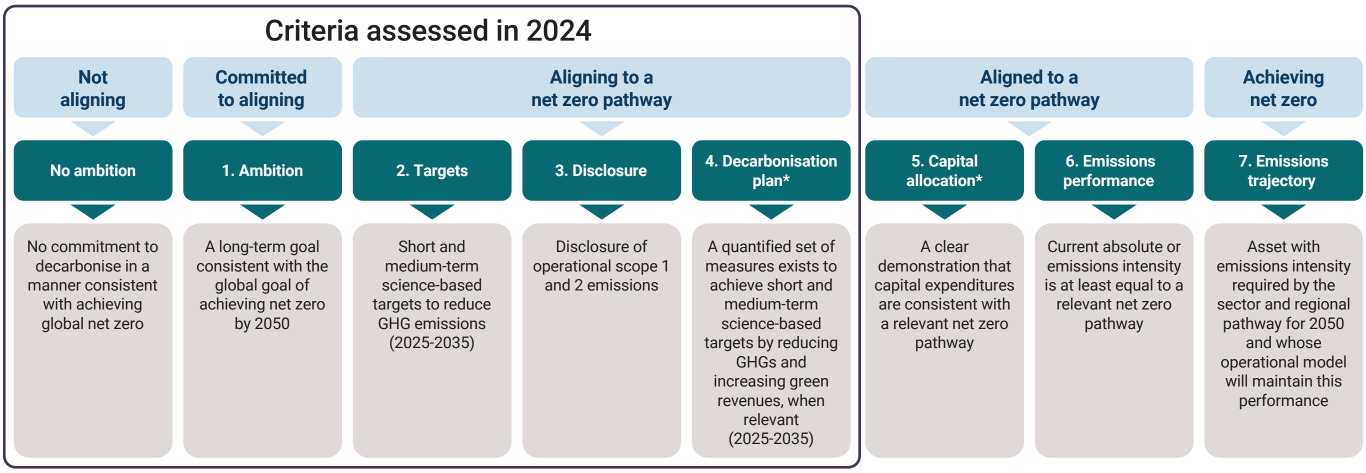
Financed emissions: The metrics we calculate are in line with the TCFD recommendations.[5] The combination of these metrics, company-level emissions data, and insights from our Net Zero Alignment Framework provides an overall assessment of transition risk in our investments.

- **Carbon Intensity:** Tonnes of carbon equivalents per million US dollars of revenue. This indicates the emissions associated with a company's operations, normalised by revenue. This is the most prominent metric used to represent transition risk globally.
- **Total Carbon Emissions:** Tonnes of carbon equivalents of the proportion of company equity owned. This represents the total share of a company's emissions we own through our equity holding.
- **Carbon Footprint:** Tonnes of carbon equivalents per million US dollars invested. This represents the Total Carbon Emissions metric normalised by AUM.

Net Zero Alignment Framework: The framework has seven criteria which inform company 'alignment' level, as illustrated below. Assessments for the 2024 year-end holdings cover the first four criteria. This will broaden to include all criteria in 2025.

The framework currently covers Scope 1 and 2 emissions. Scope 3 emissions are not included as data quality is not considered sufficiently reliable. Given the importance of scope 3 emissions in some sectors (such as banks and auto manufacturing) our aim is to include these in future. Transition risks from scope 3 emissions are currently considered where material in our ESG Framework and stewardship activities.

We have adopted the NZIF definition of high-impact and material sectors and this has been integrated into our company assessments and scoring methodology. For example, only companies in high-impact material sectors, such as mining and energy, are required to pass criteria 4 (decarbonisation plan). See the Climate Change Statement for further detail.



Additional criteria that a company within a high-impact material sector needs to meet.

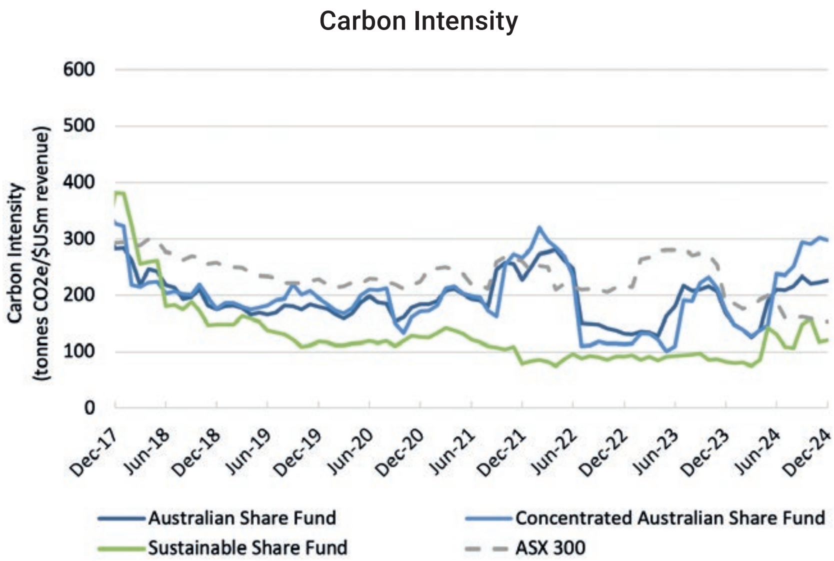
[5] These measures have limitations in identifying transition risk due to factors such as data availability, data quality, and the frequency of data updates. They may be influenced by fluctuations in currency or commodity prices, which do not necessarily indicate a change in transition risk.

Australian equities: Transition risk insights

The following insights present the carbon intensity and net zero alignment outcomes for the managed Fund within each Australian equities strategy, as at 31 December 2024. The other TCFD-aligned carbon metrics are provided for the last three years in Appendix 4.

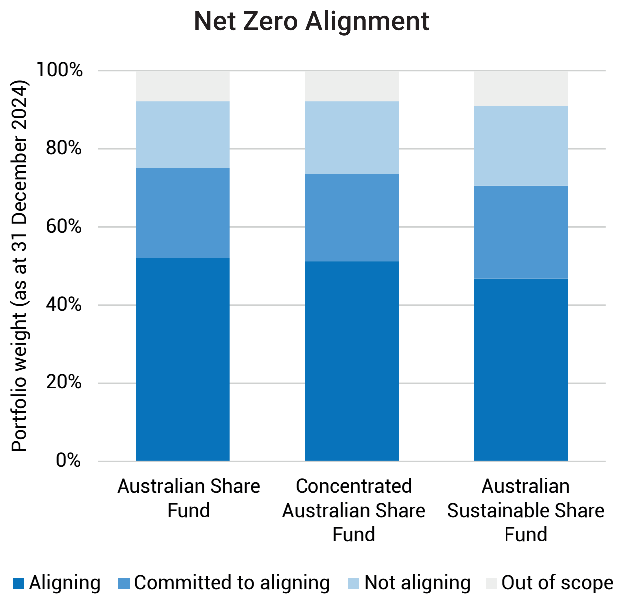
Additionally, the Net Zero Alignment assessment for the top contributors to the funds' carbon footprint in 2024 are presented in Appendix 5. These are AGL, South32, Santos, Qantas, Rio Tinto, BHP and BlueScope Steel. This represents our ownership share of the company's emissions, as determined by our equity holding in the managed funds through the year. We engaged with all of these companies in 2024 regarding transition risk. Information regarding their climate risks and our engagement priorities are also outlined in Appendix 5.

Carbon intensity: The carbon intensity across all funds increased in 2024 due to the inclusion of South32, a mining company with an energy-intensive aluminium smelting operations in South Africa. Across all funds, there were increases in position sizes of other large contributors such as BHP, Rio Tinto, Qantas and BlueScope Steel. The addition of AGL in the core and concentrated funds contribute to their emissions intensity being higher than the sustainable fund, which excludes energy generated from fossil fuels.



Net zero alignment: Between 45-55% of our Funds' by weight are 'Aligning' to net zero. This means that each company has at least a net zero ambition in place, has short-term science-based targets and good disclosure on its emissions footprint. For companies in high-impact sectors, they also have a good quality decarbonisation plan in place. It is important to recognise that transition risk is considered individually and those companies that are 'not aligning' may not necessarily present with more investment risks in the short-term. Understanding our Funds' net zero alignment, and where there are gaps, contributes to more detailed analysis of company transition plans, supports more effective stewardship and investment considerations related to climate change.

Approximately 10% of each fund is out of the scope of the assessment (e.g. non-material companies and non-equity holdings such as cash and futures).[6]



[6] Scope is defined by our internal methodology, which aligns with NZIF guidance indicating non-material sectors are not the recommended subject of the Net Zero Alignment Framework. The classification of companies (non-material, material, high-impact) is based on GICS Sub-Industries, and are reviewed where discretion should be applied. Excluded from scope are companies with absolute emissions below the threshold of 2000 tonnes, as well as cash and futures.

Insights

1. **Financed emissions increased in 2024 along with targeted climate engagements**

   We continued to monitor financed emissions through 2024 and are cognisant of the Funds' increasing carbon intensity as an indicator of transition risk. We engaged in-depth on climate matters with companies like AGL, South32, BHP, Rio Tinto and Woodside Energy, and continue to monitor their emissions and climate strategies using the Net Zero Alignment Framework.

   Although the Funds' carbon intensity has increased this year, there is still a decrease over time. The net zero transition will not be linear and the Funds' carbon intensity will vary depending on company emissions, portfolio constituents and weights. In 2024, we calculated portfolio carbon intensity on a rolling average basis, which provides additional insight across time periods.

   In 2024, we initiated an engagement program with companies that were among the top ten carbon contributors, despite them having smaller emissions footprints relative to energy and mining companies. This involved productive discussions with CSL, Qube Holdings, and James Hardie.

2. **Around 75% of the Funds' weight is 'aligning' or 'committed to aligning' to net zero**

   Most companies disclose their emissions and have net zero ambitions. While 70% of the Funds' weight already had science-based targets, this criterion has the most room for improvement. It is not common for Australian companies to seek validation from bodies like the Science-Based Targets Initiative, so the lack of science-based methodologies was a gap for some companies even where they had detailed climate transition disclosures.

   Assessing the resilience of company transition plans over time and across different potential climate scenarios will continue to be an important focus in 2025.

3. **Around 20% of the Funds' weight is not 'aligning' due to the absence of net zero ambitions**

   Despite relatively strong performance across emissions disclosure and even decarbonisation plans, lacking a long-term net zero ambition is a gap for some companies. Because this is the first criteria in the net zero alignment framework, this prevents them from improving in their performance as the methodology is sequential.

   We evaluate net zero ambitions as it can indicate organisational commitment and senior management support. However, the absence of a long-term net zero policy does not necessarily imply that a company has high transition risk. Therefore, we will continue to engage with companies on this topic, particularly in high-impact sectors, and plan to engage all companies that did not meet this criteria in 2025.

4. **Nearly half of the 44 companies invested in and assessed are considered 'high-impact' and present with more material transition risk**

   The Australian funds hold a relatively large mix of high-impact companies in the mining, energy, consumer and industrial sectors. The categorisation of high-impact companies aligns with our existing approach to guide stewardship and ESG risk management based on materiality. These companies present with more material transition risks than others. This is important as only five of these high-impact companies are presently 'aligning' to net zero, though the majority of the rest are 'committed to aligning'.

   Various initiatives were implemented in 2024 to manage the transition risk of high-impact companies. We visited China and Canada to study the global transition and explore challenges and opportunities in key industries such as oil and gas, renewable energy, and batteries. Direct company engagement has always been an important part of our process to better understand risks, management strategies and progress. Once again, climate change was the most commonly discussed topic through the year and we have escalated concerns through our discussions with Directors, proxy votes and formal letters to Boards.

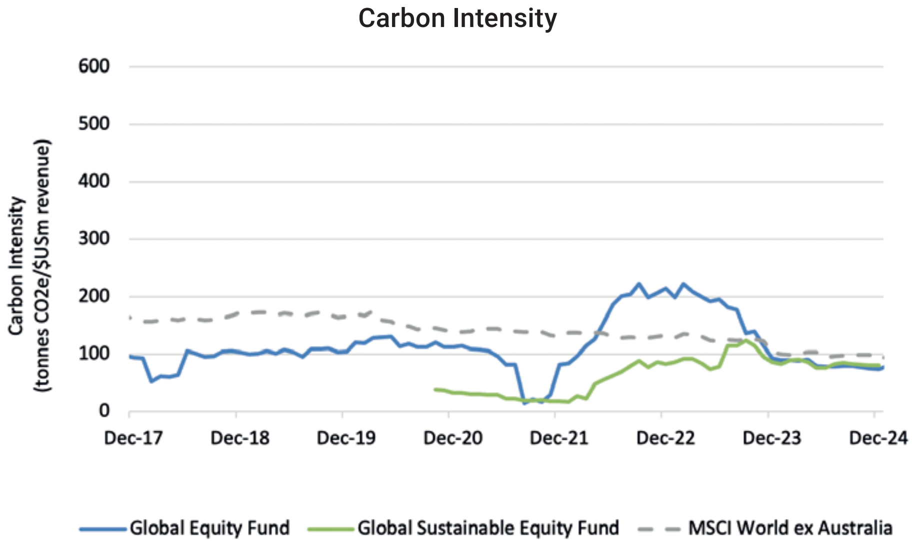
   In 2025, we are implementing an updated engagement program to establish objectives for all high-impact companies (where they don't already exist), and material companies where notable gaps exist in their plans.

Global equities: Transition risk insights

The following insights present the carbon intensity and net zero alignment outcomes for the managed Fund within each Global equities strategy, as at 31 December 2024. The other TCFD-aligned carbon metrics are provided for the last three years in Appendix 4.

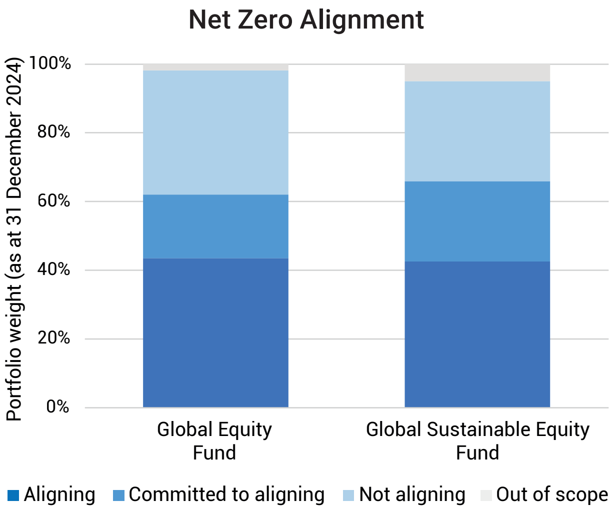
Additionally, the net zero alignment assessment for the top contributors to the Funds' carbon footprint in 2024 are presented in Appendix 5. This represents our ownership share of the company's emissions as determined by our equity holding in the managed funds through the year. These are Linde, Waste Connections, Conoco Phillips, SK Hynix, Sherwin Williams, Quanta Services and Procter & Gamble. We engaged with all of these companies in 2024 regarding transition risk. Additional information regarding their climate risks and our engagement priorities are provided in Appendix 5.

Carbon intensity: The carbon intensity across both funds remained relatively flat in 2024. The slight decrease for the core fund seen through the first half of 2024 was largely driven by selling out of Conoco Phillips, an oil and gas company. The primary carbon contributors to both funds through the year were Linde, an industrial gas company, and Waste Connections, a US waste management provider.



Net zero alignment: Approximately 40% of our Funds' by weight are 'Aligning' to net zero. This means that each company has at least a net zero ambition in place, has short-term science-based targets and good disclosure on its emissions footprint and progress. For companies in high-impact sectors, they also have a good quality decarbonisation plan in place. As stated earlier, transition risk is considered individually and companies that are 'not aligning' may not necessarily present with more investment risks in the short-term. Understanding our Funds' net zero alignment, and where there are gaps, contributes to more detailed analysis of company transition plans, supports more effective stewardship and investment considerations related to climate change.

Less than 5% of each Fund is outside the scope of the assessment (non-material companies and non-equity holdings such as cash and futures).[7]



[7] Scope is defined by our internal methodology, which aligns with NZIF guidance indicating non-material sectors are not the recommended subject of the Net Zero Alignment Framework. The classification of companies (non-material, material, high-impact) is based on GICS Sub-Industries, and are reviewed where discretion should be applied. Excluded from scope are companies with absolute emissions below the threshold of 10,000 tonnes, as well as cash and futures.

Insights

1. **Financed emissions have remained steady in 2024**

   We continued to monitor financed emissions through 2024 and did not see a material change through the year. We engaged on in-depth climate matters with the largest emitters such as Linde and Waste Connections and continue to monitor both their emissions and their climate strategy. We also held productive discussions with other top contributors such as Novonesis, Cintas, SK Hynix and Sherwin Williams.

2. **Around 65% of the Funds' weight is 'aligning' or 'committed to aligning' to net zero**

   A high percentage of our portfolios are 'aligning' or 'committed to aligning' to net zero, with the Global Sustainable Equity Fund slightly more aligned than the Global Equity Fund.

   All companies disclose emissions, and more than 70% have net zero ambitions. However, unlike the Australian market where validation from the Science-Based-Targets-Initiative is rare, more than half of the companies assessed had certified emissions targets under the initiative which serves as a strong response to transition risk management.

   Around 20-30% of the Funds' weight is not aligning to net zero. While 60% of the portfolios passed the decarbonisation plan, this criterion has the most room for improvement due to detail that is lacking in transition plans. Disclosures related to key milestones and emissions attributable to specific initiatives will form engagement priorities in 2025.

3. **Over half of the 37 companies assessed are considered 'high-impact' and present with more material transition risk**

   High-impact companies in technology, industrial, and consumer sectors made up 40% of the holdings assessed. We have included big technology companies such as Alphabet and Microsoft because of their significant size and electricity use. Overall, a good proportion of these companies demonstrate net zero progress, with four considered 'aligning' to net zero and a further 10 'committed to aligning'.

   Among the high-impact companies that are not aligning, most have net zero ambitions, emissions disclosure and short and medium-term science-based emissions targets. However, we identified that quality decarbonisation plans was the criteria with most room for improvement.

   Various initiatives were implemented in 2024 to manage the transition risk of high-impact companies. We held multiple meetings with large emitters such as Conoco Phillips and Linde. We are active support investors for the CA100+ initiative on portfolio holding Trane Technologies and suggested engagement areas according to our climate change analysis. We engaged with companies like Intuitive Surgical on the merits of setting a long-term net zero commitment and will continue to do so in 2025.

   Once again, climate change was the most commonly discussed topic through the year. Insights from research trips to Canada and China informed regional challenges and opportunities related to the transition. In 2025, we are implementing an updated engagement program to establish objectives for all high-impact companies, and material companies where notable gaps exist in their plans.

Examples of company engagement

ENERGY TRANSITION

We have had an ongoing **engagement objective** with Woodside to establish a clear climate change management plan, as its social license and future investment outlook are heavily influenced by its management of transition risk. We have done so whilst encouraging financial discipline in decarbonising the business. A meeting was held with the Chair of the Board in April 2024 before its AGM to discuss the Say on Climate proxy vote and Board oversight of climate change. We subsequently **voted** against this item and issued the Chair and CEO with a **letter** outlining our rationale and concerns about the decarbonisation plan. There were subsequent meetings held through 2024 to discuss this in more detail, as well as Woodside's opportunities in the new energy market. While it is not our role to dictate how Woodside should transition, our view is that investors require further details in order to have confidence that the company will be resilient under different climate scenarios, and whether the company is planning appropriately for the transition. This remains an ongoing priority area in 2025.

TRANSITION RISK AS A THREAT AND OPPORTUNITY

As a substantial producer of emissions through its grey hydrogen operations and energy-intensive production of essential gases such as oxygen, we consider transition risk to be a material ESG consideration for Linde. While it does have a sizeable emissions footprint, the company also helps customers achieve the avoidance and reduction of carbon emissions through technologies like carbon capture solutions and low carbon hydrogen. As such, we continue to prioritise **engagement** with Linde to monitor its emissions performance and progress towards net zero. The company's emissions footprint has remained relatively stable in recent years, which is quite an accomplishment considering the business growth. In addition to supporting various early-stage green hydrogen projects, in 2024, Linde also secured its first commercial Blue Ammonia project with Exxon and Woodside Energy. Linde has a number of threats and opportunities from a transition perspective, which contribute to the **ESG Risk Level** of 2.

PHYSICAL CLIMATE RISK

Moody's, a global leader in credit ratings, research, and risk analysis, has recognised the growing importance of adaptation and expanded its offerings to include physical climate risk solutions. We **engaged** with the company to discuss the integration of ESG factors into its credit solutions, which also involved a demonstration of the physical risk product. This confirmed that Moody's is investing in predictive models which aid in underwriting, compliance with climate-related disclosures and risk management. It is an area we continue to monitor as this could be a meaningful business opportunity for Moody's given greater customer demands for adaptation and resilience solutions over time.

IN-DEPTH ANALYSIS OF CLIMATE CHANGE MANAGEMENT

In 2024, we started a project to examine the transition risks of the top contributors to the carbon intensity of our Australian strategies. The objective was to assess the maturity of these companies against our **Net Zero Alignment Framework** and engage to better understand climate change strategies, as needed. Qube already has reasonable climate change disclosures, which include emission intensity targets and physical risk assessments. However, unlike most companies in our portfolios, Qube does not have an absolute emissions reduction target. A dedicated climate **engagement** was organised with the company to gain insight into its decarbonisation strategy and assess whether transition risk should be considered a more material short-term threat within our **ESG Framework**. The meeting was comprehensive, covering various programs aimed at decarbonising the business, such as electric trains and diesel fleet electrification. These responses were satisfactory and no change to the ESG risk level or materiality of transition risk was made. However, we recommended that Qube develop and disclose the pillars of its decarbonisation strategy and publish progress against climate milestones in future disclosures. This engagement remains ongoing.

INTEGRATING CLIMATE CHANGE IN REMUNERATION

We carefully evaluated the ESG factors which are included in executive remuneration, recognising that this practice has become increasingly common. We advocated for the inclusion of non-financial factors as they can serve as a useful mechanism to manage material ESG risks. However, we remain mindful of cases where the incentivised issues are not the most significant ESG priorities, or where the incentives lack ambition. Prior to Cochlear's AGM, we **engaged** with the Chair of the Board to better understand the activities rewarded within the climate change component of executive remuneration and whether it is suitable to continue incentivising emissions, as significant reductions have already been achieved, and the company does not have a high emissions footprint. It was the first time we had addressed this topic and we plan to revisit it in 2025. This is part of our broader interest in recent years to understand the quantum and scope of both short and long-term ESG components in remuneration of portfolio companies.

CASE STUDY

CSL, Schneider Electric: Benchmarking best practice on supplier decarbonisation

Transition risk exists not only in company operations but also in their supply chains. Supply chain decarbonisation targets can help manage these risks, serving to mitigate the impacts of potential carbon regulations, enhance energy efficiency and improve reliability where grid instability is an issue. However, this can also come with challenges such as higher procurement costs or unreasonable pressures placed on suppliers, especially those in emerging markets. This was revealed on a garment **supply chain trip** to Bangladesh and Vietnam in 2023, where factories were struggling to decarbonise due to financial constraints and technology availability.

In 2024, we continued **engaging** companies to learn how they implement transition risk assessments with their suppliers. This case study highlights two portfolio companies, CSL and Schneider Electric, as good practice examples:

- CSL, an Australian healthcare company, has more than 60% of its direct tier 1 suppliers with emissions targets validated by the Science-Based-Targets-Initiative. Its approach to integrate supplier transition risk is mature and involves collaborating with smaller suppliers on available frameworks to measure and manage emissions. Transition risks are being integrated into its tender process and assessed as a condition of supplier onboarding.
- Schneider Electric has a strong program around energy efficiency and automation to support its suppliers. It leverages its own products and services for customers, such as power purchase agreements and renewable energy certificates, and offers these to its suppliers. This collaborative approach has resulted in a 27% reduction in emissions from its top 1000 suppliers to date.

These company engagements have provided us with valuable insights into how businesses can tackle the task of scope 3 decarbonisation. Typically, they prioritise major suppliers first, and focus on collaboration to advance decarbonisation strategies and encourage measurement of emissions. As investors, we encourage companies to report on supplier progress in order to inform our own view of supplier transition risks. With the disclosure of scope 3 emissions still quite varied across the market, a focus in 2025 is to benchmark how companies disclose and manage different upstream and downstream emissions categories.

Schneider Electric, Waste Connections, Capstone Copper, Novonesis: Investing in climate change solutions and opportunities

While there is growing pressure to reduce carbon emissions, without investing in solutions the world will not achieve its net zero ambition. We consider opportunities brought by the transition that may create tailwinds for companies in our portfolios. Examples of opportunities within our portfolios include:

- **Schneider Electric:** The investment case is strongly supported by the world's transition to electrification, digitisation and sustainable industrialisation. Schneider's products and solutions service electrical distribution, energy efficient buildings, energy storage and grid automation. The industrial automation business provides a range of solutions for streamlining customer operations, optimising output, minimising energy use and collecting data with advanced software to achieve these objectives.
- **Waste Connections:** The gas produced naturally at Waste Connections' solid waste landfills represents a valuable resource that the company is diligently recovering for conversion into a form of green fuel. With an investment of US$200 million, resulting in the expected operation of a dozen new facilities over the next few years, the company is strategically positioned to reduce its emissions and capitalise on opportunities within the alternative fuel market.
- **Capstone Copper:** Copper is a vital commodity for energy systems and modern technology, particularly in the electrification of urban areas. Electric vehicles and data centres are expected to drive copper demand substantially by 2050. With a commitment to responsible copper mining in the Americas, Capstone is strategically positioned as both a facilitator and beneficiary of the climate transition.
- **Novonesis**: This company discovers, develops, and produces biosolutions that assist in various eco-friendly practices across climate solutions, human health, and sustainable agriculture. The company is active in the biofuels sector, promoting a transition from fossil fuels and enhancing the economic output from agricultural crops, other biomass, and waste residues. In recent years, the annual emissions reductions in the global transportation sector achieved through the use of biofuels produced by Novonesis solutions have been estimated at more than 60 million tonnes. This is comparable to removing more than 27 million cars from the roads.

Conoco Phillips, Santos: Carbon Capture and Storage as a transition enabler in oil and gas

In October 2024, our Head of ESG and Sustainability undertook a **research trip** to Canada to understand the state of Carbon Capture and Storage (CCS) projects. According to the Global CCS Institute, there are 48 new CCS projects moving toward realisation in Canada, making it second only to the United States in terms of the number of CCS projects. Canada has another 62 planned by 2030.

It became very clear from the company meetings that CCS provides a clear pathway for emissions-heavy industries like oil sands to keep operating in a low carbon world. Unlike Australia, the general sentiment in Canada towards CCS is very positive. There is less resistance or concern around the technical limitations, and the cost challenges have mostly been solved with a tax credit program.

An example of this is the CCS network and pipeline development proposed by the Pathways Alliance in Alberta. The Alliance is made up of Canada's largest oil sands companies which are working together to provide energy the world needs while advancing environmental innovation and projects. Once developed, the project would have the capacity to transport captured CO2 from multiple oil sands facilities to a hub in Alberta for permanent underground storage. Conoco Phillips is a part of this alliance and has positioned CCS as a key technological step change in its climate transition strategy.

Overall, CCS remains an important area of **engagement** for our portfolio companies, particularly in the oil and gas sector where early preparation for the net zero transition is important to remain resilient in future.

Nature

Biodiversity | Waste | Deforestation | Pollution | Water | Animal welfare

Thematic overview

In 2024, Alphinity became an early adopter of the Task Force on Nature-related Disclosures (TNFD). We are committed to disclosing in line with the TNFD Recommendations within our next ESG and Sustainability Report, covering the 2025 calendar year.

Nature is a fundamental building block of our economy, providing essential services that businesses rely on to operate. The global deterioration of nature presents both risks and opportunities for companies. These may be realised through impacts to product development and sales, regulatory fines and incentives, supply chains disruption, and changing societal expectations.

The TNFD defines nature as "the natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment" across the four realms of nature which are land, ocean, freshwater and atmosphere.

The TNFD also identifies four nature-related issues that need to be identified, assessed, managed and disclosed to the primary users of general financial reports and other stakeholders, including:

1. **Dependencies of the organisation on nature**
2. **Impacts on nature caused, or contributed to, by the organisation**
3. **Risks to the organisation stemming from their dependencies and impacts**
4. **Opportunities for the organisation that benefit nature through positive impact or mitigation of negative impacts on nature**

Within our ESG Framework, nature is assessed through seven core, interlinking elements including climate change (reported as a separate thematic in this report), biodiversity, deforestation, water use, waste, pollution and animal welfare.

For nature-related issues, we consider both dependencies and impacts when assessing the overall materiality of the issue in companies. We also consider potential risks related to nature impacts embedded in the supply chain. In our view, this is one of the most complex considerations when assessing nature. As is the case with human rights, risks can be embedded at any tier along the supply chain and can therefore be difficult for companies to oversee and influence.

In 2023, we initiated a project to develop a nature framework that supports more detailed assessments of the various issues across the nature thematic. The development of this framework continued in 2024 and remains ongoing. The 2023 ESG and Sustainability Report provides an overview of the framework. Research undertaken in 2024 is outlined in this section.

2024 update

Materiality

In 2024, biodiversity, waste, deforestation, water, animal welfare, and pollution have been assessed in the top 30 most material issues across all our holdings. Land use and rehabilitation can be very material at a company level, however, did not identify as material overall.

Between 2023 and 2024, there has been an increase in our assessment of nature-related topics due to growing global focus, asset owner interest, and regulation, all of which can impact the risk characteristics of the theme. For example, the European **Deforestation** Regulation (EUDR) will require companies supplying Europe with certain commodities to have full supply chain transparency. This has elevated the materiality of this issue for companies such as Brambles and Starbucks.

In Australia, the Federal Government also made changes to environmental regulations to strengthen penalties and regulatory oversight. For example, the Nature Positive Bill 2024 amends the Environment Protection and Biodiversity Conservation Act 1999, giving the Environment Protection Australia (EPA) more powers and functions including compliance authority to manage pollution risk.

Biodiversity has continued to increase in materiality since the release of the TFND in 2023. Woolworths and Coles for instance received their first shareholder proposals related to biodiversity impacts in 2024. South32 also experienced a biodiversity-related controversy which impacted its share price performance.

We have also observed an increase in the materiality of **water**, especially regarding companies within the AI value chain (e.g. semiconductor manufacturing) and the mining sector (e.g. Rio Tinto).

We have not noted a change in materiality for **waste**-related issues across holdings, however, it does remain an important topic for many portfolio companies such as waste management companies like Waste Connections and Cleanaway, packaging producers like Amcor and Orora, and consumer companies such as Coca Cola, Procter & Gamble and L'Oreal.

Research

- Completed a nature risk mapping exercise for a shortlist of large mining companies (e.g. Newmont and Rio Tinto) to identify assets with elevated water, biodiversity, and pollution risks.
- Reviewed risks and opportunities linked to water-based tailings waste programs (e.g. riverine tailings, deep sea tailings) to inform our ESG analysis of companies such as Freeport McMoran and Newmont.
- Re-confirmed the animal welfare and animal testing policies for healthcare companies within our portfolios (e.g. Cochlear, CSL).
- Continued our research and engagement on Antimicrobial Resistance (AMR) through our membership with FAIRR.
- Initiated a project to expand our Responsible AI Framework to also cover the AI value chain with a particular focus on water use.

Examples of company engagement

DEFORESTATION

Procter & Gamble has an **ESG risk level** of 2 under our ESG Framework. This requires ongoing regular engagement and active monitoring of key ESG issues. Deforestation was identified as one of the material ESG issues for the company. We **engaged** with Proctor and Gamble twice in 2024. The first was a general update to discuss how the company determines and executes on material ESG issues, animal testing policies, and the management of deforestation risks. The second, in December, was set up to discuss the changing political environment in the US, preparedness for the European Deforestation Regulation, and operations in Russia. No new issues were identified through these engagements; however, we maintained the **ESG risk level** of 2 given the ongoing ESG, regulatory and political risks for the company.

ANTIMICROBIAL RESISTANCE (AMR)

We have been engaging with Zoetis, an animal pharmaceutical company, since 2022 as part of an AMR collaborative engagement with FAIRR. We **engaged** with Zoetis again in 2024 to explore the continued decrease in antibiotic sales, and growth in preventative products such as vaccines and diagnostic tools. We also discussed further **engagement objectives** around enhancing the AMR strategy with time-bound targets and improving transparency around managing water discharge of manufacturing facilities to limit the biodiversity impacts of antibiotic residues entering the natural ecosystem. These have been acknowledged by the company and remain on the engagement agenda in 2025.

WATER

Rio Tinto has **an ESG risk level** of 3 under our ESG Framework and therefore requires active engagement to mitigate immediate and longer-term ESG risks. In 2024 we identified a new risk area related to water impacts, community concerns, and permitting risks. We therefore completed targeted **engagements** with Rio Tinto throughout the year, both individually and through the PRI Advance collaborative engagement, to better understand the management of water risk and the interface with human rights and community concerns. We have subsequently established an **engagement objective** asking that Rio Tinto complete an independent water risk assessment and disclose findings to investors. We will continue our engagement on this issue in 2025.

WATER

We **engaged** with SK Hynix in 2024 to better understand its water use and any efficiency projects underway. This engagement helped us to understand the company's water-related risks in semiconductor manufacturing, good practices in managing this risk, and has also informed our research project to extend our **Responsible AI Framework** to include the AI value-chain.

Woolworths and Coles proxy voting example: Voting in favour of the farmed seafood shareholder proposal to manage ESG risks

In 2024, Woolworths and Coles received their first shareholder proposals related to nature. These proposals were submitted alongside a special resolution to amend the company constitutions to allow non-binding shareholder proposals. Prior to finalising our voting positions we participated in one-on-one meetings with Board Directors of both companies.

In both cases, we voted:

Against the resolution to change the company constitutions:

In our experience, there is ample opportunity under Corporations Law for legitimate shareholders to bring issues before directors or at a company meeting. We generally do not support a change in company constitutions however, we do recognise that shareholder proposals are useful in some cases and we consider our voting position on specific proposals on a case by case basis.

For the resolution to increase reporting on farmed seafood:

This proposal supports greater transparency to shareholders on the risks across the farmed seafood value chain. We agree that greater analysis and disclosure on this topic helps supermarkets to identify and mitigate supply chain risks, manage regulatory exposures, and address community or customer concerns.

Against the resolution to limit farmed salmon sourcing:

This proposal called for the supermarkets to stop sourcing salmon from the Macquarie Harbour immediately. Given the specific nature of these proposal, and the potential detrimental impact to its sourcing practices, we did not vote in favour of this proposal. We also felt that the previous resolution addressed the underlying issue of farming risk within this region.

In both cases, around 30% of shareholders voted in favour of the resolution to increase reporting on farmed seafood. The other two resolutions received less than 5% votes in favour. We will be engaging with both companies in 2025 to better understand nature-related risk management practices and the intent to address the resolutions.

Cintas ESG integration example: Confirming pollution and water-related considerations before investing in our Global Equity Strategies

Cintas is a US-based uniform and work apparel company which rents and sell uniforms and ancillary products and services such as mops, first aid and fire inspection kits. In its core uniform and facility services unit, which is close to 90% of revenue, Cintas provides uniform retail programs which include supplying, washing, and mending uniforms and other profession-specific clothing.

Cintas has over 1 million customers, operates 11,000 routes distributing products and services, and has close to 45,000 full time employees.

Before investing in Cintas in our Global Equities strategies, we completed an ESG review to identify material ESG risks and opportunities, confirm an ESG risk level for the company, and identify any actions for the portfolio management team and engagement priorities for the company.

We identified a range of minor ESG considerations through this review. However the risk of environmental fines/increasing operational costs driven by the poor management of environmental discharges and excess water use, was identified as material and required further review.

We **engaged** with the company in August 2024 to clarify its environmental management processes, the use and disposal of water, and the extent of past fines. For example, through this engagement we discovered 90% of water used is returned to the ecosystem with 30% of facilities using recycled water. Cintas also uses automated dispensing systems to precisely dose all detergents and reduce the risk of overdosing caused by human error, limiting excess chemicals in waterways.

Through this engagement we were able to better understand the risks, building on the good quality disclosures from the company, and finalised the **ESG risk level** of 1. This risk level requires the ESG and portfolio management teams to monitor company ESG performance, however, no ongoing engagement objective has been identified.

Workforce

Health and safety | Workplace culture | Diversity and inclusion | Psychosocial safety

Thematic overview

A company's workforce is one of its most valuable assets. A good employee value proposition should include the promise of a safe and inclusive work environment, fair and equitable pay and leave arrangements, and sufficient benefits that support reduced turnover and enhanced employee satisfaction.

Since the onset of COVID19, many companies have struggled with labour shortages, higher turnover rates, diminishing safety performance, increased labour costs and ongoing industrial action from employees covered under collective bargaining agreements. This trend has continued to emphasise the need for businesses to increase the focus on workforce value, recruiting and retaining key staff, and maintaining a strong social licence to operate.

This is a material issue for the vast majority of companies in our portfolios. Depending on the company, the specific risks and opportunities within workforces vary. Within our ESG Framework we have identified five key elements under the Social pillar that help us assess workforce-related risks and opportunities; health and safety, diversity and inclusion, workplace culture, and psychosocial safety, and strikes.

2024 update

Materiality

Workforce continues to be a highly material thematic. In 2024, four of the five workforce-related issues ranked in the top 30 most material ESG topics across our holdings; health and safety, workplace culture, diversity and inclusion, and psychosocial safety. Strikes are a material issue to some companies but this issue is often well managed.

Psychosocial safety and workplace culture has continued to increase in materiality since we first identified this as a priority issue in 2022. Australia has introduced several legislative requirements mandating that businesses proactively manage psychosocial risks alongside physical ones. This year, a number of companies highlighted psychosocial risk as a growing concern. Woolworths, for example, reported a 63% increase in psychosocial safety incidents in the 2024 financial year.

Similarly, for global equities we have noted an increase in the number of culture-related issues but so far this has been limited to investment banks and very large companies like Amazon.

We generally assess **diversity and inclusion** as an opportunity for industries such as mining, industrials and finance, where historically a lack of diversity has been known to cause cultural issues. It can also be a risk for some companies where transparency requirements highlight issues in diversity, or where an exclusive culture threatens company performance. In Australia, companies are now required to report gender diversity metrics including the ratio of women to men across the workforce, and information on the gender pay gap. Similarly in Europe, companies are required to report diversity information for their Boards and disclose diversity-related policies.

We do note, however, the change in the US away from diversity and inclusion as a specific measure for workforce and organisational health. Towards the end of 2024, a number of large US companies like Deere and Amazon changed their diversity commitments. As we move in 2025, we have seen this trend continue under the Trump Administration.

We have not noted a change in materiality for **health and safety** between 2023 and 2024. This issue is relevant for companies within most sectors including mining, industrials, manufacturing, and consumer.

Research

- Initiated a project to expand our **Workplace Culture Framework** (published in 2022) to cover sectors other than mining such as retail and investment banking. This included desktop research of reported information and engagement with companies such as JP Morgan, Morgan Stanley, Bank of America, Woolworths, and Wesfarmers.
- Analysis of gender pay gap data for our Australian portfolio holdings and confirmed engagement priorities.
- A research trip to Robe River included a night in mining accommodation and a real experience eating and sleeping in a remote mining accommodation. See the engagement example in this section for actions from this trip.

Examples of company engagement

SAFETY

In 2022 we initiated an **engagement objective** for Brambles to improve its oversight of health and safety across its outsourced factory workforce and report on safety metrics to investors. We view Brambles ESG leadership as integral to its success. Mismanagement of safety within its outsourced workforce, and any subsequent serious incidents, could materially impact this reputation. In 2024 we **escalated** this issue and raised our concerns with the Chair of the Board. The Chair confirmed that this issue had also been identified by the Board as a priority and we should expect to see better disclosures in the coming years. Although we consider this as a good step forward, we will continue to engage on this issue.

SAFETY

We **engaged** with senior management at Quanta to discuss improved reporting on worker safety. As an infrastructure services provider, Quanta prioritises worker safety as a key ESG risk area. While Quanta's safety policies and processes are leading, the company's fatality reporting lags behind peers. In 2024, we provided feedback and requested better reporting. We will continue to monitor progress.

PSYCHOSOCIAL SAFETY

During a **research trip** to Robe River, hosted by the Robe River Kuruma Aboriginal Corporation, our Head of ESG and Sustainability stayed in the Rio Tinto's Mesa A and Mesa J mine accommodation. We later wrote a **letter** to the Chair of the Board about the lack of lighting, security cameras, and electronic locks at the camp. We have also discussed these concerns with multiple Executive Committee members since the tour. Our feedback aligns with the views in our **Workplace Culture Framework Report** (2022) and is part of our ongoing engagement on psychosocial safety.

WORKFORCE

In an ESG call with SK Hynix, the company confirmed several workforce-related commitments that have positively influenced our assessment of its ESG risks. Firstly, the company intends to increase female representation in leadership positions to 10% by 2030, which is currently quite low at 4%. This objective is supported by many training, development and university partnerships to increase female representation and their upward mobility. Secondly, it reported undertaking 11 disciplinary actions due to harassment in 2024. Additionally, the company demonstrated a mature management approach to safety by initiating a 10-year project to investigate occupational health and diseases-related to semiconductor manufacturing in response to some negative claims. This engagement has reaffirmed our **ESG risk level** of 1 for this company.

WORKPLACE CULTURE

We completed an update to our 2022 workplace culture assessment for South32 through desktop review and using information from an **engagement** with the VP, Human Resources and team. We did not identify any material concerns through this engagement, however, we did identify a gap in the company's external reporting. We therefore initiated a new **engagement objective** for the company to increase disclosure on psychosocial risks and incidents consistent with peers such as BHP and Rio Tinto. We have also shared this feedback with the company.

SAFETY

In 2024, the Wesfarmers Board of Directors incorporated psychosocial safety as a factor in evaluating safety within the variable remuneration component for its executive team. While we concur that this element is a critical aspect of workforce safety and should indeed be considered by the Board, Wesfarmers has yet to establish a clear metric or target to enable transparent assessment and reporting. During our pre-AGM **engagement** with the Chair of the Board in October 2024, we inquired about the Board's approach to assessing this matter and communicated our perspective on enhancing transparency in 2025.

CASE STUDY

Morgan Stanley, JP Morgan, Bank of America and Macquarie Group research example: Psychosocial safety risks in investment banking

In 2024, the Wall Street Journal published a series of articles that examined the demanding work environments at investment banks. The reports highlighted how intense pressure on junior bankers is contributing to issues such as drug abuse, mental illness, physical health issues and in some instances, suicide. These manifest from a range of psychosocial hazards, including varying levels of bullying, hazing and a structural overreliance on junior bankers to meet client deadlines.

Our **ESG Framework** includes the assessment of workplace-related risks or opportunities such as culture, physical safety and psychosocial safety. We have a bespoke **workplace culture framework** to assess these risks in mining and industrial companies. However, these articles confirmed our concerns about culture in financial services and initiated a **research and engagement program** for investment banks.

To start, we used our existing **Workplace Culture Framework** to complete a comparative assessment to benchmark JP Morgan, Bank of America, Morgan Stanley and Macquarie Group. We compared performance against **11 indicators** such as policy commitments, employee engagement, turnover, incident reporting and speak up disclosures, incentive structures and workforce diversity.

We **engaged** with Bank of America and Morgan Stanley to improve our understanding of how this risk is managed and shared our findings in the meetings. This engagement indicated that the oversight of psychosocial risks and workplace culture is improving, however, is typically contained in certain departments or teams rather than across the entire organisation. For instance, both Bank of America and JP Morgan have implemented controls to manage work hours for junior bankers. However, this does not extend to the broader organisation.

This analysis will contribute to the broader project to enhance the Workplace Culture Framework to cover other sectors like investment banking and consumer retailers.

Human rights and modern slavery

Supply chain | Operations | Products and services

Thematic overview

Alphinity strongly supports the United Nations Guiding Principles on Business and Human Rights and expects our investee companies to do the same. We have a responsibility to ensure, to the greatest extent possible, that human rights and modern slavery violations do not occur in the companies in which we invest, including in their supply chains.

In addition to our ethical responsibility to prevent modern slavery and human rights issues within our investee companies, we recognise the potential investment impacts associated with a failure to manage these risks. Such threats can materialise in various forms, including supply chain disruptions, reputational harm, lawsuits and penalties, shareholder activism and regulatory changes.

We closely assess this as a central thematic each year, completing bottom-up analysis of all holdings to inform our understanding of current and emerging portfolio risks. We engage with companies and participate in research trips to better understand the risk landscape, such as the palm oil industry in Indonesia and apparel factories in Bangladesh.

Our Human Rights and Modern Slavery Fact sheet provides information on our overall management approach across operations and investment activities.

Human rights

Human rights are fundamental freedoms and rights that every person is entitled to, regardless of race, sex, language, religion or any other status. These rights are based on the principles of dignity, equality and respect. These foundations are set out in the United Nations' Universal Declaration of Human Rights, which has inspired many human rights laws.

Investment implications from human rights issues can arise from supply chain disruptions (e.g. worker dissent from low wages, poor conditions or discrimination), regulatory changes (e.g. rising wages in developing markets impacting procurement costs) or reputational impacts. Human rights often interface with other ESG factors such as heritage management and community risk.

Modern slavery

Modern slavery is a severe violation of human rights, involving situations where individuals are exploited and controlled through force, coercion, or deception. Practices that constitute modern slavery can include human trafficking, slavery, servitude, forced labour, debt bondage, forced marriage and the worst forms of child labour.[8]

Modern slavery incidents can have significant impact on a companies' social license and business practices. For example, supply chain disruptions caused by US import bans and increased public attention on products like cocoa, cobalt and sugarcane. Companies are also increasingly required under legal obligations to identify and mitigate modern slavery risks, thereby increasing the importance of managing such risks as investors.

[8] https://www.modernslavery.gov.au/about-modern-slavery/types-modern-slavery

Human rights and modern slavery framework

In 2021 we introduced a Modern Slavery and Human Rights Framework to support the consistent identification and analysis of different risks across investee companies and those under consideration for investment.

Over the past four years, this framework has served as an important foundation to identify and review the modern slavery and human rights risks in our portfolios. We use the outputs to support the portfolio management team, engage with companies, and identify top-down trends and research priorities. It also feeds into our ESG materiality assessment and company ESG risk level.

Each year we have introduced improvements to reflect emerging risks and integrate company management measures into the tool to form a view on residual risk.

In 2023 we enhanced our visibility of supply chain risks by identifying 25 high risk products and commodities. This includes 14 categories outlined in the Global Slavery Index and a further 11 categories such as cobalt, mica, bricks and tea, identified from the US List of Goods Produced by Child or Forced Labour and other sources. The same 25 categories were utilised in 2024, however, this list may change in the future.

The outcomes of the assessment of risk and management practices of our holdings in **2024** are presented in this section. The following graphic provides an overview of the framework and process.

Risk assessment

Supply chain
- Sub-industry risk level
- Product and commodity exposure (25 high risk categories)
- Supply chain concentration
- Related controversies

Operations
- Sub-industry risk level
- Country exposure (Global Slavery Index)
- Vulnerable workers (e.g. migrant workers)
- Related controversies

Downstream products and services
- Sub-industry risk level
- Related controversies

Management assessment

Organisational commitment
- Human rights policy
- Modern slavery policy

Due diligence*
- Supply chain audits (frequency, number)
- Incidents (number, severity)
- Consequences (termination, remediation)

Supply chain transparency*
- Tier 1 and Tier 2 supplier disclosures
- High risk commodities or products
- High risk locations
- High risk exposures (number, procurement spend)

Outcomes

Company engagement and monitoring

Priority research (e.g. supply chain visits, academic or NGO discussions)

Investment decisions (position size adjustments, avoid investments)

* We have integrated management indicators specific to the supply chain in this assessment as supply chain presents the highest overall risk across our portfolios. Examples are given in the detailed discussion on the framework. Developing further indicators across the operational and downstream risk categories is a priority for 2025.

2024 update

Materiality

Within our ESG Framework, we identify human rights and modern slavery risks across three categories: upstream supply chain, operations, and downstream products and services. In 2024, human rights and modern slavery risks in the supply chain were assessed as highly material. While operational risks (e.g. agriculture) or those associated with products and services (e.g. financial services) are less pertinent overall, these issues can still be highly material at the company level.

The main concerns related to human rights and modern slavery in the supply chains of our holdings were similar to 2023. Fashion and apparel industries saw many reports about concerning working conditions and forced labour risks. Issues in sugarcane plantations, fisheries and the shipping industry were also identified as high risk. The construction industry, particularly in developing countries, was identified at risk of exploiting migrant workers and overlooking safety practices. Poor working conditions and modern slavery in the agricultural sector, including products like cocoa, coffee and palm oil, continued to be visible through the year.

In 2024, we also identified the interconnectedness of human rights risks and other ESG issues. For example, the inter-relationship between First Nations, mining practices and human rights. Another area we have explored are embedded risks in the net zero transition and renewable energy value chain.

In terms of the external environment, human rights and modern slavery remains a focus from a regulatory perspective. The US, Germany, France and Canada are all investigating or enforcing modern slavery risks within company supply chains. In Australia there was a review of the Modern Slavery Act 2018 that indicated the possibility of introducing penalties for non-compliance in future.

Research

- Analysis of all 2024 holdings using our Human Rights and Modern Slavery framework. Insights are used to inform the portfolio management teams on high-risk companies and specific risk areas, and to develop stewardship priorities.
- Meetings with human rights experts in India to discuss different salient risks for the sugarcane, technology, construction and apparel supply chains. This research informed our analysis for portfolio holdings such as Coca Cola, Apple, and Wesfarmers.
- Research trip to China to visit companies and manufacturing facilities involved in energy transition technologies like batteries and renewable energy.
- Participation in the Responsible Investment Association of Australasia (RIAA) Human Rights working group and digital technology sub-group. We contributed to the toolkit published for investors in May 2024.
- We have continued to support the PRI Advance collaborative initiative on human rights as co-leads for Freeport McMoran and supporting investors for BHP and Rio Tinto.

Human Rights and Modern Slavery Framework assessment

The purpose of this framework is to provide a structure to identify companies and sectors that present the highest overall human rights and modern slavery concerns. The assessment includes supply chain analysis to identify high risk commodities and a management assessment to consider the quality and implementation of processes to mitigate key risks.

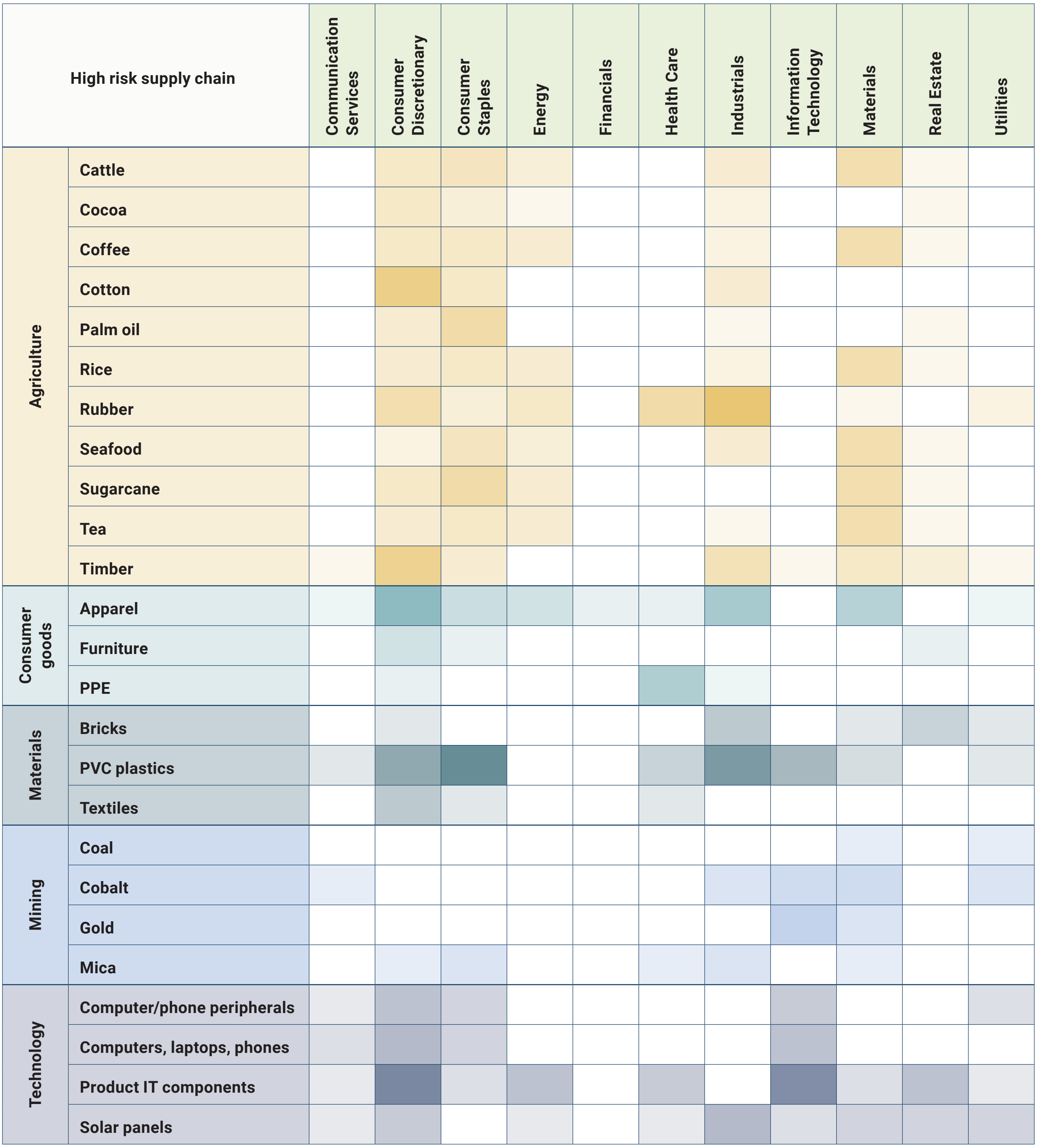
118 companies held during the year were evaluated against our framework.[9]

[9] This assessment has not been weighted by portfolio position size across the year. All percentage insights represent a simple average calculation.

Supply chain analysis

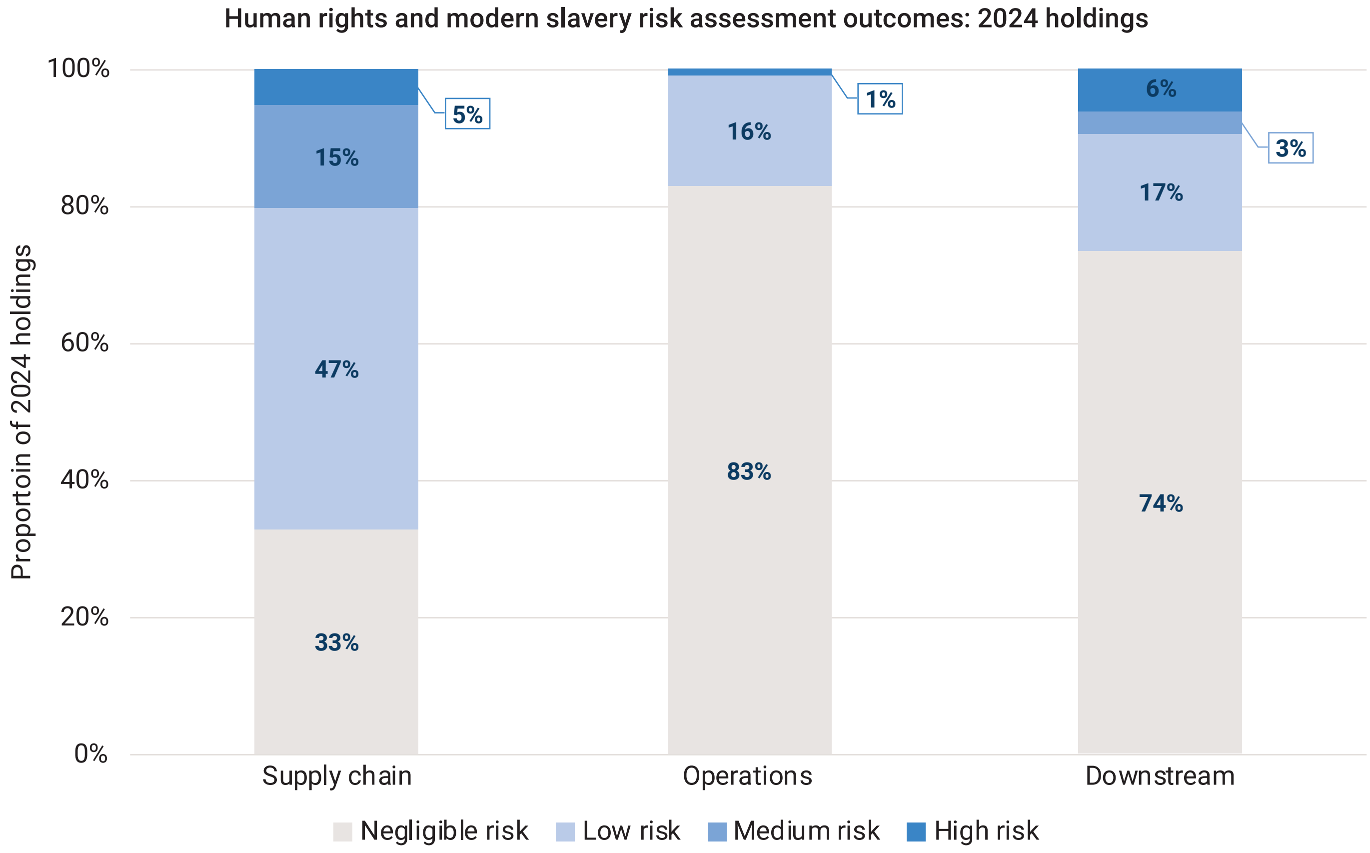
The chart below illustrates the materiality outcomes by sector from the supply chain analysis for all companies held in 2024. It is important to note that the distribution of companies is uneven across sectors due to our investment activities through the year. Therefore, this is not a generalised sector risk outcome, but serves to focus our risk analysis, company engagement and research priorities.

This analysis highlights that consumer discretionary and staples sectors are consistently linked to the highest exposure to human rights and modern slavery risks. It also identifies the prominence of technology as a risk area across most sectors. Apparel, PVC plastics and rubber are also supply chains with high exposure, marking them as areas for further research in the coming year.



Risk assessment outcomes

The chart below illustrates the risk assessment outcomes for all companies held in 2024 across three segments of the value chain. This highlights that the greatest risk area across investments is concentrated in the supply chain.



Supply chain risks hold the highest exposure with 20% of companies having a medium or high risk. This is consistent with previous years and largely driven by companies with exposure to garments, electronics, agricultural commodities (coffee, cocoa, palm oil) and construction materials (timber, bricks) or related construction activities (eg. real estate).

Operational risks remain negligible for most holdings because we generally invest in companies in developed markets with strong employment standards. However, 17% were assessed as low risk due to direct operations in high-risk countries such as China, India and Malaysia. One Australian company engaged in direct agriculture operations was assessed as high risk due to the inherent industry risk and employment of migrant workers.

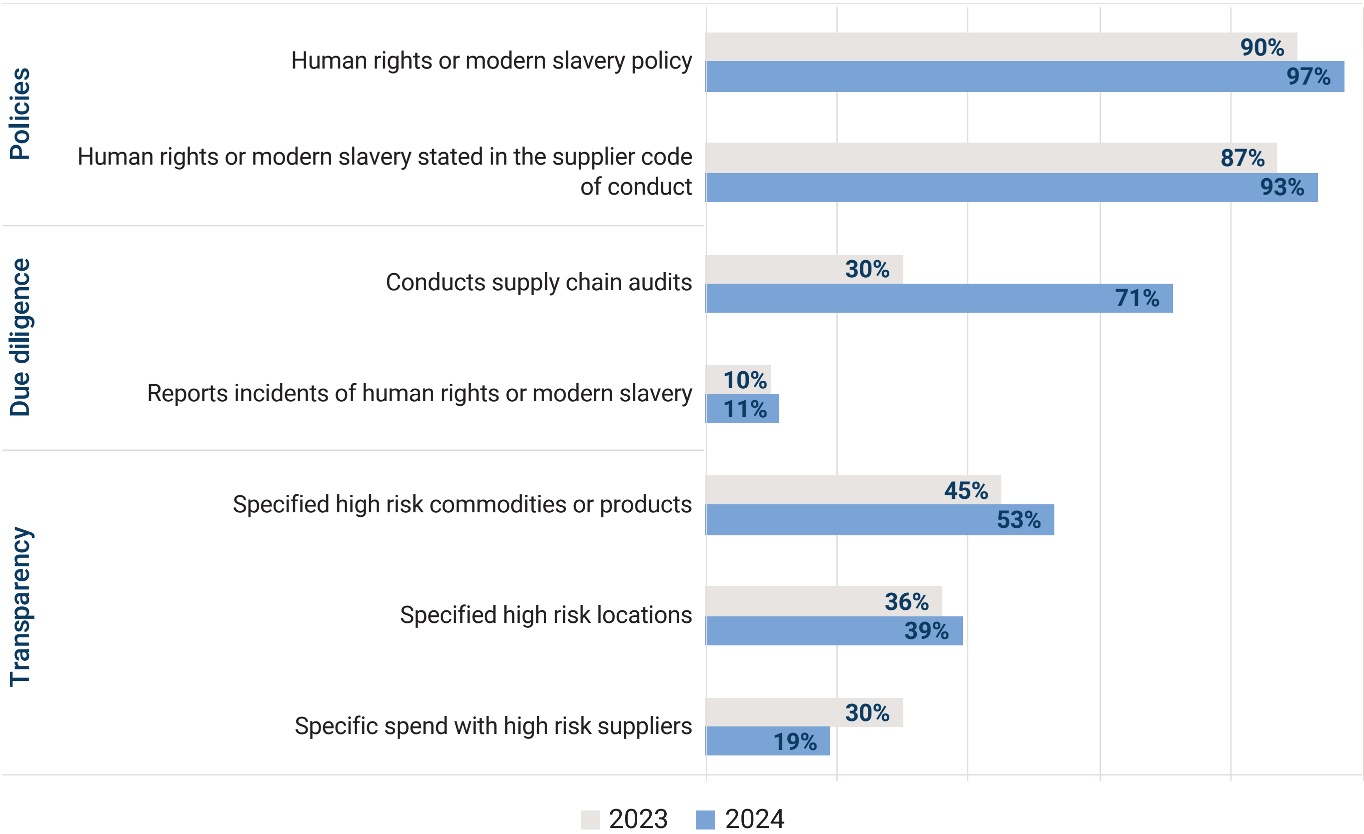
Downstream risks remain negligible for most holdings, but financials are considered high risk through their lending practices. We have also identified companies that operate online marketplaces and facilitate the sale of goods as high risk. Industries that are considered low risk include communications, transport services such as airlines and ports, and insurance companies where their services could be implicated in human rights and modern slavery issues.

Management assessment outcomes

The chart below illustrates the management assessment outcomes for all companies held in 2024 across seven indicators. Performance across most indicators has improved this year, however, the percentage of companies which report incidents of human rights or modern slavery remains very low.

The data shows the proportion of companies that pass the assessment across all global and Australian holdings in 2024. Generally, we see stronger disclosure across the Australian holdings due to the requirements of the Australian Modern Slavery Act.

Human rights and modern slavery management outcomes: 2023 and 2024 holdings



Note: Comparisons between years are not like-for-like as holdings change over time. However, this indicates how disclosures are generally trending over time.

Conclusions

- Supply chains remain the highest priority for human rights and modern slavery risks based on exposure to high-risk commodities and regions. According to our assessment, operational exposure to modern slavery risks is largely negligible, however, this can still be very material for certain companies.
- The consumer discretionary, consumer staples, industrials, and materials sectors have the largest exposure to high-risk supply chains like cotton, sugarcane, plastics, and technology.
- We have seen strong performance against our policy management indicators this year. However, performance against the due diligence and transparency indicators is less advanced.
- Good quality reporting on modern slavery strategies, including clear goals and objectives, is still lacking across most companies in our assessment. This has been a priority engagement area to date and will continue into 2025.

Examples of company engagement

MODERN SLAVERY RISK

In 2021 and 2022, Ansell faced a significant issue when the US Customs and Border Protection banned two of its suppliers over forced labour concerns. Though Alphinity was not a shareholder then, in 2024 we conducted an ESG review to assess the ongoing risks in the rubber supply chain and to better understand what steps the company has taken to manage its exposure. We **engaged** with Ansell and despite confirming a number of significant improvements, challenges remain. Consequently, we assigned an **ESG risk level of 2** to Ansell under our ESG Framework which requires heightened monitoring and active engagement.

BEST PRACTICE

We often **engage** with leading organisations to better understand best practices in specific areas. In 2024, we participated in a meeting with Nike to conduct an in-depth review of policies and practices and to understand the progress Nike has made in mitigating risks related to modern slavery in its supply chain. This engagement highlighted that Nike is leading in modern slavery identification, management and disclosure. For example, Nike has collected wage data for 103 strategic suppliers that manufacture 80% of its product volume and has included wage sentiment as part of its supplier surveys. Nike discloses key insights from this assessment on its website. Nike also publishes an interactive map with information on where its products are made and statistics about workers, such as the average age, along with full disclosure of tier 1 and tier 2 suppliers.

MICA

Mica is a high-risk supply chain for child labour and is a mineral commonly found in paint, construction materials and makeup. Although our portfolios have low exposure to mica, we targeted Sherwin Williams for an **engagement** in 2024 to clarify mica use and procurement controls. The company confirmed minimal natural mica is used, with most pigments made from synthetic mica. For the very small amount of natural mica sourced from India and Brazil, the company conducts supplier due diligence and obtains supplier policies on child labour. We were satisfied with the overall risk exposure and company response, but will continue to **monitor** this issue.

MODERN SLAVERY

Wesfarmers is recognised as a leader in modern slavery disclosure in Australia. It reports audit outcomes, grievance mechanisms and remediation actions across its supply chain programs. Given its high-risk supply chain, in 2023 we set an **engagement objective** for the company to develop and publish a multi-year modern slavery strategy. Through discussions with Senior Management (which are ongoing), we have urged Wesfarmers to include a living wage objective and outline measurable objectives in the strategy. We believe this will enhance investors' understanding of the company's efforts to mitigate human rights and modern slavery risks.

CASE STUDY

Thermo Fisher (TMO) engagement example: Human rights risk linked to its products

TMO is a global supplier of analytical instruments, clinical development solutions, specialty diagnostics, laboratory, pharmaceutical and biotechnology services. In 2019 and 2022, TMO was involved in two different reports which stated that the company's DNA tests were being used by the Chinese Governments and the Tibetan Police respectively to collect DNA data from citizens. This is a unique situation where a company's products may have resulted in a breach of human rights.

Before investing in TMO, we conducted due diligence through company engagement, expert calls, and desktop research to confirm the background of this issue and the steps that were subsequently taken by the company. Through our **engagement,** the company stated that it conducted thorough due diligence into these claims but determined that the risk of misuse was limited. An important clarification with the company was that the DNA kits sold cannot determine ethnicity, but provide binary matching results and partial matches through familial lines. Additionally, sales to China represent a very small portion of the business.

Regardless, TMO have implemented restrictions on the sales of DNA kits in these regions, which include additional contractual clauses with distributors and in-sales monitoring. TMO also established a bioethics committee in 2019, comprising senior leadership, which collaborates with NGOs to elevate ethical considerations in the industry, particularly concerning genetic data.

Overall, we concluded that it is unlikely a similar controversy will arise. Because the management response was satisfactory, we confirmed TMO was investible and assigned a **Level 2 ESG risk** under our ESG Framework.

CASE STUDY

BHP Group engagement objective example: The inter-relationship between the energy transition and human rights

The cobalt value chain has significant modern slavery risks but has an essential role in the energy transition due to its use in EV batteries and renewable energy storage systems. As commodity demand grows, the pressure on supply from miners may also heighten the modern slavery risk profile over time.

In 2024, our Senior ESG and Sustainability Analyst participated in an energy transition **research trip** through China and met with a range of companies, including one of the world's largest cobalt miners. This mining company is a substantial supplier to EV battery manufacturers, which are used in heavy haul vehicles and mining fleets, but was not able to demonstrate how human rights management practices were implemented and measured.

Before BHP's AGM, we **engaged** with the VP Sustainability and Climate Change to discuss the company's 2024 Climate Transition Action Plan (CTAP). During this meeting, we shared our feedback from the research trip and our concerns regarding human rights risks in the energy transition value chain. We asked the company how it considers human rights in the timing of the CTAP and what trade-offs might be made to ensure the 2030 climate targets are met. We reiterated this feedback in another meeting with the VP ESG and the Chair of the Board.

We have established a new **engagement objective** for BHP to improve the management of inter-related issues in the energy transition, including human rights, in the CTAP and will continue to engage throughout 2025. We have added this item to the engagement agenda for other companies in the mining, energy, industrials and real estate sectors.

CASE STUDY

PRI Advance collaborative engagement: Freeport McMoran, BHP and Rio Tinto

The PRI Advance collaboration aims to "protect and enhance risk-adjusted returns by advancing progress on human rights through investor stewardship". It monitors corporate performance against the World Benchmarking Alliance's (WBA) Social Transformation Framework.

In 2023, we were selected as co-leads for the **Freeport McMoran** engagement and joined the **BHP** engagement as a support investor. In 2024, we also joined the **Rio Tinto** engagement as a support investor.

This case study summarises the engagement priorities and actions during 2024. While progress has been made across all three working groups, this case study highlights that achieving results for big, complex issues don't easily take place in the short-term. This underscores the importance of persistence and building long-term relationships with investee companies to promote stronger ESG practices.

Freeport McMoran (January 2023 – Present)

Discussions across three group meetings primarily focussed on the environmental and human rights impacts of the riverine tailings system at the Grasberg copper mine in West Papua. Grasberg is a large asset that contributes significantly to Freeport's earnings, and we requested more frequent water monitoring data and assurance around community grievances. The group issued a **formal letter** outlining these perspectives, which the company acknowledged. Part of the letter also referred to Board oversight of grievances and the security controls at mine sites.

In November 2024, we had a productive meeting with the VP of Sustainability, who confirmed senior management had acknowledged our **engagement objective** for stronger disclosure at Grasberg. We understand that the team will be considering improved disclosures from 2025.

Other engagement areas in 2025 include addressing modern slavery in the supply chain.

BHP Group (January 2023 – Present)

The group met with the company twice in 2024 to focus on the management of modern slavery risks in the supply chain and remediation of Samarco's tailing dam collapse. We contributed by leading a dedicated discussion on psychosocial safety, harassment and culture. This was based on the assessment of BHP's performance against our bespoke **Workplace Culture Framework**.

The group has agreed on engagement topics for 2025 which strongly align with our **ESG priorities** for BHP. These include First Nations' relationships, labour practices and psychosocial safety.

Rio Tinto (September 2024 – Present)

We joined this group recently and there have been three meetings held on topics such as water rights and reputational risk driven by stakeholders. These strongly align with our **ESG priorities** for Rio Tinto. Further engagement priorities are being discussed, such as co-management models with First Nations and proactive management of behavioural and harassment issues.

First Nations

Indigenous engagement | Heritage management

Thematic overview

First Nations is a term that refers to indigenous peoples or community groups who are the earliest known inhabitants of an area. In Australia, the term First Nations recognises Aboriginal and Torres Strait Islander people as the sovereign people of this land. It also recognises the multiple nations that make up the indigenous population of Australia. In Canada, this has been the preferred term for indigenous groups for some time. There are 634 recognized First Nations governments or bands across Canada. In Australia there are 3,338 registered Aboriginal and Torres Strait Islander corporations.

First Nations communities form an important stakeholder group for many listed companies across sectors such as energy, mining, consumer and financials. In the mining and energy sector, these groups can have a material influence on development timelines, permitting approvals, and the overall relationship with the community. In Australia in particular, heritage management is key to maintaining a strong relationship with these groups. In the consumer and financials sector, these groups are often an important part of the customer base and may require specialised product solutions.

Although we have been actively assessing First Nations' related risks and opportunities for companies within the mining and energy sectors for some time, this year we have added it as a new priority thematic covering two specific issues; indigenous engagement and heritage management. To avoid overlap, indigenous employment for workforce is assessed under the **Workforce** thematic.

The growing focus on nature, and the interface with First Nations' rights along with the awareness from our external stakeholders, has contributed to the increase in overall materiality of these issues and the decision to report this as a separate thematic.

2024 update

Materiality

Towards the end of 2023, an Australian constitutional referendum to introduce a proposed Aboriginal and Torres Strait Islander Voice was rejected by the Australian public. Leading up to the vote, corporate Australia's role in indigenous equity was extremely topical, with many believing that company's do not have a role to play. Throughout 2024, we have continued to see many Australian companies take a leadership role in **indigenous** equity, engagement and employment and **heritage management**. Companies such as Commonwealth Bank, Wesfarmers, Woolworths, and BHP have identified this as a material issue and have put measures, such as a Reconciliation Plan, in place.

In the mining and energy sector, tensions with First Nations and community groups have also seemingly risen in 2024. Rio Tinto in particular has faced ongoing scrutiny from First Nations' groups in and around the Pilbara in Western Australia in relation to heritage management. Similarly Woodside Energy and Santos have faced challenges with new offshore developments.

Although we do not feel the company level materiality for this topic has significantly changed since 2023, the awareness from our external stakeholders such as regulators and investors has increased. The Responsible Investment Association of Australasia has also identified First Nations as a priority topic in its 2025 engagement plan. The growing focus on nature, and the interface with First Nations' rights has also increased the overall materiality of this issue.

Globally, outside of Canada, this is a more nascent ESG priority for many companies, however, we plan to do some more work on the materiality across sectors within global equities in 2025.

Research

- Benchmarked the uptake of Free Prior and Informed Consent (FPIC) amongst Australian mining and energy companies and engaged with companies such as Santos, Rio Tinto and Woodside Energy to understand its application.
- A research trip to Western Australia and the Pilbara to meet with First Nations' groups and hear their perspectives. This trip included six meetings with mining and energy companies and five meetings with Aboriginal Corporations. A highlight was a two-day cultural immersion with the Robe River Kuruma Aboriginal Corporation management and elders. See the case study on the next page.
- A research trip to Calgary, Canada to benchmark indigenous engagement practices against similar practice in Australia. This trip included more than 15 meetings with key companies in the oil and gas industry and representatives of First Nations organisations.
- Joined the Responsible Investment Association of Australasia's First Nations Working Group with our participation kicking off from 2025.

Examples of company engagement

CommonwealthBank

INDIGENOUS ENGAGEMENT

As part of a small group meeting, we **engaged** with the company to better understand how its support of Free, Prior, and Informed Consent (FPIC) for indigenous communities is applied through the range of lending practices. It gave us some insight into the overall governance practices and where the priority focus areas are across the bank.

RioTinto

HERITAGE MANAGEMENT

Rio Tinto has an **ESG risk level** of 3 under our ESG Framework and therefore requires active engagement to mitigate immediate and longer term ESG risks. Since the destruction of Juukan Caves in 2020, we have **engaged** with Rio Tinto on its management of First Nations' relationships and heritage on an ongoing basis. In 2024, we held 10 meetings with Rio Tinto, more than half of those meetings included discussion on First Nations' matters. See the case study in this section for further details.

Transurban

INDIGENOUS ENGAGEMENT

Transurban was an early leader in establishing a Reconciliation Action Plan (RAP). It's third Innovate RAP was put in place in 2023 and seeks to build on the earlier RAPs and mature the organisations overall approach. In 2024, we met with Transurban's Head of Sustainability for a general update on ESG. As part of this meeting we specifically **engaged** on progress against the 2023 RAP and encouraged more disclosure on progress in the 2024 Annual Reporting Suite. The company confirmed the appointment of a First Nations Program Manager and a dedicated education program for staff.

CASE STUDY

First Nations' research trip example: Meeting with the Robe River Kuruma Aboriginal Corporation and others to gain a detailed understanding of risks and opportunities

In July 2024, our Head of ESG and Sustainability joined a small group of ESG analysts on a research trip to Western Australia where they met with a range of companies in Perth including six listed mining and energy companies, such as Fortescue Metals Group and Woodside Energy, and five Traditional Owner groups in the Karratha and wider Pilbara region, such as the Robe River Kuruma Aboriginal Corporation and the Banjima Native Title Aboriginal Corporation.

The Robe River Kuruma Aboriginal Corporation are traditional owners of land in the Pilbara which Rio Tinto mines under the name Robe Valley (Mesa A and Mesa J). As part of the research trip, the investors spent two days with management representatives of the corporation and elders of the traditional owner group. The elders shared their views on the impact of mining, both good and bad, and expressed specific concerns about the negative impact on a critical waterbody called the Bungaroo.

This **research trip** gave us unique access to an important stakeholder group in the Pilbara and has allowed us to better understand both their influence and the ongoing permitting risks in the region. As a result, we identified four priority areas for **engagement** and issued a **letter** to Rio Tinto with our feedback.

The priority engagement areas are:

Social licence:

improve the measurement of social licence considering the views of all stakeholders including First Nations' groups and integrate into Executive remuneration.

Access to land and culture:

support access to land and culture for First Nations' groups.

Water rights:

review the impact and dependencies on water and consider opportunities to improve the water rights of First Nations' groups.

Compensation and royalties:

mitigate the exposure to compensation and royalties claims by proactively engaging with First Nations' groups and understanding concerns.

Following the trip we have met with Rio Tinto management multiple times and have engaged on these priority issues. We also continue to engage with the Robe River Kuruma Aboriginal Corporation.

Digital technology

Data privacy | Cyber crime | Responsible AI

Thematic overview

Technology is part of our everyday lives. Cloud connected solutions have helped businesses improve cyber security, manage large amounts of data, and optimise business processes. E-commerce and online platforms have helped extend a company's reach and customer base. And now, artificial intelligence (AI) is predicted to transform entire industries and offer substantial efficiency gains.

Technology is often a double-edged sword. As much as cloud services can help to manage big data, having all the data in one place also increases risks related to data privacy and cyber crime. It is therefore important that we consider these risks and opportunities when assessing the ESG and sustainability implications for various companies.

We introduced digital technology as a priority thematic in 2023 and initiated a research project with Australia's premier scientific government research organisation, the CSIRO, to develop a Responsible AI Framework for investors. This project was completed in 2024 and the learnings have now been integrated into our overall ESG Framework.

This section presents examples of engagement related to responsible AI. A full case study on the project is presented on page 22.

We recognise that digital technology is not typically separated as a unique thematic within ESG and sustainability structures, however, we feel that the issues are specific enough to warrant a targeted approach.

2024 update

Materiality

In 2024, **cyber crime** was ranked one of the most material topics across the ESG issues assessed against our holdings. It is an issue which is relevant to almost all companies and the risk management approach is difficult to assess. Under this issue we assess the risk of events such as scams, ransomware attacks, bad actor breaches and theft, and general data breaches from technology or process failure.

This year we noted an increase in the amount of news flow related to cyber crime. This was also reflected in an increase in company commentary on the issue.

The CrowdStrike outage in July 2024, which caused 8.5 million global computer systems to crash, was not linked to a cyber crime event however, it did shine a light on the world's growing reliance on cloud connected and digital systems.

Similarly, **data privacy** has also continued to increase in materiality, largely due to the AI investment thematic and increasing storage and use of big data. We have not noted a change to the number or impact from material data breaches in 2024, however, the ongoing regulator and customer focus means that this issue is receiving increased attention.

Responsible AI is still an emerging issue for most companies. However, in 2024 we saw a material increase in the general awareness and interest in responsible AI as well as a slight increase the level of disclosure. For example, Microsoft published a Responsible AI Transparency Report early in the year.

There has also been significant interest from other investors, including asset owners and managers, in our project with the CSIRO. In 2024 we participated in more than **30 meetings and presentations** to share insights and learnings from our project. We were also invited to present at the **UNPRI Annual Conference** in Toronto.

Research

- Engagement with cyber experts to identify best practice management measures to mitigate the risk of cyber incidents. We have applied these guiding principles in our ESG risk assessments and company engagements in 2024.
- Joined the RIAA Digital Technology and Human Rights Working Group in 2023. In 2024 this group published a report highlighting the human rights implications of AI and how investors can better engage on the topic.
- Finalised a research project with the CSIRO to develop a Responsible AI Framework for investors. We published a research report and toolkit to support the implementation of the framework. We have continued to engage with companies on their approach to AI throughout 2024.
- Initiated a project to expand our Responsible AI Framework to also cover the AI value chain (e.g. emissions and water use through semiconductor manufacturing). We intend to complete this work in 2025.
- Attended a day of presentations at CSL headquarters in Melbourne to understand the AI opportunity in drug development and discovery.

Examples of company engagement

INTUITIVE SURGICAL®

DATA PRIVACY

Intuitive Surgical manufactures the Da Vinci and Ion Robotic Systems used in surgeries worldwide. The company has been assigned an **ESG risk level 2** under our ESG Framework mainly because of risks related to product quality, safety and the potential for reputational impacts. We generally engage at least once per year on this topic to track potential issues and controls. In 2024 we also added data privacy and responsible AI to the meeting agenda. As an outcome, we initiated an **engagement objective** related to responsible AI and shared our Responsible AI Framework. We will continue to prioritise this engagement.

nab

CYBER CRIME

Our Head of ESG and Sustainability was invited to a small group **Boardroom ESG lunch** with three NAB Board Directors including the Chair. The purpose of the meeting was for the Board to better understand the perspectives of its shareholders and collect feedback related to ESG topics such as climate, customer, trust, policy, and nature. From this engagement we identified three areas for further work including scams management. We have identified a new **engagement objective** for Australian banks as a result. See the case study on the next page.

ThermoFisher SCIENTIFIC

DATA PRIVACY

Thermo Fisher is a global company offering a range of healthcare equipment, pharmaceutical production, and consulting services. We **engaged** with the sustainability team to assess cybersecurity and data privacy risks. The meeting confirmed the presence of sensitive data within the clinical trial business, prompting further discussion of the company's cybersecurity management plan. We maintained an **ESG risk level** of 2, which also reflects other product quality and regulatory risks. Thermo Fisher has a strong track record and is an example of a company that may shift towards an **ESG risk level** of 1 over time.

Wesfarmers

RESPONSIBLE AI

In 2023 we initiated an engagement with Wesfarmers related to Responsible AI. Through the CSIRO AI research partnership we **engaged** with the GM OneDigital, Privacy and Trust to understand Wesfarmers' application of AI and how ethical and ESG considerations were being addressed. We established an **engagement objective** to encourage Wesfarmers to publish a Responsible AI framework or policy and confirm governance controls for high-risk AI use cases like facial recognition. We engaged with Wesfarmers a number of times throughout 2024 and discussed AI and technology in most meetings. We conducted a specific update on responsible AI, meeting with the GM OneDigital Privacy and Trust again, and confirmed the business has expanded its active use cases and is implementing a Responsible AI Framework. This remains a high priority engagement with Wesfarmers due to the ongoing reputational and legal risks.

CASE STUDY

Commonwealth Bank of Australia (CBA), National Australia Bank (NAB) and Westpac engagement example: Scams management

Australia's four big banks are the leaders of the Australian financial sector. Between them they hold about 70% market share and 73% of household deposits and owner-occupied home loans. They are a fixture of the Australian corporate landscape and are strictly regulated by bodies such as the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA). Given the banks' dominance and strong brand recognition, social licence and managing the relationships with customers are essential to maintaining its operating outcomes.

Over the past few years there has been a growing focus within Australia on the role that the banks play in managing financial scams and financial crime more generally. Throughout 2024, there were a series of negative media stories which highlighted victims of financial crimes and pointed the finger at the banks in failing their customers.

In response, we **completed a review** of CBA's, NAB's and Westpac's disclosure on scams management and identified the need for further engagement. Although we felt that the banks were acting responsibly in notifying customers related to scams, and proactively seeking to stop scams clarity on the overall approach, governance, and decision making was missing.

As described above, we engaged with NAB Directors as part of a small group ESG boardroom lunch session. In that meeting we asked the Board what the organisational strategy was in relation to scams? What are the pillars of the bank's scams strategy? Who decides when losses are pays to customers? Is there a policy position on payments? What proportion of losses from financial scams are paid by the bank? And what reporting is provided to the Board?

We asked similar questions in meetings with CBA and Westpac throughout the year and felt that shareholders would benefit from more information on scams management.

As a result of these engagements we have established an **engagement objective** for each bank to confirm and publish further details of its overall approach to scams management including goals or objectives and metrics and measures.

CASE STUDY

Life360 sustainability example: Integrating big data and privacy risk within our SDG analysis

Life360 is a family social networking app with more than 60 million monthly active users. Security-conscious families use the Life360 app to track each other's whereabouts and to track the location of their pets and personal belongings. Life360 also offers a suite of additional security features, such as driver safety monitoring, roadside assistance, and emergency response dispatching.

Life360's goal is to help families and friends stay connected and improve safety, but this also means that it collects and stores lots of sensitive data such as children's location information. It also means that people could use the app and hardware to illegally track partners. To maintain its trust with its customers it is therefore important that Life360 applies a high degree of ethics over its data privacy practices and controls its cyber-crime risks. It is also important that it provides features that allow people to control their own privacy and manage how and when others can track their locations.

Before investing in Life360 in our Australian Sustainable Share Fund we initiated an **ESG and sustainability review** to confirm the material ESG risks and considerations, the ESG risk level, and the SDG alignment outcome and score to determine the suitability for our Australian Sustainable Share Fund.

This review identified two positive and two negative alignments with the SDGs.

- **Positive:** SDG3.6 for the road safety and crash detection benefits of the app and SDG16.1 for protecting people against violence and criminal activity
- **Negative:** SDG5.2 for the risk of coercive control and illegal monitoring with the app and SDG16.4 for risk related to misuse of sensitive data (child location data) and criminal activity

To confirm the risk related to the negative alignments, we **engaged** with the company and reviewed relevant disclosures. We confirmed that the company had a suitable approach to data privacy and risk management and has also built in features into the app to mitigate coercive control risks.

A requirement of the Australian Sustainable Share Fund is that the company must have a net positive alignment to the UN Sustainable Development Goals. The outcome of the assessment for Life360 was a net positive **SDG score** of 70. This reflects the conclusion that the positive widespread benefit to family and child safety well outweighs the less likely occurrence of coercive control, illegal monitoring, and criminal activity from data breaches.

This company was approved by the Sustainable Compliance Committee and subsequently added to the Australian Sustainable Share Fund. This review also set a precedent for our analysis for companies like Life360 which create unique risks around data privacy and safety.

CASE STUDY

Responsible AI Framework engagement example: Sharing our framework with companies to encourage better reporting

In May 2024 we finalised a **collaborative partnership** with the CSIRO to develop a Responsible AI Framework for investors. This framework consists of three steps and is intended to be used by investors to assess the risks and opportunities from the development and application of AI. It is also intended to be used by companies as a guide for the types of disclosures and information investors need to understand and assess their approach to responsible AI.

Since finalising the project we have continued to **engage** with companies and have shared our framework to encourage better reporting and help companies to understand what information investors need to properly assess the risks and opportunities linked to AI.

In 2024, we shared our framework with companies such as Medibank, Netflix, Intuitive Surgical, MercadoLibre, AGL, Origin, Wesfarmers, and Thermo Fisher.

Netflix

Prior to investing in Netflix, we conducted an **ESG review** and identified the misuse of generative AI in content production as a potential risk. This was particularly relevant given the business disruption caused by labour strikes in 2023 involving major Hollywood unions, which were partly driven by concerns over AI's impact on job security.

These issues were resolved in 2023, leading to increased compensation, employee benefits, and restrictions on AI use within three labour organisations. However, at the time, it did cause significant disruption to Netflix' business performance and caused delays in production.

We **engaged** with the company twice to better understand the outcomes of the resolution, the company's view on a similar event occurring in the near term, and how it is approaching AI use given some of the restrictions imposed by the union agreements. Netflix confirmed that it has internal guidelines with cross-functional management on the use of generative AI to guide appropriate AI use cases in the business.

While Netflix noted that it is satisfied with the outcomes of the union agreements, we did provide **feedback** that publishing these AI guidelines externally would be a positive. A longer-term opportunity exists around content quality and production efficiencies from generative AI. We continue to engage with the business on its stated policy commitments and guardrails around AI use to ensure the business builds transparency and trust, whilst using AI in a productive and opportunity-driven manner.

Reputation and social licence

Controversy exposure | Leadership | Stakeholder impact | Business ethics

Thematic overview

A company's social licence to operate is a measure of the level of trust between an organisation and its key stakeholders. If a company loses the trust of its stakeholders, its social licence to operate is also impacted and often results in negative consequences for its operating conditions. This impact can be as a result of regulatory intervention, community protests and disruption, customer-related controversies, unfavourable news and media, corruption and bribery, and shareholder activism.

Often, reputational and social licence related issues can have a cumulative effect on a business. That is, one seemingly minor issue associated with one stakeholder group, combined with another seemingly minor issue with another group, can have a 'snowball' like impact on a company's reputation. Certain businesses can also be more susceptible to reputational damage due to their size, history, or visibility to various stakeholder groups.

We believe that maintaining strong corporate ethics, building trust with stakeholders, and minimising controversy exposure which may lead to negative media, regulatory intervention or community activism helps to build trust and mitigates the impact of negative or controversial events on a business.

We view a company's social licence and overall reputation as a material driver of performance over the short and longer term. Within our ESG Framework we have identified four main drivers of social licence and reputation that are most relevant across the holdings in our portfolios: leadership, business ethics, stakeholder impact, and controversy exposure. These are assessed using a range of factors including corruption and bribery, anti-trust, the number of active and past controversies, and customer and community feedback.

2024 update

Materiality

This issue has not increased or decreased in materiality in the reporting period. It is a fundamental building block to company performance and is also extremely specific to each business and its local context. This is one of the most material thematics across most companies.

In 2024 we continued to see the global media, regulators and communities put pressure on companies that participated in unfair or unethical business practices, however, we also saw that the nuance in what is 'ethical' or 'fair' is changing and becoming more divisive between different regions.

For instance, within the Australian context, several companies including Mineral Resources, Steadfast, and Woolworths have faced share price disruption and backlash from shareholders due to controversies related to governance issues or concerns, as well as involvement in government inquiries and reviews. Conversely, in the United States, any backlash was more frequently associated with anti-ESG sentiments and resistance from customers, communities, and regulators regarding ESG-related targets and commitments.

For large multinational businesses, this dynamic, and maintaining a good reputation and social licence to operate, across multiple stakeholder groups, differing views, and vast jurisdictions has become more challenging and we expect this to continue into 2025.

Research

- Implemented a controversy risk monitoring process for portfolio holdings using third party ESG research provider information and news flow.
- Review of companies exposed to sanctioned regions and engaged experts to better understand sanction risk and impacts.
- Review of companies exposed to the Israel and Hamas conflict and the size of revenue exposed either directly through operations or indirectly through contracts.
- Detailed analysis of past and ongoing controversies in the banking sector to benchmark the extent and size of penalties for investment banks.
- Engaged with more than 15 Australian and global mining and energy companies to understand how social licence is measured and reported to senior management.

Examples of company engagement

CUSTOMER

We have been long-standing investors in Australian retail banks through our Australian equities strategies. Similar to all banks, Australian banks like CBA can be materially affected by deterioration in its social licence and relies heavily on customer, Government, media, and community trust to maintain a stable regulatory and customer environment. Throughout 2024, we started **engaging** with the banks again on their hardship policies as the cost of living crisis in Australia became more of a concern. We spoke to the CBA Chair of the Board and CEO about this on separate occasions, who both confirmed the banks current policies were able to manage the potential increase in hardship. It also confirmed that at this stage it was not seeing an increase in defaults, however, were proactively starting to engage with its customers to manage potential concerns. Leading into an election year, this will be a high priority issue to monitor throughout 2025.

PRODUCT SAFETY

Intuitive Surgical manufactures the Da Vinci and Ion Robotic Systems used in surgeries worldwide. The company has been assigned an **ESG risk level** of 2 under our ESG Framework mainly because of risks related to product quality, safety and the potential for reputational impacts. We generally engage at least once per year on this topic to track potential issues and controls. We **engaged** in April 2024 and confirmed that there haven't been any major recalls recently, and historical legal cases have largely settled.

CONTROVERSY

In 2023 we initiated an **engagement objective** for Qantas to implement the outcomes of its Governance Review and improve customer sentiment and overall social licence. Throughout 2024 we engaged with the company multiple times including through meetings with its CEO, Chair of the Board, and Head of Sustainability to monitor and understand progress any ongoing challenges the company was facing. We feel that the company has made significant improvements to its social licence and has addressed many of the specific issues from 2022 and 2023. Given how visible Qantas is as a brand, this remains a high priority engagement area for the company.

STAKEHOLDER IMPACT

In 2022 we established an **engagement objective** for Marsh McLennon related to the implementation of its client engagement principles and exposure to controversial projects or customers. Along with other large financial institutions, Marsh has been called out by non-Government organisations and community groups for its involvement with projects such as the East African Crude Oil Pipeline. Whilst the company cannot confirm its involvement due to client confidentiality, we have been engaging to improve its reporting and improve our understanding the implementation of its client engagement principles. Given the size and geographic reach of the company's various businesses, being exposed to one sensitive project is not likely to pose a material investment risk to the business. However, we believe that aggregating high-risk decisions across the firm over the medium-term could result in significant reputational damage.

BUSINESS ETHICS

We held two engagements with Procter & Gamble (P&G) in 2024. One was a general update on human rights, deforestation and packaging. The second was part of our review of companies with ongoing exposure to sanctioned regions. The purpose of the **engagement** was to better understand the reasons for operations in Russia and how US sanction legislation is managed. Through the engagement we confirmed that P&G has relocated non-essential employees out of Russia, has stopped investments into the region, and is producing essential productions only under a special licence. Sales from Russia are down to less than 1% of group revenue. As part of the meeting, the company also outlined the changes to its governance structures that were made so that the Russian business was the responsibility of the C-Suite rather than a second or third-line management team.

Woolworths ESG integration example: Evaluating the cumulative impact of individual issues on social licence

Woolworths is a large Australian supermarket chain with more than 1000 stores across the country. Between Woolworths and Coles, the other large supermarket chain, most Australians visit their stores at least once per week.

Throughout 2023 and 2024, Woolworths faced a number of individual controversies which we felt could have a significant cumulative impact on its social licence to operate and created a short and medium term investment risk for the business.

To better understand the implications of the various issues we completed a **risk assessment** to identify and map each issue against four impact dimensions including social licence, penalties and fines, employee sentiment and loss of customer. From this, we confirmed that the Government and ACCC pricing inquiries, the staff underpayment case, and the resignation of the CEO, presented the most material risks for the company. These reputational issues were compounded by a poorly managed interview with the CEO in late 2023 and growing stress around the cost of living in 2023 and 2024.

We **engaged** with the company throughout 2024 to actively monitor these issues and expressed our concerns to the CEO and Chair of the Board on multiple occasions.

Ultimately, financial concerns about Big W and the New Zealand supermarket business led to earnings downgrades for Woolworths. Combined with the governance risk from the early CEO departure and the media and social license risks from the ACCC investigation, we managed our position size accordingly throughout 2024.

REA Group sustainability example: Delivering products that build trust through accessibility

REA Group operates commercial and property websites such as realestate.com.au, flatmates.com.au, and property.com.au. It also owns Mortgage Choice Pty Ltd, an Australian mortgage broking franchise group, PropTrack Pty Ltd, a leading provider of property data services, Campaign Agent Pty Ltd, Australia's leading provider in vendor paid advertising for the Australian real estate market and Realtair Pty Ltd, a digital platform providing end-to-end technology solutions for the real estate transaction process. Internationally, REA Group holds a controlling interest in REA India, operator of established brands like Housing.com

In 2024, we initiated an **ESG and Sustainability review** for REA Group to confirm material ESG risks and considerations, the ESG risk level, and the SDG alignment score to determine its suitability for our Australian Sustainable Share Fund. To assist with completing this review we met with the General Manager, Sustainability and the Executive Manager, Product.

We **engaged** on a range of topics but were specifically interested in gaining further clarity on data privacy and cyber security practices, customer benefits and price transparency and arrangements with real estate agents. One feature raised by the company was the accessibility filters and options being added to the property websites. REA Group has a strategic focus on Diversity, Equity, and Inclusion and believes that access to jobs and housing is a basic right.

Learning about these additional features through engagement helped to strengthen our **sustainability analysis** and built a stronger picture of REA Group as a leader in diversity, equity and inclusion, both through its workforce initiatives and through product development and design. We believe these efforts help to support a good workforce culture, evidenced through its strong employee engagement scores, and strengthen its social licence to operate with key stakeholders like community groups, customers and Government. It also mitigates regulatory risks which may negatively impact the business.

Using these insights alongside company's disclosures, we confirmed an **ESG risk level** of 1 (low) and the company was approved by the **Sustainable Compliance Committee** for inclusion in the Australian Sustainable investible universe.

CASE STUDY

Merck engagement example: Evaluating drug pricing practices in the US health system

Merck & Co, also known as Merck in North America, is a healthcare company involved in research, development and manufacturing of important medicines in oncology, cardiovascular disease, diabetes and vaccines.

While competition between US healthcare companies has spurred innovation and development of life-changing treatments, the US system is a complex and often controversial space. Americans pay significantly more for prescription drugs compared to other countries, and insurance coverage remains a challenge. Pharmaceutical benefit managers, which are intermediaries between insurers, pharmacies and drug manufacturers, have been criticised for inflating drug prices.

Even though Merck's products are life-saving in nature, and deliver material health benefits worldwide, these system dynamics increase the value of maintaining a strong social licence and thereby mitigating regulatory burden and pressure from various stakeholders. Merck cannot fully mitigate these risks given many are outside of their control, but implementing controls related to transparency, fair pricing practices and access programs can materially help.

We **engaged** the company in 2024 to better understand how Merck manages these risks and uses its influence to support a more equitable health system.

We **confirmed** the following commitments:

- **Transparency:** Merck has been reporting annual pricing metrics for its medicines in the US. This helps to build trust and allows stakeholders to understand the company's pricing trends.
- **Fair pricing:** Merck aims to set prices that reflect the value of its products. This approach helps ensure that prices are fair and the business sustains itself over the longer term. The company is committed to not raising prices above inflation rates. This helps mitigate the impact of price increases on patients and the healthcare system.
- **Access Programs:** Merck offers programs to provide free or discounted products to uninsured or underinsured individuals.

We view these aspects positively but recognise that access to healthcare remains a contentious issue. We are therefore **monitoring** reforms in the US, such as the Inflation Reduction Act funded by drug rebates. We are mindful that these can have a negative impact to company earnings, but also recognise that changes to pricing can improve sentiment and have a net positive impact on the industry.

Governance

Board effectiveness | Shareholder alignment | Remuneration | Sustainability strategy | Sustainability disclosure

Thematic overview

Corporate governance systems are the structures, rules, policies, procedures, and practices by which a company is directed and controlled. We firmly believe that strong governance is a leading indicator for company performance and provides a foundation of stability and structure for a business.

Through our investment activities, we assess and manage traditional corporate governance elements such as director elections, shareholder rights and executive remuneration. We have also increased our focus in recent years on the integration of ESG and sustainability into corporate governance. For example, how material ESG factors are linked with executive remuneration, the quality of sustainability strategies and disclosure, and board awareness and management of key ESG issues.

This thematic interrelates with the other seven thematics already discussed in this report. Many engagement examples and case studies included previously also highlight our corporate governance considerations and actions.

Examples of proxy voting activities, including where we have voted against Remuneration Reports and Director elections, are within the Proxy Voting section of this report.

This thematic includes some additional engagement examples that are specifically related to the four key issues under this thematic; Board effectiveness, shareholder alignment, remuneration, and sustainability strategy and disclosure.

2024 update

Materiality

Governance is ranked as the most material thematic across our holdings and is relevant to any listed company. This means it is actively considered for all companies in our portfolios and where we identify a concern, it is managed through engagement, proxy voting, or ESG integration and portfolio management.

Overall the materiality has not increased, however, there has been some change in the relevance of the underlying factors.

Board effectiveness and shareholder alignment have increased in materiality in 2024 in the Australian market. Concern with founder led and non-independent Boards, and associated governance failures became topical with companies like Mineral Resources and WiseTech experiencing significant issues. For global equities, companies such as Tesla continue to present material governance risks for similar reasons.

It is becoming more common in Australia and Europe for **executive remuneration** to include non-financial and ESG linked components. We are generally supportive of this practice, however, we have increased our focus on analysing the method of inclusion and quality of assessment. We have also observed that remuneration structures are generally becoming more complex and nuanced. This has subsequently resulted in an increase in the overall materiality of this issue.

Finally, the importance of **sustainability strategies and disclosures** continues to be very material for most companies across our funds. As much as we want all companies to have strategies and disclosures in place, we also want them to focus on materiality and assign effort to the issues that are most important. With the anti-ESG movement in the US gaining traction throughout 2024, this point is even more important.

Research

- European regulation research trip for third year in a row to attend a series of conferences to better understand emerging ESG regulation and reporting requirements.
- Ongoing research to develop a framework to assess ESG risks and opportunities for complex financial institutions such as investment banks. An overview of the Sustainable Banks Framework is presented on page 17.
- Ongoing membership in the FSC ESG Working Group which has been involved in providing feedback to the draft Australian Sustainability Reporting Standards proposed by the Australian Accounting Standards Board.
- Attended the United Nations Principles for Responsible Investment (PRI) annual conference in Toronto to hear from leading investors and companies on ESG integration, governance, strategy and reporting.

Examples of company engagement

BHP

REMUNERATION

During 2021 and 2022 we were made aware that instances of sexual harassment and assault were occurring at remote mining operations. In response, BHP conducted a review into the issue and has implemented a number of important measures to mitigate occurrences while also encouraging a strong speak up culture. In 2023 BHP was amongst the first companies in Australia to report the number of sexual harassment complaints in its Annual Report. This year, we **engaged** with the BHP Chair in the lead up to the AGM to discuss how ongoing serious instances of sexual assault were considered as part of safety measures in Executive remuneration. It was confirmed that at this stage they are not, however, it would be something they might consider in the future. He emphasised that BHP takes these complaints very seriously and hold relevant people to account across the organisation.

Morgan Stanley

GOVERNANCE

Recently, Morgan Stanley faced accusations related to money laundering in its wealth management business. Following a 2024 article on this issue, we requested a meeting to understand the company's AML (anti-money laundering) and KYC (Know-Your-Client) processes better. Morgan Stanley explained that the article referred to old information without new revelations. The company has since improved key processes and oversight for AML/KYC. While we appreciated the explanation, we couldn't confirm a top-down approach for policy implementation. We provided an example policy from a peer and set an **engagement objective** for Morgan Stanley to publish its AML/KYC Policy. We view this as potentially a material risk for Morgan Stanley and will continue monitoring and engaging with the company to better understand the issues.

Steadfast

GOVERNANCE

Starting in September 2024, Steadfast faced two significant governance, ethics and reputation-related controversies which ultimately led to our **divestment** in December 2024. Firstly, the company was accused of misleading its customers in relation to strata insurance and fees. This began with an ABC Four Corners investigation but also involved the Australian Competition and Consumer Commission (ACCC). Secondly, two employees were placed under investigation in December by the corporate regulator for potential insider trading. We **engaged** with the company following both incidents and were satisfied that the company was undertaking appropriate due diligence. We decided to **divest** the position in December given the risk of an investigation by the regulator, governance implications of the two issues, and the financial concerned about the commercial rate environment in 2025.

REMUNERATION

In 2023, we reviewed health and safety metrics and executive remuneration structures for Australian companies in the ASX200 with fatalities in the past 24 months, and for companies with positions in our Australian equities strategies. We found Telstra did not include safety metrics or a fatality gate in its remuneration structure. Despite Telstra's strong safety record, we believe high-risk industries should include safety in remuneration. In 2024, we **engaged** with the Board Chair again and conducted a detailed review of Telstra's safety practices using its reporting and additional information from an ESG engagement meeting. We have set an **engagement objective** and will continue collaborating with the company through 2025.

CASE STUDY

Examples of feedback given in company meetings

The Alphinity ESG and sustainability team has been actively engaging with companies across our portfolios and the respective investment universes since the team was established almost five years ago. Over this time, building on the existing trust of the wider investment team, we have built relationships with the Heads of Sustainability, Investor Relations, Board Directors, and Executive Managers. As a result we are increasingly asked to participate in company materiality assessments, provide feedback to companies who are seeking input into sustainability initiatives, and provide input into Board out-reach and feedback programs.

In 2024 we participated in numerous company engagements where we had been invited or asked for feedback. Examples are below:

- **ANZ:** Participated in the company's annual materiality assessment through a form and interview.
- **South32**: Participated in the company's annual materiality assessment through an interview process.
- **Xero:** Participated in a meeting with Senior Managers at Xero to provide feedback on proposed changes to remuneration structures.
- **Conoco Phillips:** Participated in an investor outreach program before the company's AGM to discuss proposed shareholder resolutions.
- **National Australia Bank:** Participated in a small group ESG Boardroom lunch with three Board directors, including the Chair, to provide our feedback to the company.
- **Qantas:** Participated in an investor outreach program to engage with the new Chair of the Board and provide feedback on the Governance Review and raise any other concerns.
- **BHP:** Participated in a small group session and one-on-one meeting 2024 to provide feedback on the company's approach to climate change and support improvements made to the 2024 Climate Transition Action Plan.

These types of engagements do not supplement our own targeted engagements, but they do often support our broader engagement objectives for a particular company. They are also a reflection of the increasing input investors can have on ESG matters with listed equities, and the need for investors to maintain a high standard in ESG analysis and disclosure.

Appendices

APPENDIX 1
Company engagement

Australian equities (113 meetings)

Company	Date
Rio Tinto	Jan-24
Woolworths	Feb-24
Qantas	Feb-24
Westpac	Feb-24
Worley	Mar-24
National Australian Bank	Mar-24
Woolworths	Mar-24
Rio Tinto	Mar-24
ANZ	Mar-24
Telstra	Mar-24
Wesfarmers	Mar-24
BHP Group	Mar-24
Transurban	Mar-24
Rio Tinto	Apr-24
Woodside Energy	Apr-24
BHP Group	Apr-24
AGL	Apr-24
Light & Wonder	Apr-24
Super Retail Group	Apr-24
Viva Energy	Apr-24
Ampol	Apr-24
Origin	Apr-24
Woodside Energy	May-24
Capstone Copper	May-24
South32	May-24
Goodman Group	May-24
Smartgroup	May-24
Amcor	May-24
Qantas	May-24
BHP Group	May-24
Goodman Group	Jun-24
South32	Jun-24
Santos	Jun-24
BHP Group	Jun-24
AGL	Jun-24
BHP Group	Jun-24
Transurban	Jul-24
NextDC	Jul-24
Pilbara Minerals	Jul-24
Northern Star Resources	Jul-24
Woodside Energy	Jul-24
Mineral Resources	Jul-24
Fortescue Metals Groups	Jul-24
Liontown Resources	Jul-24
Rio Tinto	Aug-24
South32	Aug-24
Life360	Aug-24
Capstone Copper	Aug-24
Rio Tinto	Aug-24
Capstone Copper	Aug-24
Car Group	Aug-24
Commonwealth Bank	Aug-24
Cochlear	Aug-24
AGL	Aug-24

Company	Date
Rio Tinto	Aug-24
Goodman Group	Aug-24
Telstra	Aug-24
Newmont Mining Corp	Aug-24
Brambles	Aug-24
Rio Tinto	Aug-24
Medibank	Aug-24
National Australian Bank	Aug-24
Worley	Aug-24
BHP Group	Aug-24
Ansell	Sep-24
Cleanaway	Sep-24
Wesfarmers	Sep-24
Incitec Pivot	Sep-24
Brambles	Sep-24
CSL	Sep-24
Commonwealth Bank of Australia	Sep-24
Rio Tinto	Sep-24
BHP Group	Sep-24
Qube Holdings	Sep-24
Medibank	Sep-24
BHP Group	Sep-24
Westpac	Sep-24
Newmont	Sep-24
Wesfarmers	Sep-24
Commonwealth Bank of Australia	Sep-24
Xero	Sep-24
Qantas	Oct-24
Wesfarmers	Oct-24

Company	Date
Medibank	Oct-24
Telstra	Oct-24
Super Retail Group	Oct-24
BHP Group	Oct-24
Suncorp	Oct-24
Brambles	Oct-24
Capstone Copper	Oct-24
Hub24	Oct-24
BHP Group	Oct-24
Cochlear	Oct-24
South32	Oct-24
Origin	Oct-24
Wesfarmers	Oct-24
REA Group	Oct-24
Goodman Group	Oct-24
CSL	Nov-24
Coles Group	Nov-24
Viva Energy	Nov-24
Cleanaway	Nov-24
Rio Tinto	Nov-24
Worley	Nov-24
Telstra	Nov-24
Amcor	Nov-24
Alcoa	Nov-24
Westpac	Nov-24
National Australian Bank	Nov-24
Qantas	Dec-24
Aristocrat Leisure	Dec-24
Rio Tinto	Dec-24

Global equities (86 meetings)

Company	Date
Waste Connections	Jan-24
Sherwin Williams	Jan-24
Marsh McLennan	Feb-24
Proctor & Gamble	Feb-24
Quanta Services	Mar-25
Parker Hannifin	Apr-24
SK Hynix	Apr-24
Novonesis	Apr-24
Intuitive Surgical	Apr-24
ConocoPhillips	May-24
Thermo Fisher	May-24
BBVA	May-24
Bank of America	May-24
Progressive	May-24
Uber	May-24
Trane Technologies	May-24
Bank of America	May-24
AJ Gallagher	Jun-24
Novo Nordisk	Jun-24
AirBNB	Jun-24
Brown & Brown	Jun-24
Safran	Jul-24
Emerson	Jul-24
Amphenol	Jul-24
DSV	Aug-24
Pentair	Aug-24
Freeport McMoran	Aug-24
Northrop Grumman	Aug-24
Costco	Aug-24

Company	Date
Cintas Corp	Aug-24
Merck & Co	Aug-24
JA Solar	Sep-24
Longshine Technology	Sep-24
Beijing Jingneng Clean Energy	Sep-24
Huayou Cobalt	Sep-24
JL Mag Rare Earth	Sep-24
Ganfeng Lithium	Sep-24
ENN Energy	Sep-24
Netflix	Sep-24
Intercontinental Exchange	Sep-24
DR Horton	Sep-24
Veralto	Sep-24
Linde	Sep-24
Motorola Solutions	Sep-24
Cenovus	Oct-24
South Bow	Oct-24
Bank of America	Oct-24
Canadian Natural Resources	Oct-24
Entropy Inc	Oct-24
Vermillion Energy	Oct-24
Nutrien Energy	Oct-24
Imperial Oil	Oct-24
Telus Corp	Oct-24
Pan American Silver Corp	Oct-24
Lundin Mining Corp	Oct-24
CVW CleanTech Inc	Oct-24
Home Depot	Oct-24
Loblaw Supermarket	Oct-24

Company	Date
RBC	Oct-24
Brookfield Asset Management	Oct-24
Toronto-Dominion Bank	Oct-24
IBM	Oct-24
Moody's Corp	Oct-24
JP Morgan	Oct-24
ConocoPhillips	Oct-24
ConocoPhillips	Oct-24
Morgan Stanley	Oct-24
Zoetis	Oct-24
BBTN	Oct-24
Sherwin Williams	Oct-24
Nike	Oct-24
Netflix	Nov-24
Freeport	Nov-24
Moodys	Nov-24
Skechers	Nov-24
CBRE	Nov-24
Morgan Stanley	Nov-24
UOB	Dec-24
DBS	Dec-24
OCBC	Dec-24
Parker Hannifan	Dec-24
Tata Consumer	Dec-24
ICICI Bank	Dec-24
Procter & Gamble	Dec-24
Quanta	Dec-24
Schneider Electric	Dec-24

APPENDIX 2
Company SDG alignment

Australian Sustainable Share Fund (2024 holdings)

	Quartile SDG Rank*	SDG Alignment Positive Alignment	Negative Alignment
Communications			
CAR Group	2	8 (technology solutions), 12 (circular economy)	–
Telstra Corp	3	8 (enabling business & economy), 9 (infrastructure), 17 (access to internet)	–
Consumer			
Coles	3	2 (access to food), 3 (healthy food)	3 (alcohol, tobacco), 12 (packaging waste)
IDP Education	2	4 (education support)	–
JB Hi-Fi	4	3 (sanitation), 4 (educational equipment), 8 (enabling business & economy)	12 (consumption & waste)
Super Retail	4	3 (healthy living), 11 (transport systems)	12 (consumption & waste), 15 (deforestation & land use)
Wesfarmers	4	2 (sustainable agriculture), 3 (healthy living), 4 (educational products), 8 (enabling business & economy), 9 (infrastructure), 10 (access & inclusion), 11 (sustainable cities)	6 (water), 12 (consumption & waste), 13 (carbon emissions)
Woolworths	4	2 (access to food), 3 (healthy food), 10 (access & inclusion)	3 (alcohol, tobacco), 12 (packaging waste)
Financials			
ANZ Bank	1	1 (access to finance), 8 (financial services)	1 (debt cycles), 8 (systemic risk), 13 (fossil fuel lending)
Commonwealth Bank	1	1 (access to finance), 8 (financial services)	1 (debt cycles), 8 (systemic risk), 13 (fossil fuel lending)
HUB24	4	8 (financial services)	–
Macquarie Group	3	1 (access to finance), 8 (financial services)	8 (systemic risk), 13 (fossil fuel lending)
Medibank Private	3	3 (health insurance)	–
National Australia Bank	2	1 (access to finance), 8 (financial services)	1 (debt cycles), 8 (systemic risk), 13 (fossil fuel lending)
QBE Insurance	2	8 (insurance), 11 (resilient cities)	–
Steadfast	2	8 (insurance)	–
Suncorp	1	8 (insurance), 11 (resilient cities)	–
Westpac Banking Corp	1	1 (access to finance), 8 (financial services)	1 (debt cycles), 8 (systemic risk), 13 (fossil fuel lending)
Healthcare			
Ansell	2	3 (healthcare products), 8 (safe work)	12 (medical waste), 15 (deforestation)
Cochlear	1	3 (hearing implants), 4 (educational support), 10 (access & inclusion)	–
CSL	1	3 (lifesaving medicine)	12 (medical waste)
Fisher & Paykel Healthcare	1	3 (respiratory aid)	–
Resmed	1	3 (respiratory aid)	–

	Quartile SDG Rank*	SDG Alignment Positive Alignment	 Negative Alignment
Industrials			
Brambles	1	8 (logistics), 9 (industrial solutions)	–
Cleanaway	4	6 (liquid waste management), 11 (waste management), 12 (recycling)	12 (waste to landfill), 13 (carbon emissions)
Qantas Airways	4	8 (tourism & business), 9 (freight services), 10 (migration & mobility)	13 (carbon emissions)
Qube	3	8 (logistics), 9 (industrial solutions)	13 (fossil fuel transport)
Reliance Worldwide	1	6 (water systems), 11 (sustainable cities)	–
SGH	3	9 (industrial solutions), 12 (circular economy), 13 (low carbon concrete)	13 (carbon emissions)
Smartgroup	4	9 (sustainable industry), 10 (inclusion), 13 (electric transport)	–
Transurban	3	8 (enabling business & economy), 9 (infrastructure), 11 (transport systems)	12 (construction waste), 13 (carbon emissions), 15 (deforestation & land use)
Ventia Services	2	9 (infrastructure), 11 (sustainable cities)	–
Information Technology			
Data#3	2	8 (enabling business & economy)	–
Life360	2	3 (driver safety), 16 (location sharing for safety)	5 (surveillance), 16 (sensitive data)
Technology One	3	3 (healthcare services), 4 (educational services), 8 (enabling business & economy)	–
Xero	2	8 (enabling business & economy), 9 (SME solutions)	–
Materials			
BHP	4	7 (electrification), 8 (enabling business & economy), 9 (infrastructure), 11 (sustainable cities), 13 (transition minerals, resilient cities)	6 (water use), 11 (cultural heritage), 13 (carbon emissions) 15 (deforestation & land use)
Bluescope Steel	2	9 (infrastructure), 11 (sustainable cities), 12 (circular economy)	13 (carbon emissions)
Capstone Copper	3	7 (electrification), 8 (enabling business & economy), 9 (infrastructure), 11 (sustainable cities), 13 (transition minerals)	6 (water), 13 (carbon emissions), 15 (deforestation & land use)
Deterra Royalties	3	7 (electrification), 9 (infrastructure), 11 (sustainable cities), 13 (resilient cities)	13 (carbon emissions), 15 (deforestation & land use)
James Hardie	3	11 (infrastructure)	–
Pilbara Minerals	1	7 (electrification), 8 (enabling business & economy), 9 (infrastructure), 11 (sustainable cities), 13 (transition minerals)	6 (water), 13 (carbon emissions)
Rio Tinto	4	7 (electrification), 8 (enabling business & economy), 9 (infrastructure), 11 (sustainable cities), 13 (transition minerals, resilient cities)	6 (water use), 11 (cultural heritage), 13 (carbon emissions) 15 (deforestation & land use)
South32	4	7 (electrification), 8 (enabling business & economy), 9 (infrastructure), 11 (sustainable cities), 13 (transition minerals)	6 (water use), 13 (carbon emissions), 15 (deforestation & land use)
Real Estate			
Goodman Group	3	8 (logistics), 9 (infrastructure)	12 (construction waste), 15 (deforestation & land use)
GPT	4	8 (enabling business & economy), 9 (infrastructure), 11 (sustainable cities)	12 (construction waste), 15 (deforestation & land use)
Lifestyle Communities	2	3 (healthy seniors), 10 (inclusion), 11 (access to housing)	–
Utilities			
Fluence Corp	1	6 (water treatment), 9 (infrastructure), 11 (water management)	–

*Net SDG Score as at 31 December 2024 and included in KPMG Limited Assurance Scope.

Global Sustainable Equity Fund (2024 holdings)

	Quartile SDG Rank*	SDG Alignment Positive Alignment	Negative Alignment
Communications			
Alphabet	2	4 (access to education), 8 (enabling business & economy), 17 (access to internet)	12 (consumption & waste), 16 (misinformation & sensitive data)
Consumer			
AirBNB	2	5 (financial inclusion for women), 8 (tourism), 10 (access & inclusion)	11 (impacts to housing)
Chipotle Mexican Grill	4	2 (access to food)	3 (alcohol), 12 (packaging waste)
Home Depot	4	9 (infrastructure), 11 (sustainable cities)	12 (consumption & waste)
MercadoLibre	1	8 (business support, financial services), 10 (inclusion)	1 (debt cycles), 12 (consumption & waste)
Nike	4	3 (healthy living)	12 (consumption & waste)
Procter & Gamble	4	3 (healthy living), 5 (feminine hygiene), 9 (sustainable water innovation)	12 (packaging waste), 14 (water)
Financials			
Arch Capital	2	8 (insurance), 10 (affordable mortgage solutions), 11 (resilient cities)	–
Bank of America	3	1 (access to finance), 8 (financial services)	1 (debt cycles), 8 (systemic risk), 13 (fossil fuel lending)
Chubb	2	1 (life insurance), 2 (agricultural insurance), 8 (insurance), 11 (resilient cities)	–
ING	3	1 (access to finance), 8 (financial services)	1 (debt cycles), 8 (systemic risk), 13 (fossil fuel lending)
London Stock Exchange	3	8 (financial services)	–
MasterCard	4	8 (payment services)	–
Moody's Corp	3	8 (financial services)	–
Partners Group	2	8 (financial services), 9 (infrastructure investment)	13 (fossil fuel investment)
Healthcare			
Intuitive Surgical	1	3 (robotic surgery), 9 (health technology innovation)	–
Merck & Co	1	3 (lifesaving medicine)	–
Novo Nordisk	1	3 (lifesaving medicine), 5 (women's health)	–
Thermo Fisher	3	3 (healthcare services), 9 (industrial analytics)	12 (medical waste)
Zoetis	4	2 (agricultural medicine), 3 (antimicrobial resistance solutions)	3 (antimicrobial resistance for residual antibiotic portfolio)
Industrials			
Cintas Corp	3	6 (health & hygiene), 8 (safe work), 9 (industrial efficiencies), 11 (fire protection services)	14 (water)
Ferguson	3	6 (water systems) 9 (infrastructure), 11 (sustainable cities)	–
Quanta	1	7 (electricity systems), 9 (infrastructure), 13 (renewable energy projects)	13 (traditional energy services)
Schneider Electric	1	7 (electrification), 9 (industrial automation & efficiency), 13 (climate action)	–
Trane Technologies	3	9 (sustainable infrastructure)	–
Veralto	2	6 (water treatment), 9 (innovative UV technology)	–
Waste Connections	1	7 (methane capture & reuse), 11 (waste management), 12 (recycling)	12 (waste to landfill), 13 (carbon emissions, oil waste processing)

	Quartile SDG Rank*	SDG Alignment Positive Alignment	Negative Alignment
Information Technology			
Accenture	3	3 (health services), 8 (enabling business & economy)	13 (traditional energy services), 16 (defence services)
Apple	4	4 (educational products), 8 (enabling business & economy)	12 (consumption & waste)
ASML	1	8 (enabling business & economy), 9 (technology solutions)	–
Cadence	1	8 (enabling business & economy), 9 (technology solutions)	–
Microsoft	2	4 (educational software), 8 (enabling business & economy)	3 (gaming health impacts), 13 (carbon emissions)
Motorola Solutions	2	9 (technology solutions), 16 (safety & security)	16 (surveillance & defence services)
NVIDIA	3	8 (enabling business & economy), 9 (technology solutions), 11 (architectural software)	3 (gaming health impacts), 6 (data centre water use), 13 (carbon emissions)
ServiceNow	2	8 (enabling business & economy)	–
SK Hynix	1	8 (enabling business &economy), 9 (technology solutions)	–
Taiwan Semi TSMC	2	8 (enabling business & economy), 9 (technology solutions)	6 (water use)
Materials			
Linde	4	3 (gases in health applications), 6 (water treatment), 9 (industrial gases)	3 (soft drink health impacts), 13 (carbon emissions)
Novonesis	4	2 (food & agriculture solutions), 3 (health solutions), 6 (hygiene), 9 (sustainable innovation)	3 (alcohol), 13 (carbon emissions)
Real Estate			
CBRE	4	3 (health services), 8 (enabling business & economy), 9 (infrastructure)	12 (consumption & waste of retail centres)
Prologis	4	8 (logistics), 9 (infrastructure)	12 (construction & waste), 15 (deforestation & land use)

*Net SDG Score as at 31 December 2024 and included in KPMG Limited Assurance Scope.

APPENDIX 3

Taskforce on climate-related financial disclosures

TCFD category	Disclosure	Addressed	Reference and comments
Governance	a. Describe the Board's oversight of climate-related risks.	Yes	See the Climate Change Statement
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Yes	See the Climate Change Statement
Strategy	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	Yes	See the Climate Change Statement
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Yes	See the Climate Change Statement and climate change analysis on page 42
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Yes	See the Net Zero Alignment Framework and analysis on pages 45-49
Risk management	a. Describe the organisation's processes for identifying and assessing climate-related risks.	Yes	See the Climate Change Statement and page 43
	b. Describe the organisation's processes for managing climate-related risks.	Yes	See the Climate Change Statement and page 42
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Yes	See the Climate Change Statement
Metrics and targets	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Yes	See page 43
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Yes	See page 7
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	No	NA

APPENDIX 4
Financed emissions

	Total Carbon Emissions Tonnes CO_2e		
	2022	2023	2024
Alphinity Group	787 895	1 250 785	1 954 691

	Weighted Average Carbon Intensity Tonnes CO_2e/\$USm revenue			Carbon Footprint Tonnes CO_2e/\$USm invested		
	2022	2023	2024	2022	2023	2024
Australian Combined	244	152	240	96	155	257
Australian Share Fund	275	169	227	106	176	232
Concentrated Australian Share Fund	268	173	298	104	195	321
Australian Sustainable Share Fund	99	84	121	51	38	85
Global Combined	186	107	77	14	26	13
Global Equity Fund	186	93	74	28	23	12
Global Sustainable Equity Fund	62	86	80	27	17	12
Alphinity Group	222	122	117	70	70	73

Sources: Alphinity, (Sustainalytics, MSCI, Bloomberg). Data as at 31 June 2022, 31 December 2023, 31 December 2024.

APPENDIX 5
Top carbon contributors

Australian equities: Net zero alignment and company-level information

Company	Australian Share Fund	Concentrated Australian Share Fund	Australian Sustainable Share Fund	Carbon intensity	Net Zero Alignment and criteria score
AGL	YES	YES	NO	3828	Aligning (4/4)
BHP	YES	YES	YES	219	Aligning (4/4)
BlueScope Steel	NO	NO	YES	839	Committed to aligning (2/4)
Qantas Airways	NO	NO	YES	755	Committed to aligning (2/4)
Rio Tinto	YES	YES	YES	482	Aligning (4/4)
Santos	YES	YES	NO	1051	Committed to aligning (2/4)
South32	YES	YES	YES	3944	Committed to aligning (3/4)

Source: Alphinity Net Zero Alignment Framework (2024 company disclosures). Carbon intensity (tonnes CO_2e/$USm revenue) as at 31 December 2024, Sustainalytics.

AGL
AGL has developed a strong decarbonisation roadmap, driven by the closures of Bayswater and Loy Yang A power stations, in FY34 and FY35 respectively, contributing 52% scope 1 and 2 reduction by FY35 (2019 baseline). Engagement looking forward will cover the company's progress on its green revenue targets, and capital allocation alignment related to its near-term emissions reduction targets.

BHP
Strong transition plan across operational emissions, with efforts to reduce emissions by 30% by FY30 (FY20 baseline). Engagement looking forward will cover the progress on short-term targets and scope 3 management along the value chain.

BlueScope
Whilst the company has a net zero ambition, there are gaps around the detail of the decarbonisation plan. We appreciate it is difficult to quantify emissions reductions in a hard-to-abate sector, however, we will seek disclosures around future milestones and investment in alternatives.

Qantas
Qantas is preparing to meet its sustainable aviation fuel (SAF) targets and is investing to improve the efficiency of its airplane fleet. Engagement looking forward will focus on the progress of these key levers to decarbonise operations, as well the company's approach to offsetting emissions to meet its interim and longer-term targets.

Rio Tinto
Rio Tinto has a strong decarbonisation strategy in place to support efforts to reduce 50% of emissions by 2030 (2018 baseline). Engagement looking forward continues to focus on meeting this short-term target, as well as scope 3 progress along the value chain.

Santos
Santos is investing in carbon capture and storage and operational emissions reduction to prepare for a net zero economy. There are some gaps around the detail of the decarbonisation plans and science-based methodologies in climate disclosures. Engagement looking forward will focus on scope 3 emissions, and mitigating longer term transition risk.

South32
South32 has a clear net zero ambition, with science-based medium-term emissions reductions target of 50% by 2025 (2021 baseline). However, the company does not quantify key elements of its decarbonisation strategy, particularly at its energy intensive Hillside smelting asset. This represents more than half of its operational emissions footprint and has been a key engagement topic.

Global equities: Net zero alignment and company-level information

Company	Global Equity Fund	Global Sustainable Equity Fund	Carbon intensity	Net Zero Alignment and criteria score
Conoco Phillips	YES	NO	310	Committed to aligning (2/4)
Freeport McMoran	YES	NO	348	Committed to aligning (2/4)
Linde	YES	YES	1134	Aligning (4/4)
Procter & Gamble	NO	YES	53	Committed to aligning (3/4)
Quanta Services	NO	YES	48	Not aligning (1/4)
SK Hynix	YES	YES	292	Committed to aligning (2/4)
Waste Connections	YES	YES	659	Not aligning (1/4)

Source: Alphinity Net Zero Alignment Framework (2024 company disclosures). Carbon intensity (tonnes CO_2e/$USm revenue) as at 31 December 2024, Sustainalytics.

ConocoPhillips

The company's climate commitments cover operational emissions with a goal of net zero by 2050, though the scope 3 emissions outlook remains unclear. ConocoPhillips manages operational emissions through methane flaring and energy efficiency projects and incorporates a carbon price into new project decisions to mitigate stranded asset risk. While exploring new energy opportunities, the scope 3 decarbonisation strategy is not yet formalised, which is an engagement focus area.

Freeport McMoran

The company provides an overview of its scope 1 and 2 decarbonisation initiatives and has set carbon intensity targets for various assets. However, the company lacks a broader decarbonisation plan at the corporate level. We seek more information on measurable emissions reductions, science-based methodologies and scope 3 considerations.

Linde

Over the past two years, we have held several meetings with the company to track its emissions reduction progress and broader decarbonisation plan. A key element in its climate strategy is advancing blue and green hydrogen projects, as current grey hydrogen production accounts for half of its emissions. We remain engaged with Linde on this and cost-effective renewable energy procurement.

Procter & Gamble (P&G)

P&G has continued to reduce emissions, achieving a 57% reduction since 2010, and is on track to achieve its 63% reduction by FY30. We seek to engage on the quality of the decarbonisation plan and related milestones.

Quanta Services

Quanta Services continues to build on programs to reduce emissions by rolling out energy efficiency programs and electric vehicle trials. However, it does not have formal emissions targets or a decarbonisation plan with key milestones. Engagement looking forward will focus on these elements.

SK Hynix

SK Hynix has established a roadmap to achieve its net zero goal which primarily consists of a renewable energy target. Enhancing the science-based methodology of its emissions targets and more detail on the decarbonisation plan are areas for improvement.

Waste Connections

Waste Connections runs over 100 landfills in the US, which are emissions intensive. The company has successfully implemented methane capture at most sites, achieving a 15% reduction in operational emissions (2019 baseline) on track for its 30% reduction by 2033. We continue to monitor emissions reduction progress and transition opportunities, and engaging on a formal net zero ambition as the company awaits SBTI certification.

Independent Limited Assurance Report to the Directors of Alphinity Investment Management

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected narrative disclosures and key performance indicators, have not been prepared by Alphinity Investment Management, in all material respects, in accordance with the Alphinity SDG Alignment Framework for the 31 December 2024.

Information Subject to Assurance

Alphinity Investment Management (the "Company") engaged KPMG to perform a limited assurance engagement in relation to the selected narrative disclosures and key performance indicators as presented in the 2024 ESG and Sustainability Report available on the Company's website, as described below:

Selected narrative disclosures and key performance indicators	Reference in Report
Net SDG Score (Company) for: • Australian Sustainable Share Fund Holdings (CY 24); and • Global Sustainable Equity Fund Holding (CY 24)	as included in Appendix 2: Company SDG Alignment Scores.
Weighted net SDG Alignment Score per strategy for: • Australian Sustainable Share Fund; and • Global Sustainable Equity Fund	as included in the Graphs on p.35
Selected narrative statements	As included on p.31-33

Criteria Used as the Basis of Reporting

We assessed the information subject to assurance against the Criteria. The information subject to assurance needs to be read and understood together with the Criteria, being Alphinity's SDG Alignment Framework as described in the 2024 ESG and Sustainability Report (Report) and the Sustainable Investing Fact Sheet (as referenced in the Report)).

Basis for Conclusion

We conducted our work in accordance with Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ASAE 3000). We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In accordance with ASAE 3000 we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the information subject to assurance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Summary of Procedures Performed

Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- enquiries with relevant Alphinity personnel to understand the internal controls, governance structure and reporting process of the selected narrative disclosures and key performance indicators ;
- reconciling selected narrative disclosures and key performance indicators to underlying data sources on a sample basis;
- reviews of relevant documentation including Sustainable Investing Fact Sheet, Alphinity Global Sustainable Equity Fund Charter, Alphinity Sustainable Share Fund Charter;
- walkthroughs of the selected narrative disclosures and key performance indicators to internal source documentation on a sample basis;
- evaluating the appropriateness of the criteria with respect to the selected narrative disclosures and key performance indicators; and
- reviewed the 2024 ESG and Sustainability Report in its entirety to ensure it is consistent with our overall knowledge of assurance engagement.

Inherent Limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. It is therefore possible that fraud, error or material misstatement in the information subject to assurance may occur and not be detected. Non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating, and estimating such data. The precision of different measurement techniques may also vary. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities and over time.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of Alphinity Investment Management.

Use of this Assurance Report

This report has been prepared solely for the Directors of Alphinity for the purpose of providing an assurance conclusion on selected narrative disclosures and key performance indicators and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Alphinity, or for any other purpose than that for which it was prepared.

Management's Responsibility

Management are responsible for:

- determining that the criteria is appropriate to meet their needs;
- ensuring that those criteria are relevant and appropriate to Alphinity and the intended users; and
- establishing and maintaining systems, processes and internal controls that enable the preparation and presentation of the information subject to assurance that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the selected narrative disclosures and key performance indicators for the reporting period 1 January 2024 to 31 December 2024, and to issue an assurance report that includes our conclusion based on the procedures we have performed and evidence we have obtained.

Our Independence and Quality Management

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional and Ethical Standards Board, and complied with the applicable requirements of Auditing Standard on Quality Management 1 to design, implement and operate a system of quality management.

KPMG

KPMG

28.05.2025

Sydney

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INVESTMENT MANAGEMENT