



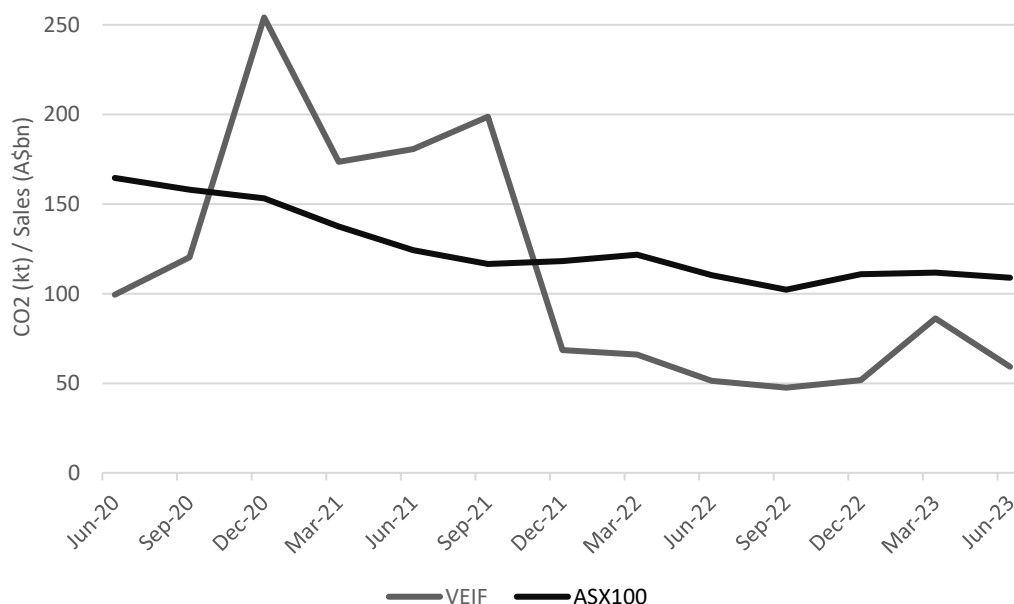
**Sustainability and Engagement Report**  
**2023 Financial Year**

## Carbon Emissions

### Top 10 Carbon Intensive Positions (June 2023)

#	Stock	Portfolio Weight	CO2 Emissions* (kt)	Sales (A\$bn)	Carbon Intensity CO2 / Sales (kt/A\$bn)	Portfolio Contribution (kt/A\$bn)	Portfolio Contribution (%)
1	BHP	9%	12,300	81.0	152	14	24%
2	JHX	6%	663	5.5	121	7	12%
3	DOW	4%	367	11.8	31	1	2%
4	GMG	4%	15	2.6	6	0	0%
5	QBE	4%	8	24.3	0	0	0%
6	RWC	3%	34	1.9	18	1	1%
7	RMD	3%	23	7.0	3	0	0%
8	CAR	3%	1	1.0	1	0	0%
9	CSL	3%	347	22.3	16	0	1%
10	XRO	3%	9	1.6	5	0	0%
Other holdings:		59%				35	59%
<b>Total</b>		<b>100%</b>				<b>59</b>	
<b>Benchmark</b>						<b>109</b>	
<b>Difference %</b>						<b>54%</b>	

### Portfolio Carbon Intensity (June 2020 – June 2023)



Source: Company sustainability reports, FactSet, Vertium

\*CO2 emissions are measured as scope 1 and 2 carbon emissions

## Engagement

Vertium believes that constructive dialogue with companies is critical to addressing ESG concerns. Vertium prioritises regular dialogue with companies in our portfolio to monitor progress on ESG issues.

### Voting

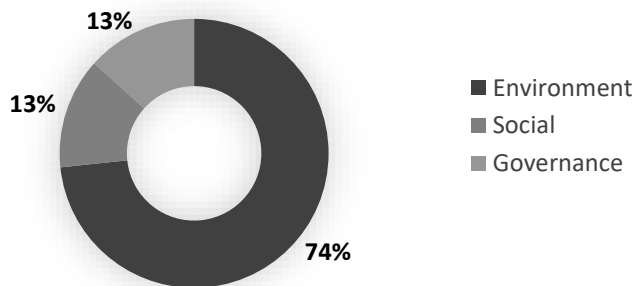
During the 2023 financial year, Vertium voted in the best interest of its clients. The votes were in line with management recommendations.

FOR votes	97%
AGAINST votes	3%
ABSTAIN votes	0%
Vote with management	100%

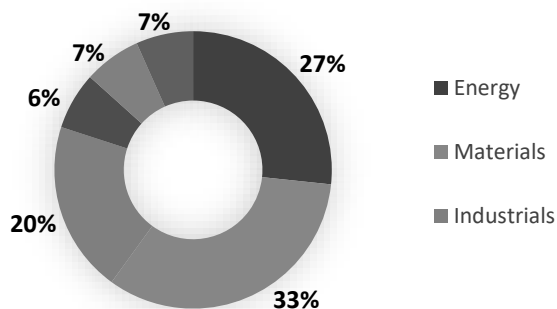
### Dialogue

During the 2023 financial year, Vertium's investment team proactively engaged with various companies in constructive dialogues covering a range of topics, including environmental sustainability, social responsibility, and corporate governance. Through these discussions, our primary objective was to assess potential investment risks and opportunities. By conducting these evaluations, we sought to make informed and prudent decisions regarding whether to invest in a particular security, adjust our existing positions, or divest from a holding.

Engagement by Theme



Engagement by GICs Sector



## Examples of Company Engagement

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<b>Company</b>	Downer EDI Ltd	<b>Sector</b>	Industrials
<b>Theme</b>	Governance	<b>Risk/Opportunity</b>	Corruption/Business Ethics
<b>Response</b>	Positive		

### Background:

Downer EDI Limited is an integrated facilities management services provider in Australia, New Zealand, and internationally. It operates through following business segments: Transport; Utilities; and Facilities. The Transport segment comprises the Group's road, projects and rail and transit systems. The Utilities segment consists of the power and gas, water, and telecommunications. The Facilities segment provides outsourced facility services to customers across a diverse range of industry sectors including defence, education, government, healthcare, building, leisure, and hospitality.

### Action:

We have engaged with Downer EDI to better understand its Governance framework following accounting irregularities and corruption investigation by the New South Wales Independent Commission Against Corruption.

Downer has proactively increased its focus on governance processes with a renewed emphasis on corruption prevention, as a response to the events described above. We suggested that Downer should engage external advisors to review its internal risk processes and governance framework.

### Outcome:

Following our meeting, we were encouraged by Downer's investor day update, in which the company announced an independent review of its Managing Contractor Control environment, focusing on subcontractor onboarding and corruption prevention. We were also impressed by the creation of a new Chief Risk Officer role, aimed at improving the consistency of Downer's risk management framework. We believe these measures demonstrate Downer's commitment to improving its governance framework and preventing corruption, thereby creating value for its stakeholders.

<b>Company</b>	Santos Ltd	<b>Sector</b>	Energy
<b>Theme</b>	Social	<b>Risk/Opportunity</b>	Stakeholder opposition
<b>Response</b>	Neutral		

**Background:**

Santos Limited is an Australian oil and gas exploration and production company that operates in multiple regions including Australia, Indonesia, Papua New Guinea, Timor-Leste, and Bangladesh. It has interests in oil and gas fields and operates through different segments such as Cooper Basin, Queensland and NSW, Papua New Guinea, Northern Australia, and Western Australia.

**Action:**

During our engagement with Santos, we discussed the development of the Barossa gas field in the Northern Territory. This offshore gas and condensate project aims to provide a new source of gas to the existing Darwin liquified natural gas facility. However, we expressed our concerns about the legal challenge launched by traditional owners from the Northern Territory’s Tiwi Islands who claimed they were not consulted about the plans to drill the gas field.

We raised our concerns about the consultation process and the impact on traditional owners' lives and the environment. While we recognize the importance of gas/LNG as a transition fuel towards decarbonization, we urged Santos to prioritize stakeholder consultation and engagement.

**Outcome:**

Santos intends to re-submit an environmental plan that addresses the concerns of traditional owners. We appreciate Santos' willingness to engage with stakeholders and address the issues raised during our discussions. As shareholders, we will continue to monitor Santos' efforts to minimize the impact of the Barossa gas field on the environment and traditional owners.

<b>Company</b>	Allkem Ltd	<b>Sector</b>	Materials
<b>Theme</b>	Environment	<b>Risk/Opportunity</b>	Climate change
<b>Response</b>	Positive		

**Background:**

Allkem Ltd. is a specialty lithium chemicals company with a diverse and high-quality global portfolio of lithium chemicals. Their portfolio includes lithium brine operations in Argentina, a hard-rock lithium operation in Australia, and a lithium hydroxide conversion facility in Japan. Allkem is also developing the hard-rock James Bay lithium project in Canada.

**Action:**

During our meeting with Allkem, we discussed the ESG opportunities for the company. It was estimated that for every tonne of Lithium Carbonate Equivalent (LCE) Allkem produces and sells into the electric vehicle (EV) value chain, it can contribute to a reduction of around 400-600 tonnes of greenhouse gas emissions. This impact is expected to grow by a further 25% as EVs increasingly use electricity grids transitioning away from fossil fuels towards renewable energy.

Furthermore, the demand for lithium is expected to significantly increase in the years to come as the world migrates to lower emissions transport and energy solutions. The International Energy Agency's (IEA) Net Zero by 2050 Roadmap for the Global Energy Sector projects a 30-fold increase in demand for lithium by 2030 and a 100-fold increase by 2050.

We also discussed Allkem's path to net zero by 2035 and the company's plans to reduce emissions at the Olaroz project. Given that the facility is located 3,900 meters above sea level and low temperatures make it challenging to install battery storage, we were interested in the company's plans to reduce emissions.

Allkem is implementing solar generation for Stage 1 of the Sal de Vida project, which will cover at least 30% of energy use. For the James Bay Spodumene Project, at least 44% of the energy will come from Hydro Quebec's renewable electricity. At Olaroz, Allkem uses natural gas to generate electricity while investigating long-term renewable options.

**Outcome:**

Overall, the meeting left us feeling optimistic about Allkem's ability to benefit from the electrification of transportation and energy storage. We are also pleased with the company's third-quarter 2023 net-zero update, which demonstrates the company's commitment to its greenhouse emission targets. The company's Net Zero Taskforce has identified six projects that are now being evaluated for inclusion in Allkem's Net Zero Action Plan.