Sustainability Report

2024

YARRA
CAPITAL MANAGEMENT

Disclaimer

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01. Introduction

Yarra Capital Management is a leading Australian investment management firm, dedicated to delivering superior investment solutions and long-term financial growth for its clients.

We believe that integrating environmental, social, and governance (ESG) factors into our investment strategies not only benefits our clients but also contributes to a more sustainable future. We strive to be a responsible business by prioritising sustainable operations and fostering a supportive, inclusive environment where our people can thrive.

Yarra Capital Management (Yarra) offers a diverse range of strategies across equities, fixed income and alternative investments. Our approach blends rigorous research, a deep understanding of markets, and a commitment to delivering strong, risk-adjusted returns, all while prioritising transparency and client collaboration. At Yarra, our focus is on creating value through dynamic, responsive management and a disciplined investment philosophy.

Yarra's investment offerings are designed to meet the diverse needs of institutional investors, financial advisers and high-net-worth individuals. Key investment capabilities include:

Equities

Yarra provides access to a range of active equity strategies, including Australian and global equity capabilities. These strategies focus on generating long-term capital growth by investing in high-quality companies with strong fundamentals and growth potential. Our Australian equity team conducts rigorous research and analysis to identify insights and develop high-conviction portfolios.

Fixed income

Yarra offers fixed income solutions that cater to different risk profiles and investment objectives. These include strategies focused on government bonds, corporate credit and other fixed income assets. Our fixed income team aims to deliver stable income with a focus on managing interest rate and credit risks.

Multi-asset and diversified solutions

Yarra provides multi-asset portfolios that combine equities, fixed income and alternative assets to meet specific client needs. These strategies are designed to offer diversified risk exposure and a balanced approach to capital growth and income generation.

Alternatives

Yarra constructs bespoke late stage private capital and private credit investment solutions, focusing on long-term value creation through active management and strategic partnerships. We target investments that offer compelling risk-return profiles and select sectors and companies that demonstrate strong growth potential, solid management and attractive fundamentals. Yarra's private capital team leverages deep industry expertise and a disciplined investment process to identify high-conviction opportunities that align with clients' investment objectives.

Active management

With a strong focus on active management, Yarra seeks to outperform benchmarks through stock selection, portfolio construction and strategic asset allocation. Our investment team combines top-down macroeconomic insights with bottom-up fundamental analysis.

Responsible investment

Yarra integrates environmental, social and governance (ESG) factors into its investment processes. Our aim is to offer clients the opportunity to invest in strategies that align with responsible investment objectives while focusing on delivering positive financial outcomes.

> These capabilities are underpinned by Yarra's rigorous research process, long-term investment philosophy, and a commitment to delivering consistent, risk-adjusted returns for clients.

Tyndall Asset Management

Tyndall Asset Management (Tyndall), part of the Yarra Capital Management Group, specialises in providing high-conviction, Australian value equities. Tyndall's portfolio managers leverage deep industry expertise and a robust, active research process to identify opportunities. With a focus on long-term value creation, Tyndall brings a client-centric approach that prioritises transparency, risk management and consistent performance. Tyndall delivers customised investment solutions that align with the evolving financial needs of investors.

Letter from MD and CSO

In today's world, the importance of responsible investing cannot be overstated. As custodians of capital, we recognise that our decisions have far-reaching impacts on the environment and society. We aim to generate value for our clients and our business while thoughtfully considering the pressing challenges facing our society.

This report outlines our firm's commitment to transparency and accountability in our sustainability practices and approach to responsible investment. In it we detail our progress and achievements over the past years. We proudly share our accomplishments and acknowledge areas for improvement as we strive to be best in class investment managers both in Australia and globally.

In preparing this report, we have chosen to align with the recently issued Australian Sustainability Reporting Standards (ASRS). Specifically, we have voluntarily adopted the newly introduced climate-related financial disclosure guidelines for the Australian market[1]. We also reviewed emerging recommendations from the Taskforce for Nature Related Financial Disclosures (TNFD) and intend to align ourselves with this framework.

Among our accomplishments, we are most proud of:

- The authenticity and maturity of our approach to sustainability and responsible investment;
- The successful integration of ESG factors across our investment portfolios; and
- Our active engagement with investee companies to drive positive change.

This report outlines our firm's commitment to transparency and accountability in our sustainability practices and approach to responsible investment.

Looking ahead, we remain committed to continuous improvement and evolving our thinking and approach. Key priorities include:

- Continuing our focused approach to stewardship;
- Deepening our thinking around emerging issues such as nature and biodiversity; and
- Enhancing our efforts to support and promote talent within our firm and the broader investment industry.

We are excited to share our progress as responsible investors and look forward to working with our clients, our people and our partners to create enduring value and lasting impact.

[1] In 2024, the mandatory climate reporting bill was passed to include the Australian climate standard Australian Accounting Standards Board (AASB) S2, which is an Australian adaptation of the International Sustainability Standards Board (ISSB) climate standard IFRS S2. While the Yarra Capital Management Group is not required to report under these new standards until 2028, we have chosen to align with these standards as an early adopter.

"As one of Australia's leading investment managers, our approach to sustainability means we are committed to transparency, accountability and innovative solutions that drive growth for our clients and our business."

Edward Eason
Managing Director

"Sustainability is not just an ideal or future ambition. It is a framework that forms the foundation for long-term value creation in the way we operate and every investment we make."

Dr Erin Kuo-Sutherland
Chief Sustainability Officer

02. Highlights

A$21.3b

Total AUM at 31 December 2024

PRI Principles for Responsible Investment

Signatory to the Principles for Responsible Investment (UNPRI) since formation in 2017

Climate Active

Certified carbon neutral business operations for 2022 and 2023.

We helped our charity partners deliver their impact in our 2024 working year, including:

- Our people making 2,234 sandwiches to feed more than 2,000 children
- Our people donating their blood and plasma 31 times leading to an estimated 93 lives saved
- Our people helping to serve meals to feed an estimated 2,500 people

24.5 tCO_2-e

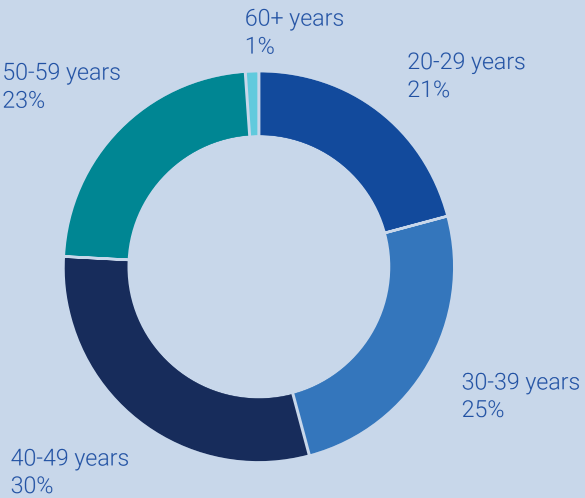
Operational emissions per full-time staff for 2023. Target 20% GHG emissions reduction for operational emissions per FTE by 2032 from a baseline of 23.5 tCO_2-e/FTE in 2022

466

Hours of community service provided in 2024

PCAF Partnership for Carbon Accounting Financials

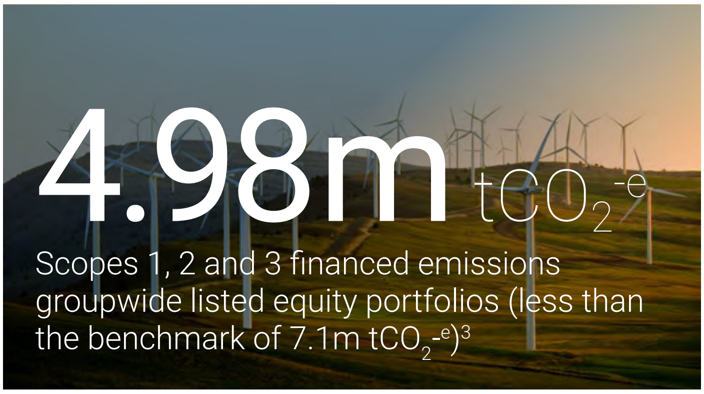
Signatory of Partnership for Carbon Accounting Financials (PCAF) 2024



Our team is comprised of **27 women** (31%) and **60 men** (69%) across a wide age distribution

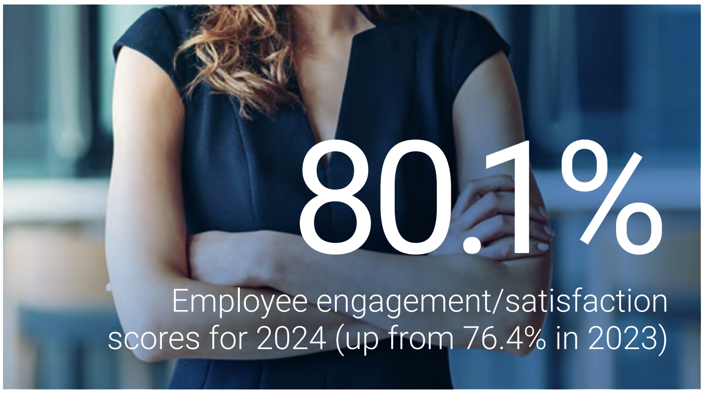
754k tCO_2-e

Scope 1 and 2 financed emissions groupwide listed equity portfolios (less than the benchmark of 1.09m tCO_2-e)[2]



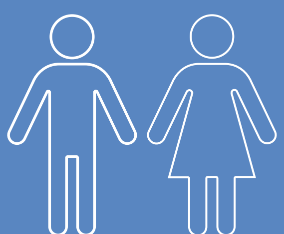
4.98m tCO_2-e

Scopes 1, 2 and 3 financed emissions groupwide listed equity portfolios (less than the benchmark of 7.1m tCO_2-e)[3]

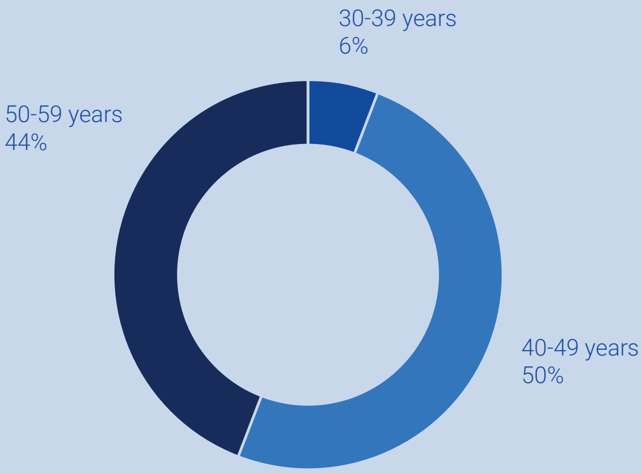


80.1%

Employee engagement/satisfaction scores for 2024 (up from 76.4% in 2023)



Our Boards are comprised of 4 women (31%) and 9 men (69%)



Our senior leadership team is comprised of **6 women** (37.5%) and **10 men** (62.5%) across a variety of ages

[2,3] All financed emissions calculated as at 31 May 2024 via climate emissions partner, Emmi; methodology notes can be found at: https://www.emmi.io/methodology.

03. Our Approach to Sustainability

We use the term 'sustainability' to reflect the idea of enduring long-term value as well as the concept of *double materiality*.

The latter means we understand our business has material impacts on the economic, social and environmental wellbeing of others – and at the same time, our business is materially impacted by economic, social and environmental factors.

Our Beliefs

We believe that…

1. We have a fiduciary duty to manage capital with care;
2. Investment strategies that are aligned to our responsible investment objectives will deliver better returns for clients;
3. Active stewardship, including strategic engagement with companies, helps us better understand and manage risks and identify opportunities;
4. We have the power to influence companies toward a better future; and
5. We have a responsibility to current and future generations to act thoughtfully, responsibly and with integrity.

Our Responsible Investment Objectives

We strive to...

1. Create long-term value for our clients as well as our people, our partners, our investee companies and our communities;
2. Deliver service and care to support our clients in meeting their investment objectives;
3. Make informed investment decisions by integrating material environmental, social and governance considerations;
4. Cultivate a culture where our people and our clients feel proud to work with us; and
5. Avoid and reduce harm to society and the environment wherever possible.

Our Approach

We invest responsibly by...

1. Integrating ESG issues into investment decisions;
2. Taking an active stewardship approach: We take pride in our long history of active engagement, regularly meeting with every company we invest in and identifying where the most material ESG issues lead to a proactive ESG engagement agenda;
3. Identifying sector-based ESG 'house views': We have captured our 'house views' to document our material ESG risks and opportunities for each sector, informed by both bottom-up and top-down analysis;
4. Tracking and reporting material ESG metrics: We monitor and track material ESG risks, such as climate change, human rights, and governance considerations. We report on our activities and material portfolio indicators; and
5. Striving for continuous improvement: We actively explore opportunities to strengthen our processes, policies and understanding of ESG issues over time.

This report is structured into topics that cover how we, as a business and as an investment manager, navigate what it means to be sustainable. This includes:

- Governance: how we provide the right levels of consultation and oversight to manage key risks and opportunities for our business;
- Our people and relationships: how we think about some of our key stakeholders and the issues and initiatives we are undertaking to ensure we are actively supporting our key people and partners;
- Climate change: how we are navigating an evolving and complex field to track and manage our climate-related risks and opportunities;
- Human rights and modern slavery: how we manage serious risks to human rights, including modern slavery, both operationally and within our investment portfolios;
- Nature and biodiversity: how we are beginning to think about how we as a company and how the investments we make depend on and impact the natural systems that underpin humankind; and
- Stewardship: how we draw on our role as active owners to engage with companies and inform our voting activities.

04. Governance

Good governance is about ensuring the right levels of consultation and oversight are in place to guide decisions that affect the direction and outcomes for our business.

This includes ensuring we are drawing on the right structures and people within our business as we make decisions about how to manage material risks and opportunities, including in relation to sustainability topics such as climate change and human rights.

Drawing on the expertise and responsibilities of our Boards and Management in relation to these issues is critical to ensuring we are upholding our rights and responsibilities as investment managers.

Our governance approach and structure has been designed with our responsibilities in mind, including (but not limited to):

- Our fiduciary role as stewards of client capital;
- Our regulatory obligations;
- The expectations and objectives of our clients; and
- The beliefs, values and aspirations that are enshrined in our Responsible Investment Policy.

The Yarra Capital Management Group is committed to good corporate governance. It is a key foundation to our approach.

The Yarra Capital Management Group holds two Australian financial services (AFS) licences. We apply our obligations to act efficiently, honestly and fairly in the pursuit of our clients' goals and our own endeavours through a framework of sound corporate governance policies relating to our code of conduct, ethical behaviour and the proper management of conflicts of interest.

We have standards when it comes to recruitment, training and retention fostered through a culture of compliance, risk management and values driven behaviour.

We ensure our Boards and committees have a balance of executive and independent non-executive directors with a range of perspectives, skills and knowledge – ensuring accountability and regulatory best practice.

We are transparent in our communication and in the provision of information and recommendations to management and our governance bodies.

Yarra Capital Management Limited's roles and responsibilities are driven by our activities as an investment manager and AFS Licence (No. 237563). As the parent entity of the Yarra Capital Management Group it has overall responsibility for the Group's operations and obligations to its shareholders. These responsibilities also include:

- The development and execution of our corporate strategy;
- Overseeing the continual development of and adherence to our risk appetite framework and the incorporation of risk, including sustainability and ESG risk, into Group activities; and
- The performance and wellbeing of our people and culture.

Yarra Funds Management Limited's roles and responsibilities are also determined by our AFS Licence (No. 230251). It also has obligations as an investment manager and Responsible Entity to the registered managed investment schemes issued and operated by it. Appointments to these Boards are therefore driven by careful consideration of the obligations of each of these entities and our overall approach to governance best practices.

The Boards of Yarra Capital Management Limited and Yarra Funds Management Limited are in turn supported by several formally delegated committees, working groups and experienced personnel. Each are accountable to the Boards (as relevant) including the:

- Board Audit, Risk and Compliance Committee (BARCC);
- People, Culture and Remuneration Committee (PCRC);
- Corporate Audit Committee;
- Sustainability Office (the Chief Sustainability Officer and associated Working Groups across ESG, Climate Strategy and Corporate Sustainability);
- Yarra and Tyndall AM investment team heads; and
- Yarra Capital Management's Managing Director and Senior Leadership Team.

Together, these committees, working groups and teams assist the Boards with (i) Enterprise risk management, (ii) Investment risk oversight, (iii) Compliance and controls, (iv) Sales and distribution, (v) Client service and relationship management, (vi) Operational adequacy and resourcing, (vii) Third party agent monitoring and outsourcing, (viii) Change management, and (ix) Statutory reporting and disclosure.

Our Approach

The Group's approach to the oversight of sustainability-related risks and opportunities is grounded in the belief that these risks and opportunities permeate across all aspects of our business. We therefore take collective responsibility, with ultimate accountability resting with the Board of Yarra Capital Management Limited.

To oversee and manage sustainability-related risks, opportunities and disclosures the Boards of Yarra Capital Management Limited and Yarra Funds Management Limited leverage: (i) The expertise and day-to-day activities of the Group's Sustainability Office, and (ii) The BARCC, given its responsibility for Group-wide risk, compliance and regulatory affairs.

The Sustainability Office and its associated working groups have primary responsibility to:

- Provide overall coordination and insight on climate and ESG risk and opportunities to our investment teams' research analysts and portfolio managers;
- Recommend processes and strategies that incorporate and implement ESG into our investment processes;
- Source and review climate data for investment portfolio reporting and recommend climate analytics and scenario analysis;
- Support capacity and knowledge building within our investment teams, and support stewardship and active engagement on ESG themes;
- Develop programs, monitor and report on our corporate sustainability initiatives for our operations and supply chain;
- Provide input into and review Yarra Capital Management's Climate Strategy; and
- Produce Sustainability Policy Position Statements and Disclosures, including this Sustainability Report, Climate Disclosures, our Responsible Investment Policy and Position Statements on Climate Change, Human Rights and Modern Slavery, and Nature and Biodiversity.

While the Board of Yarra Capital Management Limited has ultimate responsibility for these activities, the Board of Yarra Funds Management Limited and the BARCC also take an active interest in regulatory disclosures, the activities of registered management investment schemes, and broader sustainability-related disclosures.

These bodies receive regular written and in-person reporting on the progress of various groupwide policies and initiatives from our Chief Sustainability Officer, our Investment Team, and the Senior Leadership Team.

We use this oversight framework to track progress against our Responsible Investment Policy and Sustainability-related disclosures, culminating in the annual preparation of this Sustainability Report.

Our Performance

During 2024:

- We published our inaugural full Responsible Investment Policy;
- We published a suite of related documents including:
  - Climate Change Position Statement;
  - Human Rights Position Statement; and
  - Nature and Biodiversity Position Statement.
- We published our revised Stewardship Approach for Yarra Public Equities;
- We refreshed our Group Risk Appetite Statement including specific categories of sustainability and climate risk; and
- We developed our Climate Risk and Opportunity matrix through consultation with Yarra's investment team spanning public equities and fixed income; Tyndall's investment team encompassing public equities; our operational management team across business activities; and our Boards and their Committees on investment and business activities.

Drawing on the expertise and responsibilities of our Boards and management in relation to governance issues is critical.

05. Our People and Communities

Yarra staff proudly volunteer in the Sacred Heart Mission kitchen.

As a people business, we recognise the strength and success of our business is driven by the strength and success of our people.

This extends to the people within our business as well as those critical to our business, including our clients, our partners and suppliers, and our communities. We strive to foster a dynamic attractive place to work where people can learn, grow and thrive.

We value diverse perspectives and skills and have introduced several initiatives to enhance our culture so people feel safe, supported and motivated to be their best. We strive to identify ways we can improve the success and wellbeing of our people and our communities through ongoing partnerships and initiatives.

Our Approach: Investing in our People

We strive to ensure that our 87 team members[4] feel equipped to deliver best outcomes for our clients and meet the needs of our growing investment business.

This includes supporting our people to grow professionally and personally throughout their career by offering formal and informal training and development opportunities.

We invest in the wellness of our staff by investing in services and facilities that promote health and wellbeing. This includes offering a comprehensive employee assistance program where our employees and their families can access unlimited support for:

- Mental wellbeing through courses and one-on-one counselling;
- Physical wellbeing through nutrition advice and exercise courses; and
- Financial and legal welfare through online resources and counselling services.

[4] People headcount at 31 December 2024

We monitor the workloads, attitudes and sentiments of our people through our twice-yearly staff survey. In 2024 our staff reported overall engagement and satisfaction scores of 80.1%, up from 76.4% in the previous survey. Eight in ten staff also reported satisfaction with work-life balance and an improved ability to stay on top of workloads. Understanding the needs and attitudes of our people helps us to adjust workplace practices so that we continue to improve the satisfaction and wellbeing of our employees.

We Are a People Business

We aim to create a respectful workplace where we welcome and value people from varied backgrounds, experiences and perspectives. We believe that to deliver the best outcomes for our clients and attract and retain the best talent, we must reward all people equitably. Our people principles include:

- Providing equal opportunities based on ability, potential and performance;
- Fostering inclusion regardless of identifying attributes, including but not limited to gender, age, disability, religion, cultural background, or sexual orientation or affiliation;
- Developing a deep and diverse pool of well-trained investment professionals who can take on increasing levels of accountability;
- Developing potential leaders for appointment to Board, Leadership, Committee and Management positions;
- Promoting an inclusive and collaborative culture by ensuring employees are treated fairly and equally;
- Consistently applying our policies, including those in relation to workplace conduct, leave, flexible work, equal employment opportunity, remuneration, recruitment and selection; and
- Supporting our employees to achieve their potential and contribute their knowledge, skills and abilities to achieve our strategic goals.

We are committed to being a workplace of choice and a high performing people business that retains, develops and attracts the highest calibre professionals in the industry. To support this, our people initiatives include:

- Understanding our people and their diverse perspectives;
- Creating inclusive work environments;
- Offering flexible and hybrid work arrangements;
- Addressing barriers;
- Diversifying the channels through which potential team members gain exposure to the investment industry and the Yarra Capital Management Group; and
- Introducing policies and programs to support and celebrate our people.

> As an investment manager we incorporate workplace and culture considerations into our investment analysis and stewardship of investee companies through our ESG integration processes.

05. Our People and Communities (cont.)

Supporting our Communities

We take great pride in our commitment to community engagement. It's our privilege and responsibility to contribute to the health and vitality of the communities where our people, clients and partners live and work.

Our community activities include volunteering, corporate giving and philanthropic campaigns.

These are the community organisations that we partnered with in 2024:

Sacred Heart Mission

Sacred Heart Mission, based in Melbourne, assists hundreds of people who are experiencing homelessness or disadvantage. We contribute financially and our Melbourne-based staff volunteer at least one day per year in the Sacred Heart kitchen, preparing and serving food.

Canice's Kitchen

Canice's Kitchen, based in Sydney, provides daily support to men and women experiencing homelessness and social exclusion. We contribute financially and our Sydney-based staff volunteer at least one day per year to prepare and serve meals.

Eat-Up

Eat-Up supplies fresh sandwiches and snacks directly to schools for the estimated 1 in 5 Australian children experiencing hunger[5]. We contribute financially and staff in our Melbourne and Sydney offices volunteer their time to make sandwiches.

In addition, in 2024, we supported other community organisations including:

- The Australian Red Cross through coordinated voluntary employee blood and plasma donations;
- The Starlight Foundation through staff fundraising for the City2Surf Run;
- Beyond Blue through staff fundraising for the Melbourne Marathon;
- Tread Lightly through a campaign to recycle shoes; and
- Kids in Philanthropy where children of our staff participated in charitable activities during our family holiday party.

We proudly support these and other community partners and remain committed to continuing to play a constructive role.

Our Ambition

At Yarra, our people are at the heart of everything we do. As we look to the future, we remain committed to fostering a dynamic workforce that thrives on collaboration, innovation and integrity. We understand that our success as an investment management firm depends on the talents, skills, expertise and dedication of our team. To support evolving client needs and our business growth, we will continue to offer learning and development opportunities and empower our people to reach their full potential.

Looking ahead, we are focused on strengthening our firm's culture, attracting and retaining top talent, and building a workplace where everyone can contribute their unique skills and perspectives. By encouraging growth, resilience and agility, we ensure our team is equipped to meet the challenges of the rapidly evolving investment landscape.

[5] Source: https://www.foodbank.org.au/1-in-5-children-go-hungry/?

We are proud to continue supporting our community partners, where we feel an ongoing commitment and connection to play a constructive role.

05. Our People and Communities (cont.)

100%

Staff participation in at least one community volunteering opportunity in 2024

Parents At Work

Introduced new benefits to our parental leave policy and a new support program Parents @ Work

DIVERSITY COUNCIL AUSTRALIA

Became a member of the Diversity Council of Australia in 2024

We helped our charity partners deliver their impact in our 2024 working year, including:

- Our people making 2,234 sandwiches to feed more than 2,000 children
- Our people donating their blood and plasma 31 times leading to an estimated 93 lives saved
- Our people helping to serve meals to feed an estimated 2,500 people

18

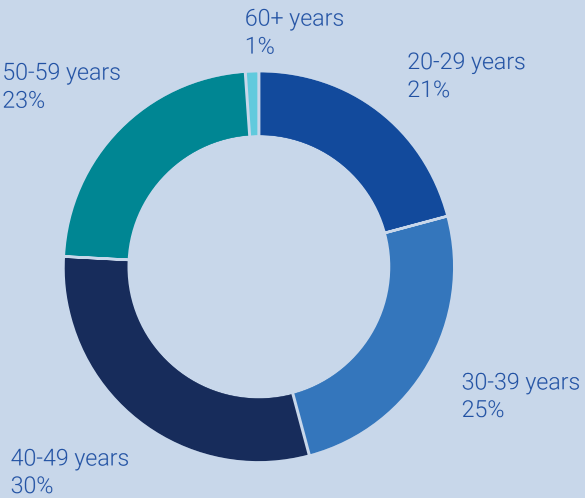
University speaking or networking engagements

466

Hours of community service supported in 2024

$110k

Corporate giving including employee donations and community partnerships



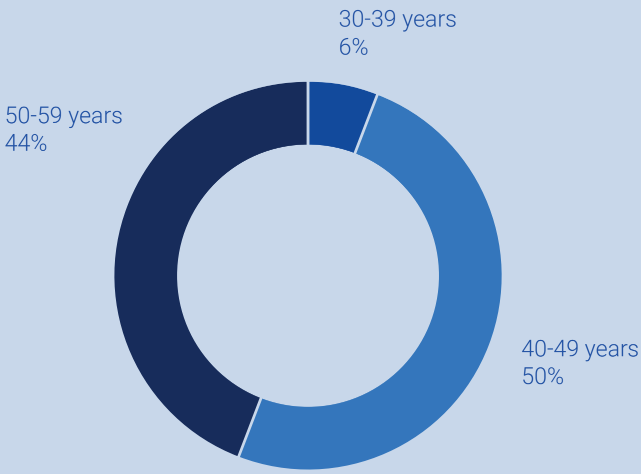
Our team is comprised of
27 women (31%) and **60 men** (69%)
across a wide age distribution

13

Charity partners supported in 2024, including: Future2, Sacred Heart Mission, St Canice's Kitchen, Cancer Council, Melanoma Institute, The Smith Family, Guide Dogs, Beyond Blue, Eat Up, Starlight Foundation, Go Foundation, Tread Lightly, Australian Red Cross and Kids in Philanthropy

Launched new pathways for young people, including internship and graduate positions

Our Boards are comprised of
4 women (31%) and 9 men (69%)



Our senior leadership team is comprised of
6 women (37.5%) and **10 men** (62.5%)
across a variety of ages

06. Climate Change

In 2024, we published our [Climate Change Position Statement]. In that statement, we acknowledged humans have contributed to climate change, which has accelerated the warming of the planet.

Climate change is a material issue for our planet, our society and our business. We also recognise we have a responsibility and critical role to play in the global goal of reducing greenhouse gas emissions.

As investment managers, our primary responsibility is to deliver risk-adjusted returns that meet our clients' investment objectives. In line with this responsibility, we identify, assess and manage climate-related risks and opportunities which pose complex and material challenges for the companies in which we invest. This includes examining physical risks arising from climate change, as well as transition risks that may impact companies with carbon liabilities.

In addition, systemic risks created by climate change can create broad market disruptions, such as extreme weather affecting commodity prices. We are alert for investment opportunities that may benefit or contribute to a just, orderly climate transition to a lower carbon economy.

Given the nature of our business, we are highly focused on how climate-related issues can impact our investment portfolios and how we can manage those impacts. We are also cognisant of our operational contribution to greenhouse gas emissions, although it is minor in comparison to our investment portfolio contribution.

Our climate-related objectives include:

- **Managing climate risk:** Managing material climate-related risks as a business and within our investment portfolios to meet business and client objectives;
- **Decarbonisation:** Identifying opportunities and strategies to reduce climate-emissions over time, both from our own business operations and in our investment portfolios;
- **Transition and adaptation opportunities:** Contributing to a just and orderly transition to a lower carbon economy by identifying investment opportunities that support and benefit from the transition, as well as identifying opportunities to adapt to a warming world;
- **Engagement:** Strategically engaging with companies, including investees, issuers and our corporate suppliers to meet climate objectives; and
- **Disclosures:** Disclosing our approach, ambition and performance related to climate change in line with global best practice and regulatory requirements.

We recognise our strategic objectives both depend upon and impact different stakeholders. As we work toward our climate objectives, we consistently evaluate how we can reduce negative impacts and safeguard the interests of all stakeholders.

06. Climate Change (cont.)

Our Approach

We continue to build a sophisticated and nuanced understanding of climate risk management and related opportunities, both as a business and an investment manager.

We have been analysing the drivers and dependencies of emissions within our investment portfolios. In many cases, our largest-emitting companies are highly dependent on macro or structural changes to drive down emissions meaningfully.

Some companies, such as data centres, are highly dependent upon the grid transitioning to lower emissions sources to meet their net zero ambitions. Other companies, like airlines and fertiliser manufacturers, are dependent on technological breakthroughs.

We have also seen cases where an investment in the transformation of infrastructure is required at a higher level to support lower emissions technologies.

We have seen significant research emerging on these topics, including a recent McKinsey report[5] outlining 25 interlinked physical challenges that must be addressed to support the energy transition. These include transformations across domains such as power, mobility, industry, buildings, raw materials, hydrogen and other energy carriers, and carbon and energy reduction.

In late 2024, the Climate Change Authority released its Sector Pathways Review[6] in support of the Australian government setting 2035 emissions reductions targets. This review found that while the energy transition will be driven by mature and emerging technological innovation, it will also be dependent on changes in policies, behaviours, business models and systems. Understanding these dependencies has helped shape our thinking about where we should be looking to exercise our influence.

Our teams work together to manage these risks and opportunities alongside other business and investment considerations.

As part of our climate strategy, we held a series of internal workshops in 2024 with broad participation across all parts of our business to identify climate-related risks and opportunities. Summaries of the outputs of these workshops are in Table 1. These risks and opportunities are grouped into three categories: (i) our investment portfolios; (ii) our operations; and (iii) indirect impacts.

Given the size of our financed emissions relative to our operational emissions, it is clear that most material risks and opportunities reside in our investment portfolios. Within our portfolios, we acknowledge mixed exposure to different types of both physical and transition risks. These risks also have a relationship to market and reputational effects – and they also present opportunities.

[5] Source: https://www.mckinsey.com/mgi/our-research/the-hard-stuff-navigating-the-physical-realities-of-the-energy-transition
[6] Source: https://www.climatechangeauthority.gov.au/sites/default/files/documents/2024-09/2024SectorPathwaysReview.pdf

We continue to build a sophisticated and nuanced understanding of climate risk management and related opportunities, both as a business and an investment manager.

06. Climate Change (cont.)

Table 1. YCM Climate-Related Risks and Opportunities

Business Impact Areas	Risk or Opportunity Type		Potential Impact (on Yarra Group)	Time Horizon	Nature of Risk (R) or Opportunity (O)
Yarra Group Investments Portfolios: All brands and asset classes	Physical	Acute and Chronic	+/- portfolio performance +/- revenue	0-5 yrs+	R: Physical events could impact parts of our investment portfolio, leading to repricing of assets, increased defaults, property damage, financial losses, agriculture risk, energy markets shifting, insurance risks or investment opportunities in adaptation and climate resilience and mispricing of risks. O: Investing in assets that are positioned to benefit from adaptation or climate resilience. O: Not investing in or divesting of assets that are insufficiently responding to physical risks/opportunities.
	Transition	Market	- portfolio performance +/- revenue	1-5 yrs	R: Our approach to manage or price climate risks/opportunities appropriately within our investment process alongside other investment factors. O: Investing in assets that are positioned to benefit from the transition. O: Strategically engaging with companies to support and advocate for managing climate risks/opportunities advantageously in a way that can lead to value creation. O: Not investing in or divesting from assets that are insufficiently responding to transition risks/opportunities.
		Regulatory	- portfolio performance - revenue	3-5 yrs+	R/O: Exposure to climate policies and carbon pricing could lead to carbon liabilities and other impacts such as project approvals for companies within the portfolio. Our ability/inability to factor this into investment decisions would determine the size and nature of the impact.
		Reputation	+/- revenue	0-5 yrs+	R/O: Ability/inability to manage or price climate risks/opportunities commensurate with competitors or client expectations could lead to increased/loss of trust and client demand.
		Technology	+/- portfolio performance	1-5 yrs+	R/O: As technologies evolve, investee companies may either be advantaged or disadvantaged, leading to investment risk/opportunity.
Yarra Group Operations	Physical	Acute	+ operating costs - productivity	0-5 yrs+	R: Impacts of acute events such as severe weather events could impact the health, including mental health and wellbeing, of our people.
		Acute and Chronic	+ operating costs	0-5 yrs+	R: Impacts of events such as bush fires or changes in rainfall patterns could impact infrastructure, leading to inability to commute to work or physical property damage to our offices. This could lead to increased insurance costs, changes to operating models (e.g. more remote work), or increased needs to heat/cool our offices.
	Transition	Market	+ operating costs +/- revenues	3-5 yrs+	R/O: Our ability/inability to offer products and strategies that meet client demand/expectations and differentiate ourselves from peers could lead to impacts on both operating costs and revenue. O: Developing new investment products that align with emerging market demand associated with climate change thematics.
		Regulatory	+ operating costs penalties/fines + carbon liability	1-5 yrs+	R: Increased reporting requirements, our ability/inability to ensure our actions match our disclosures can lead to increased resourcing requirements and risks of greenwashing and fines/penalties or associated loss of stakeholder trust. Climate policy and carbon pricing is likely lower impact, being concentrated more in our investment portfolios.
		Reputation	+ operating costs - revenue - enterprise value	1-5 yrs+	R: Inability to manage our climate strategy in line with stakeholder expectations and/or not execute against our stated objectives could impact ability to attract and retain people, clients, and partners including shareholders.
Indirect-value chain, systemic, macro	Physical	Acute and Chronic	+ operating costs - productivity	0-5 yrs+	R: Physical impacts could disrupt business continuity through disruptions in supply chain, such as severe weather events impacting our trading platforms, key data providers or data centres. We could also see chronic events result in geopolitical impacts leading to mass migration, impacting the macro environment and business operating context.
	Transition	Market, Technology	+ operating costs - revenue	5 yrs+	R: Increased operating costs for suppliers and clients may impact our operating costs and fees.

06. Climate Change (cont.)

Our Performance

An important step to understanding our contribution to and management of climate change-related impacts is understanding our greenhouse gas emissions profile (see Table 2).

Almost all our greenhouse gas emissions fall into what are termed 'scope 3' emissions, including our financed emissions from investments and 98% of our operational (non-financed) emissions[7], attributable largely to third-party suppliers.

Table 2. Operational[8] Greenhouse Gas Emissions 2022 - 2023

Emissions Type	Emissions in tCO_2-e* for 2022	Notes 2022 emissions and offsets	Emissions in tCO_2-e for 2023	Notes 2023 emissions and offsets
Scope 1	0.00	-	0.00	-
Scope 2	1.06	Electricity	43.60	Electricity
Scope 3 (excluding category 15)	1,926.44	41% ICT (789) 29% Prof Svcs (557) 12% Air Travel (223) 5% Staff commuting (99)	1,986.30	36% ICT (709) 31% Prof Svcs (621) 23% Air Travel (452) 2% Staff commuting (48)
Total Scope 1,2, and 3	1,927.51[9]	3rd party service providers, notably in ICT and professional services	2,029.90	3rd party service providers; Increase in air travel in 2023
Total Emissions per Full-Time Employee	23.48		24.45	Increase largely driven by increase in air travel in 2023
Total carbon offsets purchased	1,928 offsets purchased	38% Verra-certified carbon credits from Rimba Raya Biodiversity Reserve Project, Indonesia, 2016 vintage (728) 62% Verra-certified carbon credits with Australian Biodiversity Units from Mt Sandy Conservation Project, Australia, 2020 vintage, with Rimba Raya Biodiversity Project, Indonesia, 2014 vintage (1,200)	2,030 offsets purchased	10% voluntary Australian Carbon Credit Units (ACCUs) from Western Top End Savannah Fire Management Project, Australia, 2023 vintage (200) 16% Verra-certified credits from Katingan Peatland Restoration and Conservation Project, Indonesia, 2015-2016 vintage (320) 24% Verra-certified credits from Oeste de Caucaia Landfill Project, Brazil, 2017-2020 vintage (480) 51% Verra-certified credits from Rimba Raya Biodiversity Reserve Project, Indonesia, 2013+ vintage (1,030)
Net operational emissions	0	Operationally carbon neutral for 2022	0	Operationally carbon neutral for 2023

Source: Yarra Capital Management and Path Zero. * tCO_2-e refers to tonnes of Carbon Dioxide equivalent.

[7] Operational emissions are calculated using the Greenhouse Gas protocol, applying emissions factors to corporate spend and corporate activity data. Emissions factors are sourced from the National Greenhouse Accounts Factors, IELab (Footprint Lab), Business, Energy & Industrial Strategy (BEIS, formerly DEFRA), and Cornell Hotel Sustainability Benchmarking Index 2023.
[8] Scope 3 emissions reported in Table 2 exclude category 15, financed emissions, which are reported separately in this report.
[9] We included an uplift of 0.01 tCO_2-e based on stationary propane use in offices, not accounted for in other emissions calculations, bringing the total 2022 operational emissions to 1,927.51.

Our operational greenhouse gas emissions increased by 5% overall and 4% per full-time employee from 2022 to 2023. This was largely driven by increased air travel for business development and client meetings. We saw a slight decrease in computer and technical services with a deliberate reduction in service subscriptions and a decrease in staff commuting. Our largest source of non-financed emissions continues to be derived from third-party service providers, notably in the Information and Communication Technologies (ICT) category. As third-party service providers are our largest source of operational emissions, we have committed to updating our procurement policy and working with vendors to reduce emissions.

We set operational emissions reductions targets at the end of 2022, including setting a target of reducing our overall emissions per full-time employee by 20% by 2032 from 2022 baseline levels of 23.48 tCO_2-^{e} per FTE.

However, given the source of our emissions, these reductions are likely to be largely driven by and contingent upon suppliers' climate strategies and efforts to reduce emissions. We have also introduced a travel policy to reduce emissions via air travel where possible.

As an investment manager, the largest source of overall emissions are our investment portfolios. Based on our initial baseline emissions data, financed emissions from our listed equities portfolios are 2,500 times greater than our operational emissions, including scope 3 emissions from our supply chain. In 2024, we committed to disclosing financed emissions in alignment with the Greenhouse Gas Accounting Protocol as signatories to the Partnership for Carbon Accounting Financials (PCAF). In 2024, we assessed emissions from our listed equities investments[10] relative to a weighted composite benchmark derived from applying weights to the benchmark associated with each underlying holding (see Table 3)[11].

Table 3. Groupwide Financed Emissions- Listed Equities 2024

Portfolio	Scope 1 Financed Emissions	Scope 2 Financed Emissions	Scope 3 Financed Emissions	Scope 1 + 2 Financed Emissions	Total Finance Emissions
Portfolio	592,032	162,352	4,225,292	754,384	4,979,676
Benchmark	846,873	247,355	6,026,923	1,094,228	7,121,151

Source: Yarra Capital Management and Emmi as of 31 May 2024.

Our listed equities holdings emissions for all brands within the group are sitting well below the aggregate benchmark, with the bulk of the emissions within the listed equities holdings derived from scope 3 emissions[12].

Given this is the first year we have calculated our financed emissions in aggregate at an asset class level, we do not have comparative data at other time points.

[10] The value of these assets at the time of emissions modelling was AUD$14.5 billion.

[11] For financed emissions calculations, the carbon data, analytics and scenario analysis was sourced from Emmi, an Australian climate data consultant following the methodology outlined by the Partnership for Carbon Accounting Financials (PCAF) following the Greenhouse Gas Accounting Protocol. Emmi has published their methodology which describes a machine-learning approach to emissions modelling. We acknowledge with modelled data, some errors and anomalies may occur; however, after identifying some outliers, we have presented data on a best endeavours basis adopting a defensible, robust and transparent methodology. Scenario analysis is integrated into the climate analytics performed by Emmi under three scenarios selected by Yarra Capital Management, including the IPCC 1.5C, NGFS Net Zero 2050, and NGFS Current Policies Scenarios (Phase IV). Scenarios set the bounds of expected risks for the entity. We then draw on our own industry knowledge and proprietary analysis to determine likelihood of future states and articulate potential risks and opportunities.

[12] Note, there may be instances of overlap or double counting of Scope 3 emissions in the investment portfolio. This can occur when, for example, emissions associated with the supply chain of a company may be counted within its Scope 3 emissions, and where those emissions are reported as scopes 1 or 2 for other investee companies, which can lead to duplication or double counting, inflating the totals in our overall reported emissions. However, understanding scope 3 emissions helps us to understand the potential physical and transition risks associated with holdings within the portfolios and are included in our reporting.

06. Climate Change (cont.)

Figure 1. Total Financed Emissions 2024, Listed Equities (by scope)

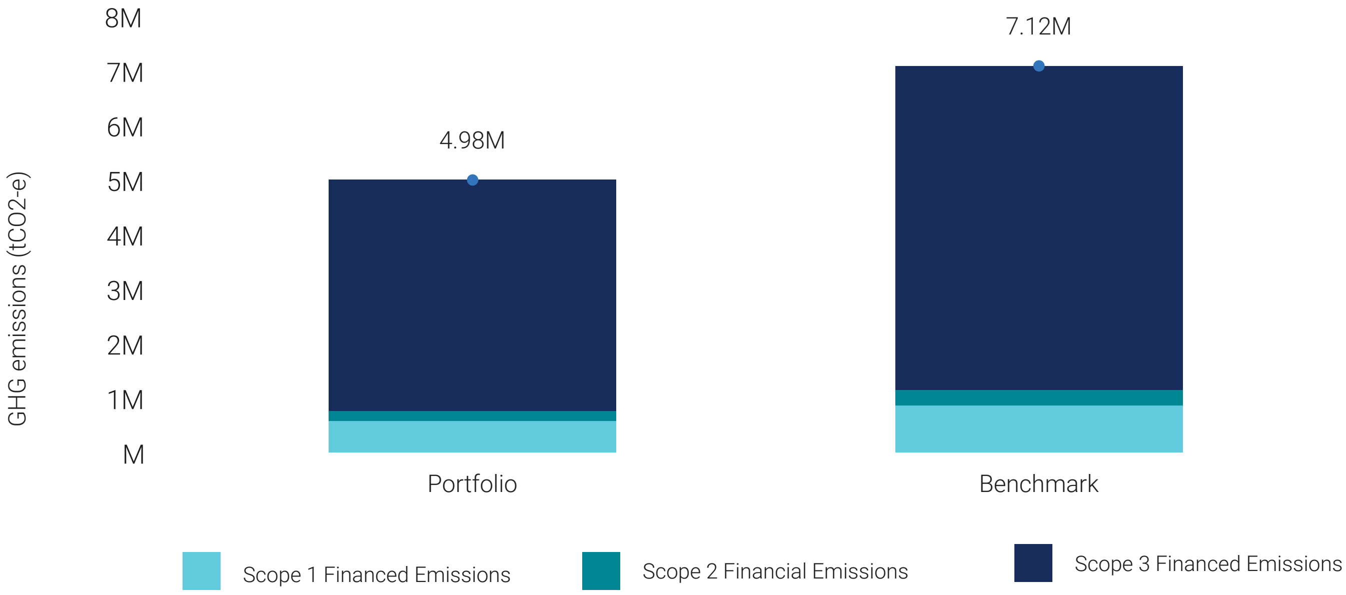
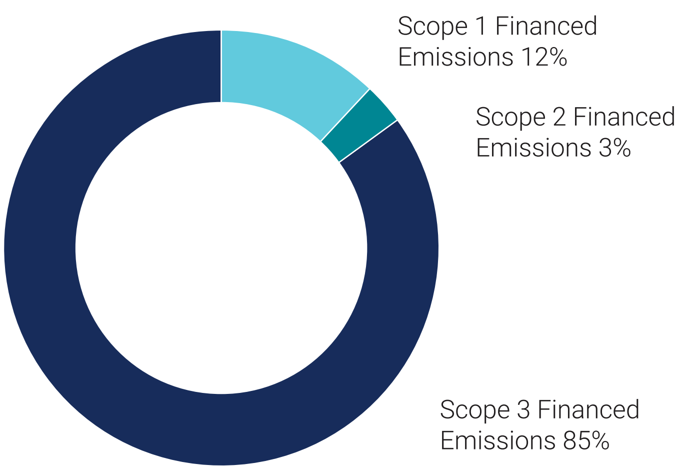


Figure 2. Percent Financed Emissions by Scope, Listed Equities 2024.



Source: Yarra Capital Management and Emmi as of 31 May 2024.

To assess the potential future climate-related risks and opportunities in our investment portfolios, we have undertaken scenario analysis using three climate scenarios outlined in Table 4 below.

Inherent in these scenarios are assumptions about the climate change policy environment. Each scenario applies a price on carbon as a proxy for the policy environment, allowing us to quantify and assess the potential portfolio value at risk under the different scenarios.

This includes the current policy environment where implied carbon prices remain negligible compared to more ambitious net zero scenarios where implied carbon prices are assumed to rise to between USD590-821 by 2050.

Table 4. Climate Scenarios selected for 2024 analysis, Listed Equities

Scenario	Description	Type	Physical Risk	Transition Risk	Temperature Alignment	Carbon Price (USD)
IPCC 1.5°C (SSP1-1.9)	The most ambitious and optimistic sustainable development transition pathway. It requires rapid, sustained and coordinated global effort to shift towards an equitable low-carbon future to limit global temperature rise to 1.5°C by 2100. IPPC's scenarios are primarily intended for scientific assessment of climate impacts, risks, and policy options.	Orderly	Low	High	1.5°C	2024: $145 2030: $218 2050: $821
NGFS Net Zero 2050	A financially focused transition pathway to limit global temperature rise to 1.5°C by 2100. It makes sector-level transition pathway adjustments using carbon pricing and technology deployment in order to reach net-zero emissions by 2050. NGFS's scenarios are primarily intended for policymakers and financial institutions to understand and prepare for economic and financial shifts required to meet climate goals.	Orderly	Low	Medium	1.5°C	2024: $113 2030: $187 2050: $590
NGFS Current Policies	A business-as-usual transition pathway scenario, assuming no additional climate policies beyond those currently in place. It leads to significantly higher warming, likely exceeding 3°C by 2100. It results in higher physical climate risks due to inaction and relies on continued use of fossil fuels with limited technology progress.	Hot house world	High	Low	3°C+	2024: $10 2030: $10 2050: $10

Source: Emmi and Yarra Capital Management.

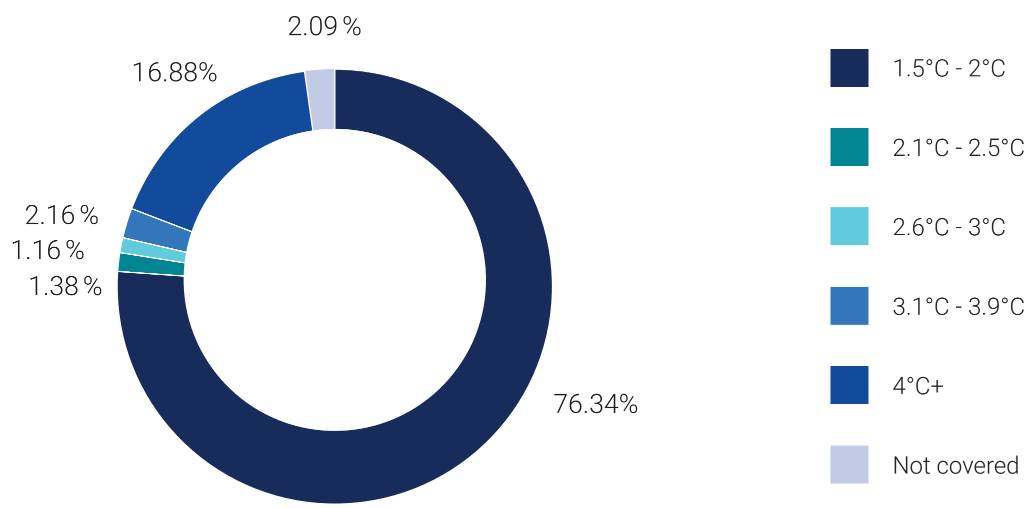
06. Climate Change (cont.)

We have analysed our portfolios under these scenarios[13] to determine the corresponding temperature alignment, scenario-informed emissions reduction requirements, and associated potential carbon liabilities if the emissions reductions are not met.

Across our aggregated public equity holdings, based on no change in portfolio holdings and no change in GHG emissions by each underlying investee company, climate scenario analysis indicates that 76% by portfolio weight are aligned to a 1.5-2.0 degree climate scenario, however 17% by portfolio weight are aligned to a 4.0 degree or higher scenario (see Figure 3). This analysis informs our company engagements.

This analysis also helps us understand our potential exposure to transition risks. Expressing climate risk in monetary terms (see Potential Carbon Liability in Figure 4) also helps us evaluate climate risk in relation to other risk factors. However, given the nature of the underlying data and assumptions evolves over time we consider this alongside many other factors.

Figure 3. Capital Weighted Temperature Alignment, Listed Equities, 2024



[13] This is the first reporting period that Yarra Capital Management has publicly disclosed our climate data for financed emissions; although we have provided a public disclosure on operational climate-related emissions for 2022. We intend to report results from our climate analytics annually and may choose to update the underlying data and analysis on either a more or less frequent basis, depending upon material changes to our portfolio, the policy environment, data quality or other material factors.

Figure 4. Potential Carbon Liability by Climate Scenario, Listed Equities, 2024 (AUD)

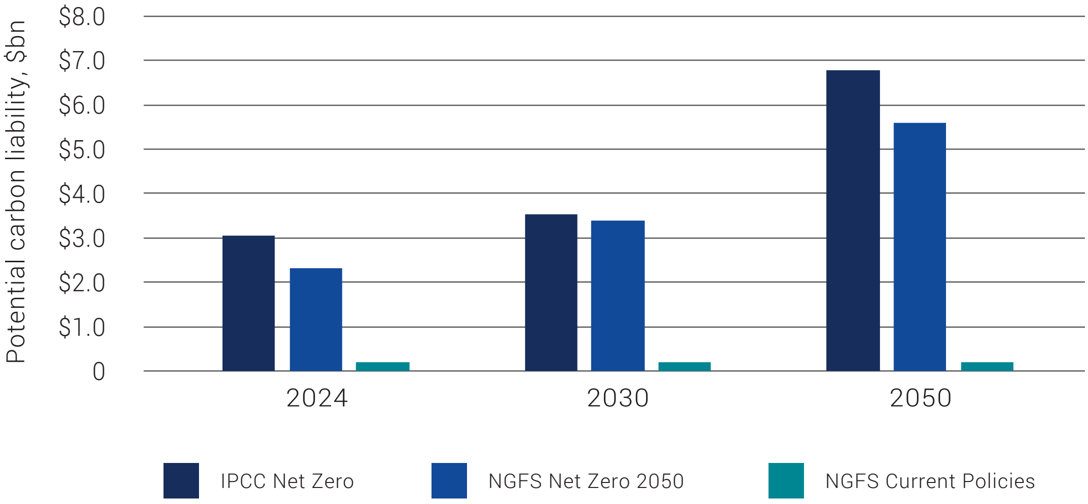
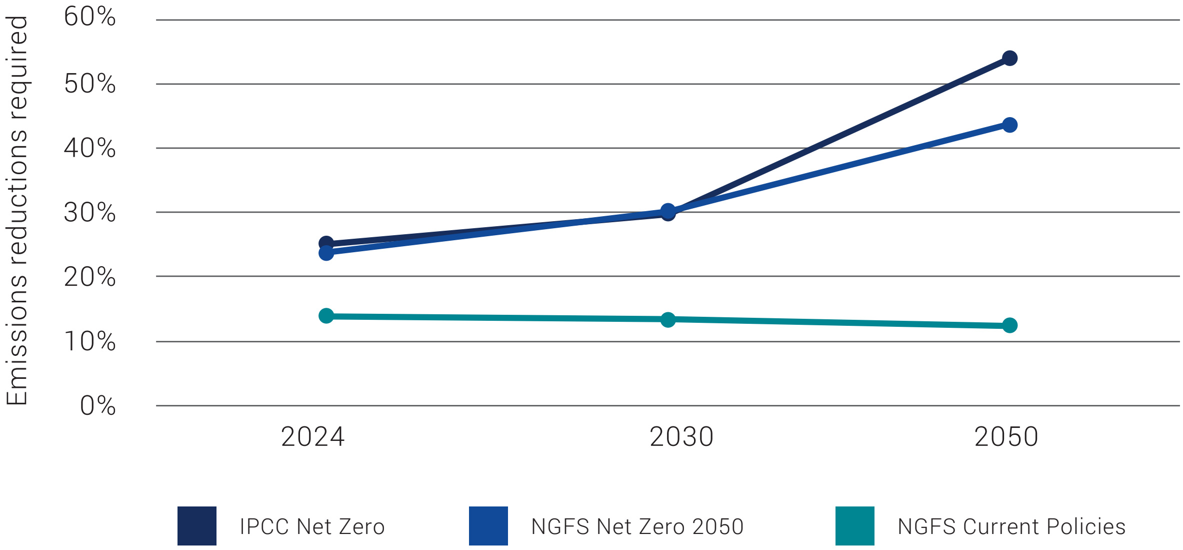


Figure 5. Potential Emissions Reductions Requirements by Climate Scenario, Listed Equities, 2024



Source: Emmi and Yarra Capital Management.

06. Climate Change (cont.)

Additionally, we have explored various qualitative and quantitative approaches to understanding the potential impacts of physical risk. Our current approach to quantified physical risk assessment includes evaluating chronic risks, such as sea-level rise, but does not currently include acute risks. Acute events such as floods, storms and wildfires are more difficult to predict and model, and typically have concentrated geographical risk rather than widespread systemic risk, affecting specific assets within a portfolio.

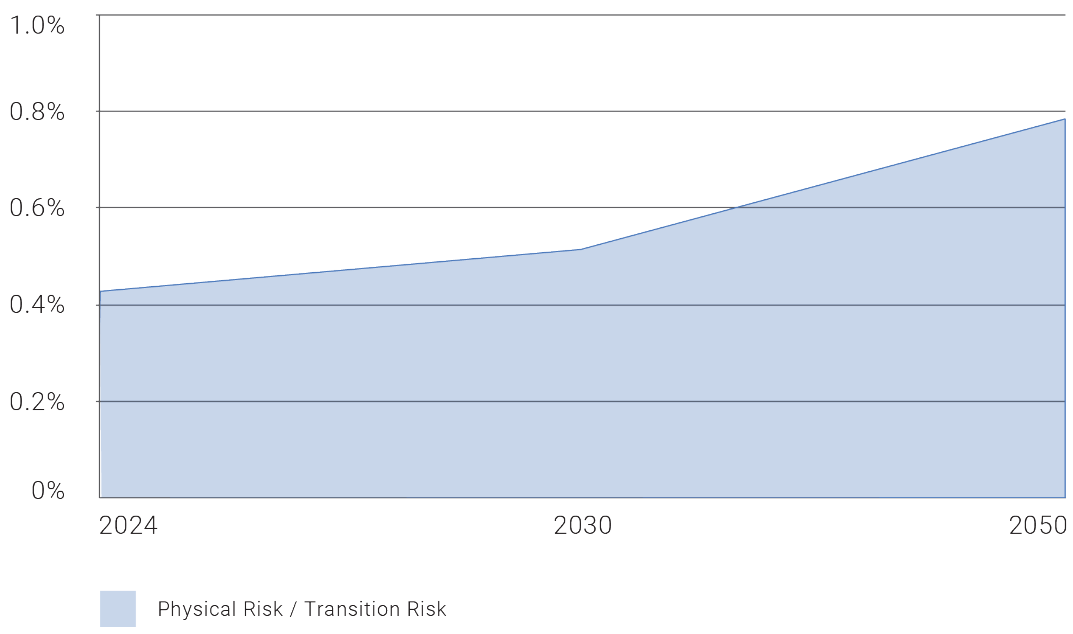
We have undertaken qualitative analysis to understand potential physical risks. Within each investment strategy, we also assess different metrics to understand physical risks within the portfolios.

Given the focus on chronic risk and the diversified nature of investment portfolios, at an aggregate level, we have adopted a proxy approach to modelling quantified physical risk. We have referred to a report from the London School of Economics[14] that models potential financial impacts of physical climate risks on global financial assets under management.

These physical risks are likely to occur more frequently if the global average temperature rises well above 1.5 degrees Celsius. Our analysis also includes looking at the impact of warming over 3 degrees Celsius.

Using this model under the NGFS Current Policies scenario, physical risk represents 0.4% the scale of transition risk, increasing to 0.8% of transition risk present in the portfolio in 2050. As such, we have extrapolated the potential quantified impact of physical risk on our listed equities assets in Figure 6 below.

Figure 6. Physical Value at Risk (VaR) / Transition Value at Risk (VaR)



Source: Emmi for Yarra Capital Management.

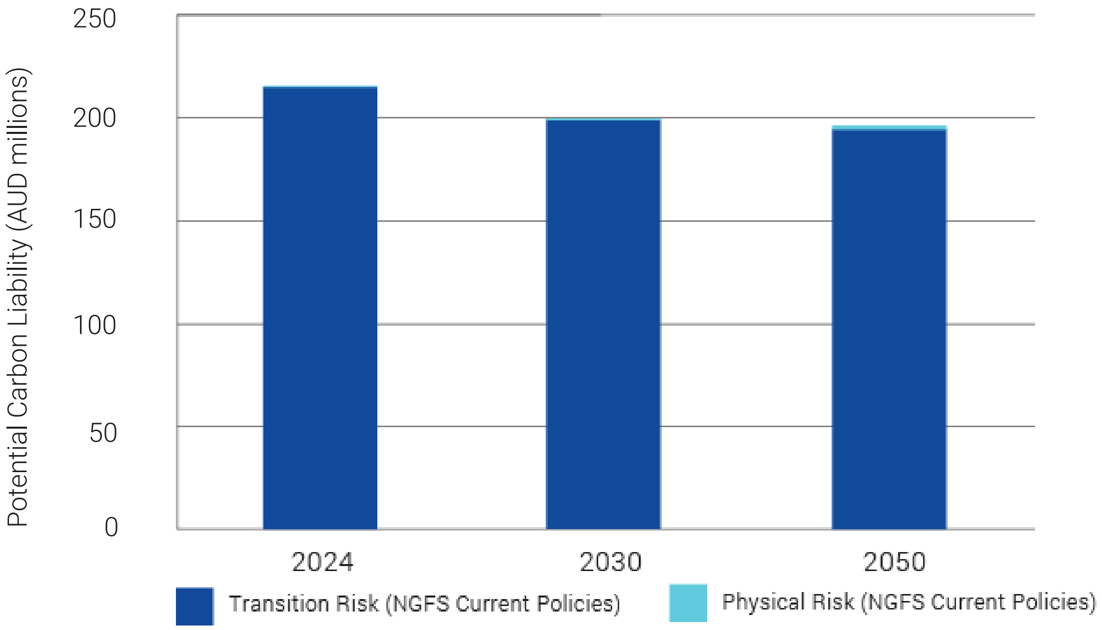
[14] Source: Dietz et al, 2017.

Our Ambition

We are proud of the incredible progress we have made over this past year with regard to climate risk. Over this next year, we intend to use these insights to further develop our climate strategy, by:

- Interrogating data and assumptions in our scenario analysis;
- Testing pathways toward emissions reductions targets;
- Identifying strategic engagement opportunities in our supply chain and investment portfolios; and
- Conducting further analysis, including undertaking assessments of our financed emissions in other asset classes, such as fixed income or private capital.

Figure 7. Potential Carbon Liability: Transition vs Physical Risk under NGFS Current Policies Scenario, Listed Equities, 2024 (AUD)



Source: Emmi for Yarra Capital Management.

07. Nature and Biodiversity

As investment managers, the health of the natural environment is critical to the way we live, operate and invest.

The Stockholm Resilience Institute's work on planetary boundaries[15] demonstrates that many of the earth's systems are operating outside of safe levels for earth's stability, including through freshwater changes from nutrient loading; land system changes; climate change; reduction in biodiversity levels; and increases in ocean acidification.

We recognise that as investors, we are exposed to a range of potential nature-related risks. Similar to climate-related risks, changes to the health of natural systems and biodiversity can lead to increased physical risks both acute and chronic. An example of this could be changes in land-use resulting in the reduction of flood plains and increased flooding events, in turn leading to significant economic consequences.

As we are developing our broader nature-based strategy, we seek to identify how our investment as well as our non-investment activities impact and depend upon the assets, services, and overall health and resilience of our land, freshwater, ocean and atmospheric environments.

[15] Source: [Planetary boundaries - Stockholm Resilience Centre](#).

Our Approach

In 2024, we published our Position Statement on Nature and Biodiversity. In this statement, we acknowledge the rapid evolution of policies and frameworks focused on nature, including the Global Biodiversity Framework adopted by 196 nations at COP15 in late 2022, a refresh of Australia's Strategy for Nature setting targets (including to protect and conserve 30% of Australia's land and oceans by 2030), and an increase in the uptake of tools and frameworks to better manage nature-related risks and opportunities such as the Taskforce for Nature-Related Financial Disclosures (TNFD).

As we improve our understanding and sophistication in managing nature-related dependencies and impacts, we have committed to:

- Exploring nature-related considerations in our climate strategy;
- Integrating material nature-related factors into our investment analysis through our ESG integration framework; and
- Seeking to deepen our sophistication and understanding of these issues and our approaches to managing them.

Our Performance

To date we have not undertaken a comprehensive analysis of our nature-related impacts or dependencies either for our business or within our investment portfolios. However, we believe that as investment managers, the most material considerations will arise in our investment portfolios with the companies in which we invest.

> As part of our existing ESG integration process, we seek to identify nature-related risks and opportunities. To date, we have identified material environmental considerations in our portfolios, such as waste including toxic waste, packaging, plastics, land-use change, air pollution, circular economy opportunities, water consumption, and stormwater impacts. We integrate these considerations into our standard investment analysis process, including linking highly material issues with our active stewardship approach to strategically engage with companies.

Nature and biodiversity are important parts of our priority stewardship engagement agenda with investee companies. Our investment teams have identified companies that are exposed to more material environmental risks and those who are likely taking a leading approach to managing nature and biodiversity.

In 2024, we engaged with a food company and real estate investment trust to assess how companies are working through this area. In addition, we have undertaken early steps to explore nature-related tools and frameworks, including assessing how we might incorporate the LEAP (Locate, Evaluate, Assess, Prepare) framework under the Taskforce for Nature Related Financial Disclosures (TNFD) (refer Figure 8).

In 2024 we collaborated with the investment management industry through the Responsible Investment Association of Australia's (RIAA's) Nature Working Group.

07. Nature and Biodiversity (cont.)

Figure 8. LEAP Framework adapted from The Taskforce for Nature Related Financial Disclosures (TNFD)

Scope the assessment: Follow the TNFD's scoping guidance, keeping in mind the defined aims of the risk assessment.

L ocate	**E** valuate		**A** ssess		**P** repare
1. Define financial exposure	**2. Identify nature-related dependencies and impacts**	**3. Determine exposure to nature-related dependencies and impacts**	**4. Select scenarios**	**5. Assess nature-related risks and opportunities**	**6. Synthesise metrics**
Establish the appropriate unit of analysis by determining the geographies, sectors, processes, value chains, and/or assets that will be assessed.	Identify the drivers or channels through which the organisation impacts or depends on nature.	Size how the organisation is exposed to nature by determining the relationship (qual. or quant.) between impacts and dependencies and the unit of analysis.	If needed to fulfil aims of risk assessment, define scenario narratives or select existing scenarios; determine relevant scenarios variables to use.	Identify resulting risks and opportunities and measure their effects on the organisation (e.g. change in cost and revenue).	Produce assessment outputs by synthesising and summarising relevant assessment and disclosure metrics, to feed into strategy, risk management reporting, and disclosure.

Source: Adapted from Baringa, Making the LEAP and TNFD 2023.

Our Ambition

As we progress this work over the coming years, we also aim to improve our disclosures related to nature and biodiversity, sharing what we have learned and examples of how we are managing these material issues within our business and our portfolios.

Understanding dependencies and impacts on nature and biodiversity is essential for managing the long-term value of our portfolios.

Given the increasing relevance and growing maturity of the investment industry in working through nature-related issues, we are committed to building greater capacity, understanding and insights in this area.

08. Human Rights and Modern Slavery

Human rights encompass the broad set of principles that recognise all human beings have inherent value and fundamental universal rights.

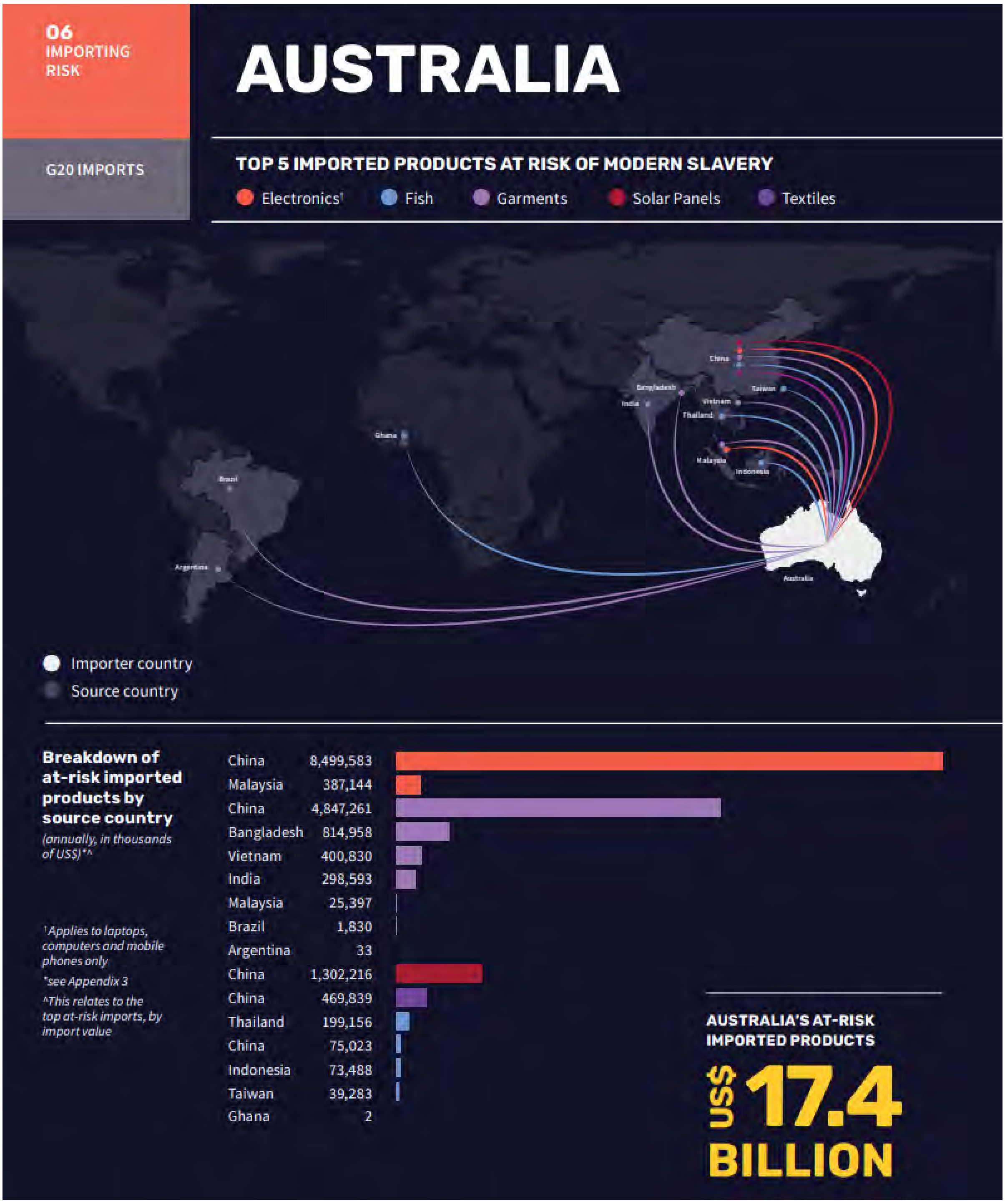
This includes rights to freedom, equality and dignity. We not only believe that it is moral to protect and uphold human rights, but as an investment manager we recognise that there are relationships between corporate earnings, sustainable value-creation and social wellbeing, including the fair treatment of people.

Our Approach

In 2023 we published our first Modern Slavery Statement as a step toward acknowledging the seriousness of the issue and our commitment as a business to understand our exposure to modern slavery risks and steps we might take to mitigate this.

In 2024, we voluntarily aligned our disclosures to the Australian Modern Slavery Act (2018) (Cth). In doing so, we are able to follow a best practice reporting framework and better inform our data collection and analysis processes related to modern slavery, in turn, helping us to put the issue in focus and identify how we best manage material risks.

Figure 9. Australia's top 5 imported products at risk of modern slavery.



Source: Walk Free Foundation, Global Slavery Index 2023.

We have been undertaking an exercise to tier our suppliers into categories to help us understand where engagement efforts may have the most impact going forward.

08. Human Rights and Modern Slavery (cont.)

Our Performance

As part of this work, we conducted due diligence on our supply chain, including by requiring corporate suppliers to complete questionnaires related to sustainability and modern slavery. We also undertook further due diligence on our largest/most material suppliers to assess supply chain risks and identify areas/suppliers for further engagement/investigation. We have identified opportunities to review our procurement principles, policies and approach by integrating some of these material considerations, during 2025.

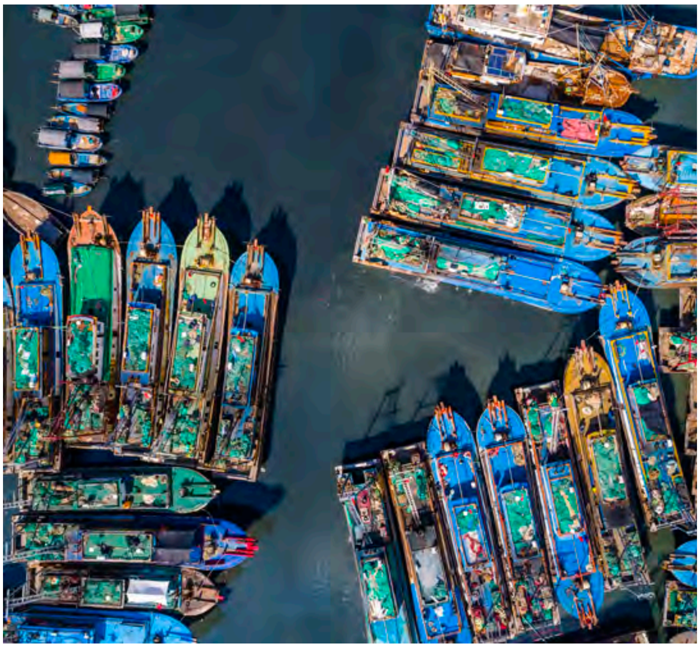
In 2024, our investment teams completed modern slavery risk assessments for every current investment holding. The aggregate risk ratings of these holdings was reported in our 2024 Modern Slavery Statement. Our investment teams identified opportunities for strategic engagement as part of our stewardship approach – including assessing where our risk ratings are linked to actual incidents of modern slavery, and/or what mitigating steps companies are taking to manage this key risk area. In our investee company engagements we encourage companies to improve their disclosure and work with their operations teams and suppliers to implement improved practices that lead to better outcomes for people rather than penalise the incidents or disclosures.

We have also taken the stance of wanting to encourage companies to improve their disclosure and work with their operations teams and suppliers to implement improved practices that lead to better outcomes for people rather than penalise the incidents or disclosures.

Our Ambition

We have identified some ways that our business can continue to play a role in upholding and protecting human rights, including:

- Improving capacity by providing internal training on human rights issues;
- Sourcing new data and information sources to enhance our monitoring and assessment of human rights risks; and
- Continuing to identify opportunities for highest value strategic engagement with suppliers and/or investee companies.



Additional information about our commitments and action items can be found in our Modern Slavery Statement and our Human Rights Position Statement, which we published in 2024 to communicate the seriousness of the issue and signal our commitment to protecting and upholding human rights.

Additional information about our commitments and action items can be found in our 2024 Modern Slavery Statement and our Human Rights Position Statement. We also collaborated with the investment management industry, through the Principles for Responsible Investment (PRI)'s Human Rights and Social Issues Global Reference Group.

09. Stewardship

We take pride in our long track record of engaging with companies on material issues and acting as responsible stewards of our clients' capital.

Across our range of investment strategies, stewardship is a core principle that guides our investment management approach. We believe our role as stewards of capital extends beyond just delivering strong financial returns—it encompasses the responsibility to act in the best interests of our clients, the broader community, and the environment. Stewardship means engaging with companies, understanding their strategies, and promoting practices that support long-term growth, value creation, and positive outcomes that can extend to different stakeholders, including the environment and communities. As we continue to navigate an increasingly complex and interconnected world, our commitment to stewardship remains a cornerstone of our investment philosophy and helps deliver enduring value for our clients while contributing to a more resilient and responsible financial system.

Our Approach

Active stewardship includes engagement with investee companies and exercising voting rights with a focus on establishing clear objectives and tracking outcomes where possible.

In 2024, we conducted an investigation drawing on our bottom-up analysis through our ESG scorecards of all companies in our portfolios and top-down analysis informed by client consultations, sector-based research and industry trends to identify what we believe are the six most material ESG topics to focus our stewardship activities. These six issues include two environmental topics; two social topics; and two governance topics (see Table 5).

Table 5. Priority ESG Engagement Agenda

ESG topic	Our position	Indicative engagement topics
G-Good governance	Boards should protect and promote the interests of shareholders and ensure the business is operating responsibly and sustainably. Boards' key responsibilities include support and oversight of management to ensure enduring company value. Boards must ensure appropriate composition, skills and perspectives to fulfil their key functions.	• Executive remuneration • Board leadership, structure and composition • Diversity, equity and inclusion • Strategy and capital allocation
E-Climate change	Climate change is a highly material topic presenting risks and opportunities for most companies and shareholders. Companies should understand their exposure to these risks and opportunities and have thoughtful responses to manage these.	• Climate disclosures • Climate targets • Climate strategy and transition • Risk management • Climate solutions
S-Human rights	We expect companies in our portfolio to protect and uphold human rights. Everyone is entitled to human rights, including the rights to life, liberty and freedom from oppression and exploitation. Violating human rights is not only morally wrong but holds legal, reputational, and financial implications for companies.	• Social license to operate • Modern slavery • Treatment of key stakeholders • Health and safety issues that extend to communities
S-Workplace	There is significant evidence that lead indicators of good workplaces are correlated to company value. This intuitively makes sense that companies that can attract and retain happy, safe, productive employees will perform better.	• Culture • Labour rights • Safety • Diversity, equity and inclusion
E-Nature and biodiversity	All companies are dependent on nature for key inputs--such as fresh water, a stable climate, and raw materials. And all companies have impacts on nature, such as land-use, pollution, and extraction. These dependencies and impacts mean that businesses must increasingly be cognisant of how they are managing their relationship to nature and biodiversity.	• Understanding approach to nature and biodiversity related impacts and dependencies • Water use • Resource use • Land use • Pollution
G-Responsible Corporate Conduct	Companies operate in a landscape of regulations, legal frameworks and social and cultural norms. We expect companies to respect and uphold their legal and regulatory obligations at a minimum and operate responsibly in accordance with expectations of their operating environments. Breaching these norms and frameworks can lead to financial implications for companies.	• Responsible advertising • Cybersecurity and data management • Product and service stewardship

By taking a selective and targeted approach, we direct our attention towards issues and companies where we feel there is the greatest opportunity for active engagement and impact. In 2024, across these six topics, our investment teams identified 20 investee companies where these issues were considered highly material, leading to targeted engagement efforts. Some engagements are intended to understand what 'good' looks like by learning from leading companies, particularly related to emerging topics, such as nature and biodiversity. Other cases are defined by companies managing highly material issues, including companies in hard to abate sectors, and understanding how companies are managing these issues and/or advocating for change.

Our Performance

As investment managers, our insights are our differentiator. Having access to and regular dialogue with companies in combination with conducting in-depth research and expert consultations are key to what guides our investment decisions. This regular dialogue and access to companies also allows us to engage in ways that aim to create constructive outcomes for both our companies and our clients (see Table 6). Over time, we have seen a growth in the focus of ESG issues given their rise in materiality with growing regulation, information, and stakeholder interest.

634
ESG engagements in 2024

283
Companies where we held ESG engagements in 2024

The objectives of these engagements include:

1. Improving our understanding of a risk/issue/opportunity/approach.
2. Communicating our concerns or advocating for change, e.g. expressing why we think the issues is material; communicating our expectation of what 'good' looks like; setting objectives, milestones or targets; and sharing pre-declared voting intentions. We find that many of the changes or improvements we are seeking fall into four broad categories, including: improved disclosures; reduced negative impacts; more ambitious strategies or targets; and/or demonstrated action or evidence of commitment.
3. Escalating our interest, i.e. when we have engaged with a company on a material ESG topic, and we believe the issue is both material enough and the company response is not commensurate with the issue at hand.
4. Gathering data to track a company's progress.

Table 6. Engagements by ESG topic in 2024

Topic	Tyndall Asset Management		Yarra Capital Management		Global Equities	
	Number of companies engaged	Number of ESG engagements	Number of companies engaged	Number of ESG engagements	Number of companies engaged	Number of ESG engagements
Environmental						
Climate change	30	49	19	21	9	11
Nature and biodiversity	5	7	7	8	1	2
Other environmental issue	19	24	11	13	3	3
Social						
Human Rights	2	2	6	10	1	3
Workplace	15	35	8	10	1	2
Other social issue	28	38	12	18	8	12
Governance						
Good governance	28	58	173	205	9	12
Responsible corporate conduct	9	20	14	15	3	3
Other governance issue	27	45	5	6	2	2
Total	**72**	**278**	**183**	**306**	**28**	**50**

In 2024, we voted on 1,718 Proxy Voting proposals:

Table 7. Proxy voting summary 2024

	Tyndall AM	Yarra Equities	**Total**
Number of meetings	101	184	285
Number of proposals	666	1,052	1,718
Proposals voted AGAINST	12%	5%	8%
Number of proposals by ESG topic:			
Environmental	10	5	15
Social	2	0	2
Governance	654	1,047	1,701

Source: ISS Board Statistics Report.

Amotiv

Environment, Social and Governance (Remuneration linked to ESG)

Amotiv Limited is a technology-focused company that specialises in providing innovative solutions across various industries, with a strong emphasis on automotive and mobility sectors.

As a manufacturer, Amotiv (AOV) has a large carbon footprint which was a key focus for ESG engagement. Additionally, modern slavery was an important discussion point due to AOV's extensive supply chain, with exposure to multiple high-risk geographies. On emissions, we discussed with AOV their climate targets, and how to pivot the business away from heavy reliance on internal combustion engines (ICE).

AOV has a 2025 net zero goal for the distribution business, and a 2030 net zero goal for the manufacturing business. Annual tracking towards sustainability goals is conducted by AOV, and we discussed progress with management towards their targets over time. Another key issue discussed with AOV's Board was remuneration – in particular setting appropriate performance hurdles in light of the AutoPacific Group acquisition and aligning remuneration with ESG goals.

Outcome

During our time as shareholders AOV significantly reduced its exposure to ICE vehicles. Parts of the business also play a role in transition to Electric Vehicles (EVs) as a provider of parts and accessories for EVs. For example, AOV's new Inifinitev business provides servicing for EVs and hybrid vehicles, including the recycling and repurposing of batteries.

Short-term incentives included reference to the placement price which the AutoPacific equity raise was undertaken at $10.40.

Additionally, ESG-related targets have been integrated into AOV's Long Term Incentives, with goals on non-ICE related revenue for the group. Modern slavery targets, in particular adherence of AOV suppliers to ethical sourcing standards, are also part of the performance measures for remuneration. We regularly engaged with AOV Management and Board on progress towards these targets.

GPT Group

Environment (Nature and Biodiversity)

GPT Group is a leading Australian real estate investment trust (REIT) focused on owning, managing, and developing high-quality office, retail, and logistics properties across key Australian markets.

In October 2024, we met with GPT Group's Head of Sustainability to understand how they were thinking through issues related to nature and biodiversity. GPT Group produced a Taskforce for Nature Related Financial Disclosures (TNFD) integrated 2023 climate and nature disclosure.

Our engagement objective was to learn from an early adopter of an emerging framework related to nature and biodiversity and use the data point to inform our view on the company. We also drew on the engagement to consider the implications of ESG credentials for the outlook for GPT's $12bn+ unlisted funds under management, expiring over the next 2.5-years, which interfaces with domestic and overseas superannuation capital.

Outcome

GPT Group was able to move quickly to align with emerging frameworks because they had spent years understanding their nature-related issues and were able to leverage mature systems and processes. We understand that they have found some of the TNFD tools like the LEAP tool additive, and it has helped them to identify four thematic areas of focus, including: water neutrality; resource circularity; climate response and carbon neutrality; and nature positive and biodiversity. A particularly interesting insight from the engagement was that this process helped GPT improve its understanding of a key risk around stormwater management.

We were pleased to understand how adopting these frameworks could lead to the improved visibility and response to a key material issue, signalling the additive value that could arise for other companies as they begin to map their dependencies and impacts in more formal ways. The engagement also helped us to revisit our ESG scorecard for the stock, resulting in our upgrade of its overall ESG score. Some key take-aways for us included views that: (i) GPT's in-house tool 'GPT Nature Interface' should add value as an asset selection tool for developments, i.e. troubleshooting, de-risking; and (ii) Climate & biodiversity focus likely supports their chances of retaining/growing unlisted property clients, in line with client requirements.

Nine Entertainment

Social (Psychosocial Safety and Culture)

Nine Entertainment is an Australian publicly listed mass media company with holdings in radio and television broadcasting, publishing and digital media.

After reports of bullying, discrimination, harassment (including sexual harassment) and abuses of power and authority, we engaged with Nine Entertainment (NEC) with the objective of communicating our expectation that their cultural issues be addressed and remediated.

In May 2024, reports of bullying and sexual harassment within NEC's organisation were made known to the public through several media outlets. Our first objective was to understand NEC's approach and response to the matter.

We understand that these workplace culture issues appear to be widespread throughout the media industry, and we know that addressing issues of workplace culture are likely to take time. However, we communicated our expectation to see NEC take swift action and intend to continue to engage actively to understand the potential outcomes of these actions.

Outcome

To date, we believe NEC has demonstrated that it is taking the matter very seriously. We were pleased that NEC appointed an independent and external party, Intersection, to investigate the matter with staff.

We felt that the Board of NEC appropriately endorsed the 22 recommendations coming from this independent investigation; and we note it is a positive remediation step that the Board of NEC apologised to staff for the harm that has been caused.

Over time, NEC will be reporting to investors how the organisation is tracking with regard to the cultural changes it has committed to change. We will watch for progress and continue to engage with the company.

Rio Tinto

Social (Safety)

Rio Tinto Group is a British-Australian multinational company that is the world's second-largest metals and mining corporation.

In October 2024, following the tragic news of a fatality involving a subcontractor under Rio Tinto's scope of work at the Simandou port in the Republic of Guinea, we promptly engaged in discussions with the company. The incident, announced in Australia the previous night, prompted us to revisit concerns previously raised with Rio Tinto regarding construction practices at Simandou, which are co-managed by Chinese joint venture partners. This incident occurred on Rio Tinto's managed development site.

We requested updates on the investigation's scope, root causes, and preventive measures as they unfolded. Emphasis was placed on ensuring contractors adhere to the same safety standards as Rio Tinto employees. We discussed the challenges of constructing the largest mining project globally, with over ten thousand workers, 85% of whom are local Guineans, who have historically experienced high levels of poverty and low literacy rates. We inquired about the company's alignment with global safety practices, which it holds to the highest standards across the mining industry. We encouraged Rio Tinto to maintain transparent communication on the incident, and as the investigation progresses, we plan to engage further to understand what preventive measures can be implemented to reduce the likelihood of future harm.

Outcome

Although early in the investigation, Rio was appropriately transparent and compassionate in our discussion. We received confirmation of the company's support for the affected worker's family and colleagues, and received positive indications on the other points we raised. This incident has implications for Rio Tinto's valuation. We anticipate increased development costs due to heightened safety oversight. Additionally, ESG concerns may impact investor sentiment, potentially raising Rio Tinto's cost of equity. If negligence is identified, further liabilities may arise in the form of fines or penalties. Consequently, we have raised the risk premium within our discount rate for the Simandou project to reflect these considerations in our valuation.

Delta Air Lines

Environment (Climate Change)

ROYAL LONDON
ASSET MANAGEMENT

Delta Air Lines is a major American airline known for its extensive domestic and international network, offering a range of services aimed at providing reliable, customer-focused travel experiences.

One of our external global equity managers, Royal London Asset Management, has had ongoing engagement with Delta's Chief Sustainability Officer and other experts to deepen their understanding of the company's strategy and procurement of sustainable aviation fuel (SAF). This engagement aims to assess how these efforts align with the company's commitment to achieving its net zero plans. This engagement has been ongoing, continuing through 2024.

Outcome

Delta's 2023 ESG reports detail its expected decarbonisation pathway with Science-Based Targets initiative (SBTi)[16] approved targets, highlighting fleet renewal and SAF usage as key levers for emissions reduction by 2050. The company believes its 10% SAF mandate is similar to peers and has invested in the Minnesota SAF Hub to help deliver on this. The company's current offtake agreements cover half of the 2030 SAF requirements. Delta remains open to various SAF sources and production methods, noting a significant emissions reduction potential of up to 85% with efficient processes.

The company is also actively collaborating on sector and parts efficiency improvements and took on board our request for greater clarity around the expected use of offsets. Royal London Asset Management continues to engage with Delta on its transition efforts and net zero targets.

[16] Source: https://sciencebasedtargets.org/.

Our stewardship efforts are guided by the ESG issues that we believe will have financial implications for our investee companies, and, by their nature, have sustainability implications more broadly.

10. Conclusion

As one of Australia's leading investment managers, we are committed to integrating sustainability and responsible investment practices into the way we operate.

We aim to ensure that our investment strategies deliver strong financial returns while addressing fundamental material issues that affect our communities, environment and economy. Going forward, we will be focused on:

1. Commitment to Sustainable Growth

As we reflect on our progress over the past year, we remain steadfast in our commitment to sustainable growth and responsible investment. Our approach continues to prioritise long-term value creation, integrating environmental, social and governance (ESG) factors into every investment decision we make. We recognise the importance of aligning financial returns with material issues that affect our communities, and we are proud of the progress we have made to date.

2. Strengthening ESG Integration and Stewardship

In this report, we have highlighted how we integrate ESG considerations into our investment strategies. We have made significant advancements in improving our ESG data analytics and responsible investment capabilities. We will continue to focus our efforts to engage with companies on material issues and ensure our processes are well-positioned to address emerging ESG risks and opportunities. As our investment processes continue to evolve, we remain focused on creating value responsibly.

3. Looking Ahead

As we look ahead, we understand that the landscape is dynamic and evolving, and we are committed to adapting our strategies to continue to deliver strong financial returns. We will continue to engage with stakeholders, enhance our ESG practices, and ensure we are focused on responsible investment practices that enhance value for our clients.