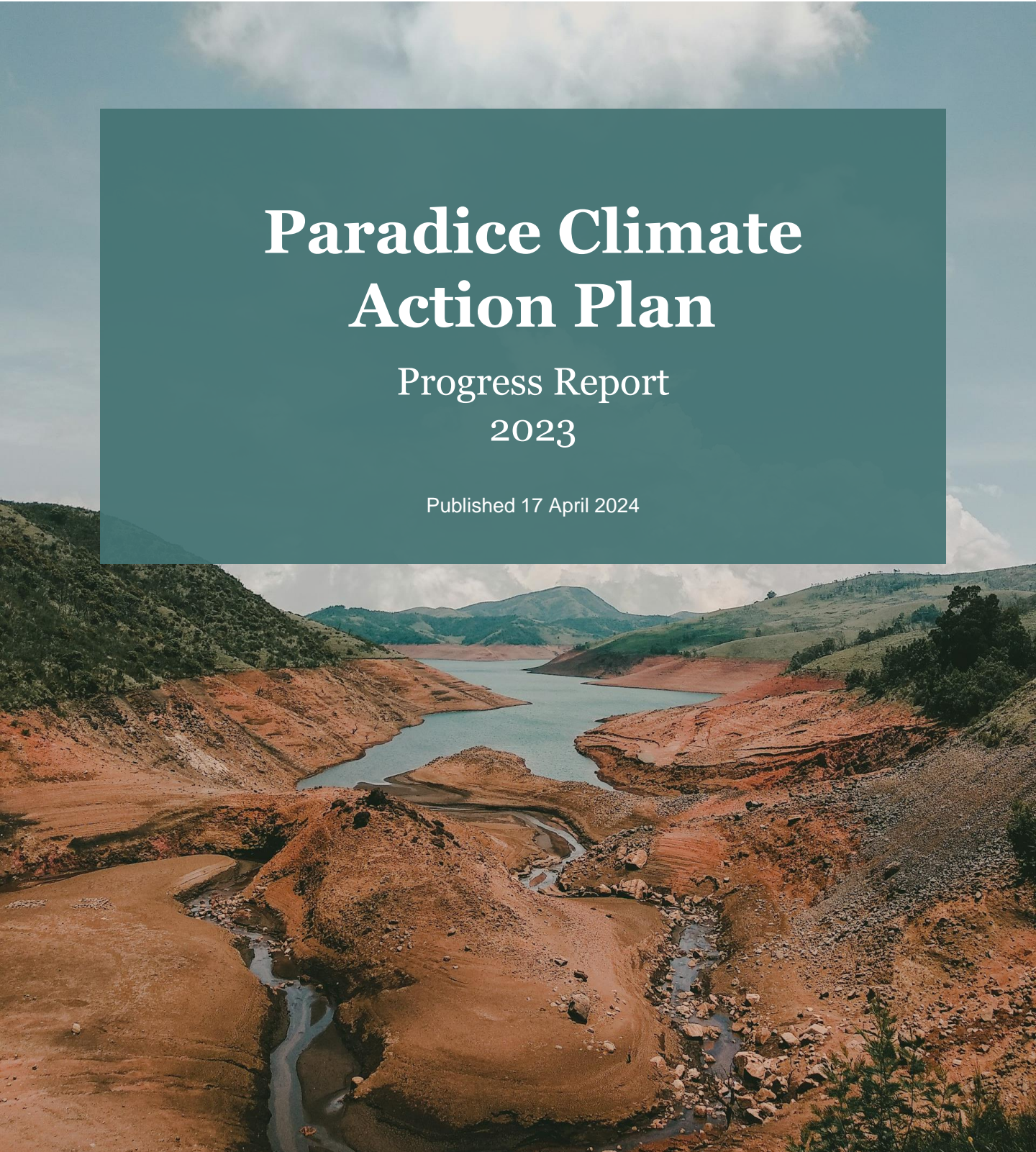


Paradice Climate Action Plan

Progress Report
2023

Published 17 April 2024



Climate Action Plan Summary*



Overall ambition:
net zero emissions by 2050

Three pillars of action



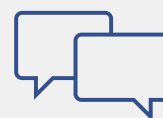
Governance

Policies,
governance
structures and
Board oversight



Investments

Integrating climate
considerations,
measuring and
monitoring emissions



Stewardship & Advocacy

Driving net zero-
aligned action at
investee company
and policy level

Targets

1

By 2030 divest any company emitting over 150 ktCO₂e p.a. which does not have a credible transition plan

2

Engage the top 40 highest Scope 1 & 2 emitting companies held by Paradise at least once annually

3

Offset operational carbon emissions annually

* Please refer to the full Paradise Climate Action Plan ('the Plan') available on our website



Introduction

Paradice¹ is pleased to provide our stakeholders with an update on the first year of implementation of our multi-year Climate Action Plan, calendar year 2023.² We encourage you to refer to the full multi-year Plan which is available on our website while reading this progress report.

Our plan not only established a net zero by 2050 ambition and three formal targets, but it set out actions we intend to take as part of our evolving approach to responding to climate change. In this progress report, we share an update of what we achieved in 2023 and what initiatives continue.

Additionally, we share some highlights from our climate-related stewardship activities undertaken during the year. This includes corporate engagement with investee companies specifically related to climate change – both transition and physical climate risks – and relevant proxy voting actions.

We look forward to continuing to enhance our efforts across governance, the investments we make on behalf of our clients, and stewardship in 2024.

Update on formal targets

With respect to our three formal targets, two require achievement annually.

- 2 Engage the top 40 highest Scope 1 & 2 emitting companies held by Paradice at least once annually

We proactively sought to engage with our top 40 emitters in 2023. We were successful in engaging with 39 of the 40 companies. One company was subject to a takeover – which took up a significant amount of management’s time – and unfortunately we were unable to secure a meeting by year end.

- 3 Offset operational carbon emissions annually

We were pleased to be accredited as carbon neutral through PathZero for FY23. Please see more information on the PathZero website [here](#).

Pillar One: Governance



Initiative	2023 Planned	2023 Actual	Status ³
Board approval of the Climate Action Plan	✓	✓	Completed in 2022
Define formal climate change responsibilities in the Sustainable Committee Terms of Reference and role descriptions	●	✓	Achieved
Update policies and statements as relevant to reflect the Climate Action Plan	●	✓	Achieved
Climate risk included in PIM risk registers	→	✓→	On track
Climate change training and awareness for Board and investment teams	✓→	✓→	On track
Offset PIM's own operational emissions annually	✓→	✓→	On track
Report on progress against the Plan	N/A	N/A	Planned 2024
Implement processes to review and revise the Plan as commitments are met and climate risks exposures and best practices evolve	→	→	On track
Report regularly to the Board and senior management on climate performance and portfolio climate risk exposures	✓→	✓→	On track

✓	Completed
→	Start
→	Ongoing / continue
●	Target completion
⊗	Not completed

Pillar Two: Investments



Initiative	2023 Planned	2023 Actual	Status ³
Assess and monitor portfolio exposure to transition risk, including through monitoring of carbon footprint			On track
Establish internal criteria for a credible climate transition plan to be applied in our target			Behind
Monitor relevant portfolio companies' climate action plans and their alignment to net zero by 2050 including: <ol style="list-style-type: none"> Overarching net zero by 2050 commitment Interim targets Credible plan to deliver commitments 			On track
Expand assessments and monitoring of portfolio exposure to physical climate risk			On track
Monitor exposure to green economic activity			Behind
Employ third party tools to supplement internal assessments			Achieved
Evolve our product offering over time to better enable capital allocation to climate solutions			Behind
Disclose portfolios' weighted average carbon intensity (WACI) to clients			On track
Expand scenario analysis undertaken			On track

	Completed
	Start
	Ongoing / continue
	Target completion
	Not completed

Pillar Three: Stewardship & Advocacy



Initiative	2023 Planned	2023 Actual	Status ³
Set clear escalation process for insufficient climate responses at investee companies	●	⊗	<i>Behind</i>
Engage with companies we assess to be higher risk	✓→	✓→	<i>On track</i>
Advocate for the goals of the Paris Agreement and the uptake of TCFD recommendations	✓→	✓→	<i>On track</i>
Participate in collaborative engagement initiatives such as Climate Action 100+	✓→	✓→	<i>On track</i>
Participate in industry associations which positively advocate on climate matters	✓→	✓→	<i>On track</i>
Publish annually trade association memberships and membership fees	●→	✓→	<i>On track</i>
Participate in government and other public policy consultations and advocate for ambitious policy	→	✓→	<i>On track</i>
Exercise voting rights in line with relevant position statements and policies, in support of better climate outcomes	→	✓→	<i>On track</i>
Engage with clients and stakeholders such as asset consultants to communicate our approach to climate change and to help deliver on their own climate commitments	→	✓→	<i>On track</i>
Publish an annual summary of outcomes achieved through corporate engagement	●→	✓→	<i>On track</i>
Support, file or co-file climate resolutions at companies who have not responded appropriately to engagement	→	✓→	<i>On track</i>

✓	Completed
→	Start
→	Ongoing / continue
●	Target completion
⊗	Not completed

A large, jagged iceberg floats in a deep blue ocean under a clear sky. The iceberg's surface is textured with various shades of blue and white, showing its massive scale and sharp edges. The water around it is a darker, more uniform blue.

Progress on the Plan in 2023

After having established our Plan in late 2022, 2023 was the first full year of implementation. It was also a year for which we had set intentions for a significant number of actions to be completed or new initiatives to commence. Pleasingly, the vast majority have been completed or are on track in line with the Plan.

Paradice's Sustainability Committee and Compliance function worked throughout the year on enhancing governance practices as they relate to climate change. For example, ensuring appropriate references to climate risks are included in Paradice risk registers and oversight structures are in place.

With new and evolving climate datasets being made available by third party providers, we have been working on ways to feed these into our existing ESG integration processes and our in-house climate risk assessment tool. This work has informed a refined methodology for the tool, which we will apply to our portfolios during 2024.

In the year, we enhanced transparency around our stewardship activities. We included additional content on our approach on the Paradice website and published our first Annual Stewardship Summary. We are also now publishing our industry association memberships.

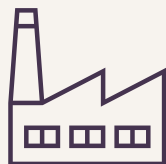
Our engagement and proxy voting on climate-related matters continue to become more structured, not only to align to this Plan but as our investment teams build capabilities with respect to climate change. Training and awareness building is a key area of focus.

We unfortunately fell short on four action items in the year but continue to progress these. Delivering the activities targeted for the first year of the Plan represented a greater workload than initially anticipated.

For example, with respect to establishing criteria to assess whether an investee company has in place a credible climate transition plan, which feeds into our 2030 target, we found this required additional work. We would like to develop criteria that can be applied uniformly across our business, but still be appropriate for all equity asset classes in which we invest. We are still working through how to best balance specificity in our criteria, with broader applicability.

We continue to elevate our focus internally on climate change and look forward to further progressing the delivery of our Plan in 2024.

Climate-related engagement statistics



over **71**
companies engaged
in relation to climate
change



over **109**
engagements on
transition risk



over **31**
engagements on
physical risk





Engagement Snapshots

Climate-related engagement in 2023

BHP Group

One area of interest with large diversified miner BHP has been oversight of climate-related lobbying and disclosures regarding reviews of its industry associations. It is important that a company's policy positions are not materially different to those of the industry groups lobbying on its behalf. After having previously engaged the company on this topic, we were invited to participate in a deep consultation on BHP's practices as the company prepared to update its reporting. We were pleased to see a number of enhancements in line with our feedback.

Treasury Wine Estates

Treasury Wine Estates has vineyards globally which are facing changing climatic conditions. Adapting to physical climate impacts has been a topic of engagement with the company. We have sought to better understand how it is assessing which grape varieties and growing regions are most affected, and what growing techniques or technologies can support adaptation. We also provided feedback on disclosure enhancements with respect to these efforts.

Mohawk Industries

US-based Mohawk is a leading global flooring manufacturer with a sizable carbon footprint. We have engaged the company as it develops a climate transition plan. After disclosing its Scope 3 emissions for the first time, Mohawk is now establishing Science Based Targets. We support this multi-year project but shared our view that Mohawk's reduction targets must be absolute, not solely set on a revenue intensity basis. We have also encouraged executive remuneration to be linked to the achievement of achieving emissions reductions.

Ampol

Fuels refiner and supplier Ampol not only has to decarbonise its business but respond to changing customer demands. Throughout the year we have engaged on what opportunities the company can pursue to diversify its offering to meet growing demand for low carbon fuels and fast charging for electric vehicles (EVs). One example is a partnership to explore the production of advanced biofuels at Ampol's Lytton refinery in Queensland given the potential to use local agricultural waste as a feedstock. Ampol is prioritising opportunities to produce 'drop in' fuels such as sustainable aviation fuel and renewable diesel which are compatible with existing vehicles and infrastructure.



Proxy Voting

Our shareholdings entitle us to vote on matters at company meetings. Climate change considerations are increasingly relevant to our voting decisions. In recent years, there has been a trend for companies to put forward their own climate plans to an advisory ('Say on Climate') vote. Climate change is also often a topic for shareholder-requisitioned proposals not supported by company management. Finally, how we vote on items such as the remuneration report or director elections can form part of our broader engagement on climate with a company.

In 2023, we voted on several climate-related shareholder resolutions, and one 'Say on Climate' vote. We took each vote on its merits, supporting some and voting against others. We generally voted in favour of proposals seeking enhanced climate disclosures.

At an oil and gas company in which we're invested, we voted against the re-election of a director on climate-related grounds. We had been dissatisfied with the company's progress on reducing climate risk, and this director also sat on the sustainability committee. We communicated our rationale for voting against the director to the Chair and have continued to engage the company to encourage a stronger response to climate change.

Collaboration and Advocacy

We collaborate with other investors on ESG matters through a number of initiatives. Our primary collaborative effort focused specifically on climate change is our involvement in Climate Action 100+. Through this initiative, we support collective engagements with several companies which have been prioritised due to being among the world's heaviest emitters. In 2023, we continued our active participation and pursued change objectives at four companies.

Where appropriate to do so, we participate directly in government consultations on climate-related policy which is relevant to our investee companies. This year, for example, we provided a submission to the Australian Federal Government's consultation on mandating certain climate-related financial disclosures. We provided our views that shareholders would benefit from enhanced and more consistently reported information relevant to understanding climate risk.

Endnotes:

- ¹ For the purposes of this Climate Action Plan, 'Paradice' shall mean Paradice Investment Management Pty Ltd and, only insofar as it relates to those Australian trusts, or strategies covered by the sub-delegation of investment advisory services arrangements in place, Paradice Investment Management LLC.
- ² The Plan was initially approved by the Board of Directors of Paradice in December 2022.
- ³ In some cases achieved status was confirmed prior to the date of publication of this report.

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