

Paradice Annual Stewardship Summary

Calendar Year 2023

This report summarises the ESG-related engagement, voting and advocacy undertaken by Paradice's Australian equities strategies during 2023.



Introduction

Paradice is pleased to share our second report summarising the stewardship-related activities of our Australian equities investment teams in 2023.¹

Stewardship refers to activities such as corporate engagement, proxy voting and advocacy. In our view, these are the hallmarks of being a responsible long term, active owner of the companies in which we invest on behalf of our clients.

Since Paradice's inception, all of our investment teams have regularly met with company management and boards. We see this as a way to better understand a company – and therefore make better investment decisions – as well as advocate for the long term interests of shareholders. Over time, environmental and social issues have become more material to companies and in response we have expanded our topics of engagement beyond governance and business strategy.

This year we continued our engagement on a range of ESG topics with companies relevant to our Australian equities investment strategies. This included interactions where we engaged to better understand the companies' ESG risks and opportunities, and engagements where we sought to affect change. We also participated in several site tours where we saw first hand how these companies manage ESG risks or pursue opportunities, such as emissions reduction technology or cultural heritage protection. This summary report highlights key statistics and provides some case studies from this activity.

Similarly to engagement, we have always carefully exercised our voting rights, considering each vote on its merits. What has changed in recent years are the types of issues upon which shareholders like Paradice are requested to vote. We've not only seen more environmental and social-related resolutions put forward by shareholders, but companies themselves have been voluntarily offering their investors a say on issues such as climate change. We lay out some key statistics around this year's voting activity.

We see participating in collaborative investor initiatives and involvement in advocacy on issues relevant to responsible investment as being an important part of our approach. We finish this summary report with some highlights of how we contributed to advocacy efforts in 2023.

¹ Statistics do not include activity relating to non-Australian equities, such as the Paradice Global Small Cap and Global Emerging Markets strategies. See Disclaimer for further information.

Engagement Statistics



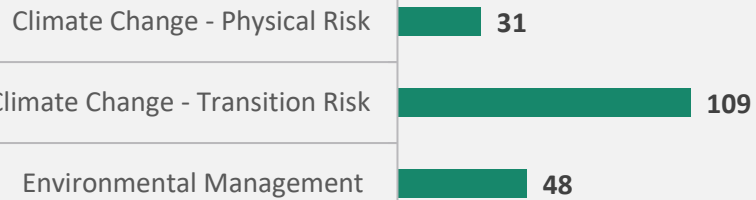
167
engagements held



71
companies engaged

Engagement by topic

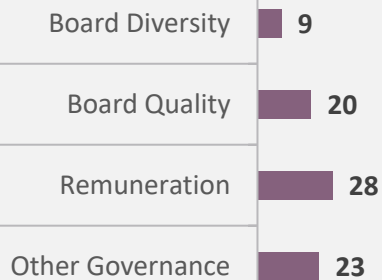
Environmental



Social



Governance



Note: Most engagements cover more than one ESG issue. Topics have been assigned based on classification by Paradise's ESG team.



80%
of engagements
held at board or
executive level



27
engagements
related to proxy
voting



54
engagements
related to
disclosure
improvements





Engagement Snapshots

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 at executive level 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.

Qantas Airways

With a number of governance and reputational issues facing Qantas, we held multiple engagements at both executive and board level throughout the year. We sought to understand the board's decision making on several matters. We also engaged to encourage certain outcomes with respect to executive pay, board renewal and other efforts to help reset the company's standing with its customers and the community more broadly. While this remains a work in progress, we note two directors and the Chair will depart within the next year.

BlueScope Steel

BlueScope Steel, whose assets include the Port Kembla steelworks, is a large carbon emitter. We engage the company regularly about how it is pursuing decarbonisation opportunities to reduce transition-related risk, given it is in a 'hard to abate' sector. Medium term, BlueScope's focus is on process efficiencies, sourcing low carbon electricity and enabling increased scrap metal use. Technology breakthroughs to unlock more emissions reduction are still likely a decade away. However, we're pleased with the company's approach.

Woolworths Group

Sadly, Woolworths had two workers die in separate incidents in FY23. While we take any fatality seriously, these were notable as it's comparatively rare for the sector. We spoke with the CEO about the incidents themselves and later the Chair, conveying our expectations regarding how the fatalities should be reflected in remuneration outcomes.



Engagement Program Highlight

CYBER SECURITY AND RESILIENCE

Much of our engagement is company-specific, whether we're looking for insights which feed into investment decision making or seeking a particular change. However, for certain ESG-related issues, there can be similarities in the way these impact companies, as well as how we expect them to respond. In these cases, we develop an engagement program to more effectively identify exposed companies and the business practices we would like to see employed.

With a number of high profile cyber incidents financially impacting companies both domestically and overseas, we increased our focus on cyber security. In particular, encouraging our investee companies to take an active and holistic approach to cyber resilience and to have in place appropriate governance structures.

Cyber resilience is not just about having the latest IT systems in place. The vast majority of cyber security incidents originate from human error. Building a cyber-aware workforce through training, incentivising good cyber practices and encouraging staff to speak up on security matters can be just as important as a technological response.

Robust data management is also important, as cyber criminals often seek to exploit data stolen through an attack. Companies should have in place processes to ensure collection of sensitive data is as limited as possible, and customer data is destroyed when it is no longer needed or required to be held.

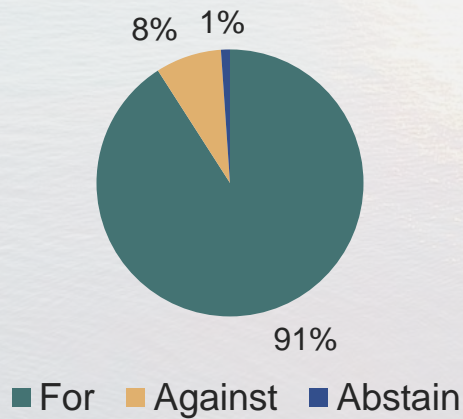
All companies are vulnerable to cyber attacks, no matter how sophisticated their response. However, the way in which they respond to an incident can be very important in limiting financial impacts. We have encouraged companies to ensure a multi-audience communications plan forms part of the overall incident response plan. Messaging to customers, shareholders and regulators needs to be managed effectively to reduce customer churn, negative market reaction and to comply with regulations.

Responding to an incident also requires cross-function teams and collaboration. We have suggested to companies to practice mobilising such internal groups as part of attack simulation exercises. An IT or cyber security team will not be able to effectively respond alone, even though they may lead a technical response.

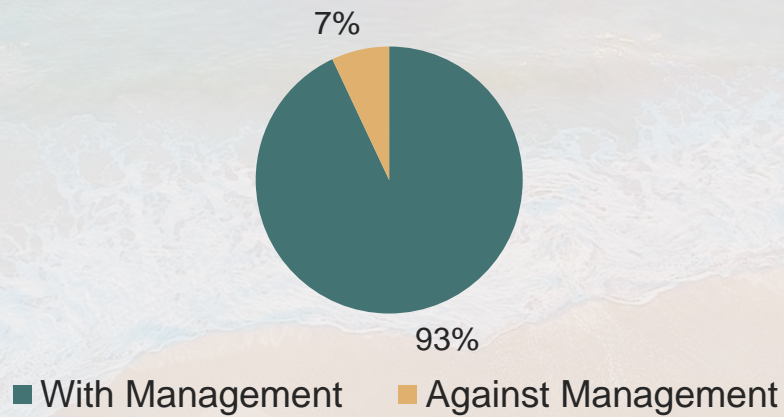
In 2023, we held 19 engagements relating to cyber security and resilience with 17 companies relevant to our Australian equities strategies. Most were held with the Chair or CEO, though several were with the chief information security officer or equivalent specialist role. Companies prioritised included the banks and insurers, companies with big customer loyalty programs such as Coles, as well as some which operate critical infrastructure like Ampol and Origin Energy.

Proxy Voting Overview

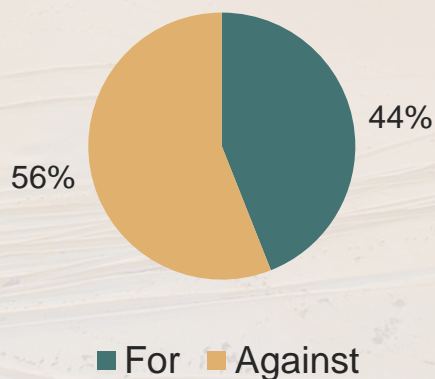
Votes Cast*



Votes With or Against Management



Votes on Shareholder Proposals



*Excludes 'Other' actions, which includes 'Take No Action' and 'Withhold' voting instructions in addition to any 'unvoted' proposals where votes were not placed due to administrative restrictions or other reasons such as the position no longer being held at the voting cut-off date. Voting Summaries for the Paradise Funds are available on the Paradise website.



Collaboration and Advocacy

In addition to our direct company engagement, we are active in two collaborative investor initiatives which seek to address the important issues of climate change and modern slavery. Paradise is a supporting investor participant for Climate Action 100+ and the regional branch of Investors Against Slavery and Traffic (IAST). This involvement sees us work alongside industry peers in order to drive change at target companies.

In 2023, we supported collaborative engagements at a total of five Australian companies. This entailed a number of preparatory meetings among the investors to determine objectives, and then multiple calls and meetings with the companies themselves. This included engaging with members of the board, executive teams and internal subject matter experts.

We're also a signatory to the Principles for Responsible Investment (PRI) and a member of Responsible Investment Association Australasia (RIAA). In 2023, we also joined the FAIRR Initiative which focuses on ESG risks and opportunities in the global food sector. These groups also participate in the public policy debate on behalf of their members. Through these organisations, we have access to resources and working groups which help build our capabilities and stay up to date with current and emerging ESG issues.

Finally, we look for opportunities to build awareness more broadly in the finance sector on ESG issues or responsible investment itself. This can be through speaking at events, supporting academic or industry research, and thought pieces. For example, in 2023 we participated as a guest in an industry roundtable to give investor perspectives on companies exiting emissions-intensive assets which shaped a recent Investor Group on Climate Change [report](#).¹

Government Submissions

Where appropriate to do so, we participate directly in government consultations on areas relevant to ESG issues for our investee companies or to the mainstreaming of responsible investment.

This year, for example, we provided a submission to the 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.

¹ 'Emissions-Intensive Asset Exits: A Universal Owner Perspective on Sales and Managed Closures', Investor Group on Climate Change, September 2023

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