

# Paradice Annual Stewardship Summary

Calendar Year 2022

This report summarises the ESG-related engagement, voting and advocacy undertaken by Paradice's Australian equities strategies during 2022.



# Introduction

We're pleased to share our first report summarising Paradice's stewardship-related activity during the course of 2022. All activity reported relates to our Australian equities strategies.

Stewardship refers to activities such as corporate engagement, proxy voting and advocacy. These are the hallmarks of being a responsible long term steward and 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 it 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. Increasingly, our engagement has related to environmental and social issues, not just matters of governance or business strategy.

In 2022, we enhanced the way we structure and track engagements related to environmental, social or governance ('ESG') issues. We now have a system to collect data around the number of meetings, seniority of attendees, and which ESG topics were discussed. Additionally, we have strengthened internal processes around engagement outcomes monitoring. This report highlights key statistics and provides some case studies made possible from these tracking improvements.

Similarly to engagement, we have always carefully exercised our voting rights, considering each vote on its merits. In recent years, the proxy voting landscape in Australia has changed. 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.

Finally, participating in collaborative initiatives and other forms of advocacy contribute to Paradice's approach to being an active steward of our investments. We finish this report with some of our more notable actions from 2022.

# Engagement Statistics

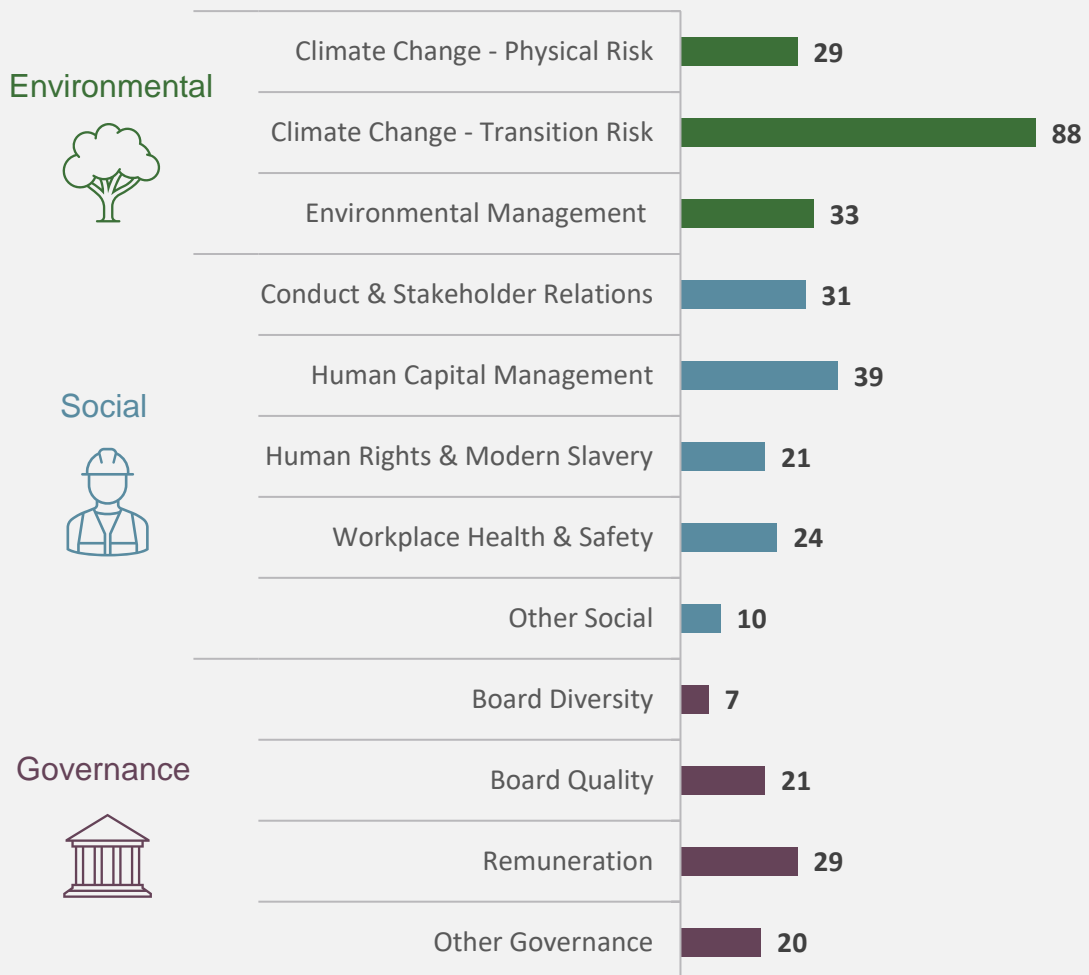


**137**  
engagements held



**65**  
companies engaged

## Engagement by topic



Note: Some engagements cover more than one ESG issue



**80%**  
of engagements  
held at board or  
executive level



**31**  
engagements  
related to proxy  
voting



**56**  
engagements  
related to  
disclosure  
improvements





# Engagement Snapshots

## Origin Energy

Appropriately managing the energy transition has been an ongoing focus with four engagements with Origin during the year. Positively, the company refreshed its business strategy and more clearly elevated decarbonisation as a priority, as well as published its first climate action plan. In our engagement with Origin we have also sought strengthening on support for workers through power station closures and enhanced oversight of industry association membership which we continue to monitor.

## Commonwealth Bank of Australia

One of our meetings with the bank was dedicated to seeking more information and providing feedback on its first standalone climate change report. We welcomed the advancement in disclosures and suite of new targets to reduce financed emissions. As the bank refreshes its Environmental and Social Framework, we conveyed our expectations that the framework better aligns to its increased climate ambition.

## Woodside Energy

We engaged Woodside, both at board and management level, four times throughout the year. Much of our engagement related to the company's climate plan, which was also put to an advisory vote at the AGM. The merger with BHP Petroleum has since been completed and as the company revises its plan to include additional assets, we have sought various reporting enhancements and clearer demonstration of how the plan is aligned with the Paris Agreement.

## Treasury Wine Estates

With higher instances of modern slavery associated with agriculture and use of labour hire firms, Treasury Wine Estates was identified as facing elevated risk. One of our three engagements during the year with the company was dedicated to better understanding their modern slavery processes as well as make recommendations to enhance their reporting to give investors confidence that appropriate controls are in place.



# Engagement Program Highlight

## SEXUAL HARASSMENT IN MINING

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 issues, there can be similarities in the way they impact companies, as well as commonalities across change objectives we seek. In these cases, we develop an engagement program to more effectively identify exposed companies and the business practices we would like to see employed.

During late 2021, we developed an engagement program to target sexual harassment in the mining sector following continued revelations of problems at fly-in fly-out (FIFO) sites. We worked to understand the issue, indicators of risk, and what companies could reasonably do better address sexual harassment in the workplace. This informed our target list of companies and the change objectives we could seek through engagement.

We commenced by writing to the board or chief executives of 23 companies in the sector which we had identified as facing elevated exposure. Not only did we raise the issue of sexual harassment in particular, but we encouraged companies to increase their efforts in fostering more inclusive workplaces. In our view, the effectiveness of any targeted actions to address sexual harassment would be undermined if there was not a concurrent focus on inclusion more broadly.

Throughout 2022, we held 12 meetings on the subject and provided additional written feedback to 8 companies. Additionally, the ESG Team went on two site tours, one in the Pilbara and one in NSW, to gain on-the-ground insights to further shape engagement.

While the change objectives varied company to company, we generally sought enhancements to governance structures, policies and procedures, and relevant human capital management practices. We also encouraged greater transparency on the subject and made a number of requests for enhanced disclosures.

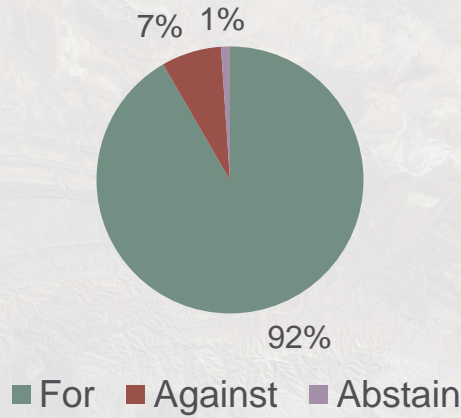
We were pleased to see a number of companies undertake cultural reviews and safety audits of their sites as a starting point. Several companies overhauled the training offered to staff, introduced new board-level responsibilities for sexual harassment, and made changes on-site to improve women's safety (e.g. increased lighting).

Company reporting notably improved in the period. We saw additional detail provided in line with our feedback, including greater transparency on the nature of reported grievances and actions taken.

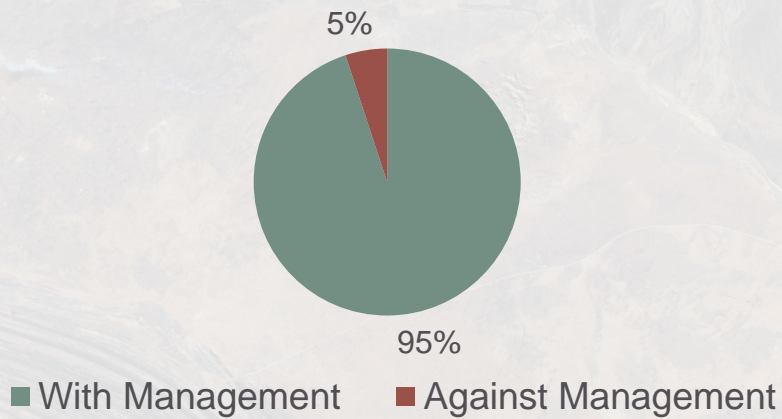
While we have been pleased with progress to date, much of the needed changes will take time. We will continue to monitor for improvements and maintain our engagement on the issue.

# Proxy Voting Overview

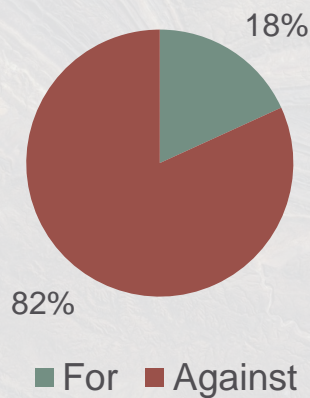
## Votes Cast\*



## Votes With or Against Management\*



## Votes on Shareholder Proposals



\*Excludes unvoted proposals.

# Collaboration and Advocacy

Not only do we engage companies directly, we have also joined two collaborative investor initiatives which seek to address the important issues of climate change and modern slavery. We are investor participants in Climate Action 100+ and the regional branch of Investors Against Slavery and Traffic (IAST). This involvement sees us work with industry peers in order to better amplify our collective voices in order to drive change at target companies.

In 2022, 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. While we did see improvements at target companies, a number of objectives remain outstanding and engagement will continue in 2023.

We're also a signatory to the Principles for Responsible Investment (PRI) and a member of Responsible Investment Association Australasia (RIAA). 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 keep across emerging ESG issues. For example, we participate in the RIAA Nature Working Group which has been helpful as we increasingly consider nature-related financial risks.

Finally, we look for opportunities to build awareness more broadly in the finance sector on ESG issues or responsible investment itself. During the year members of our team have spoken at conferences and have written thought pieces on ESG issues. You can find thought pieces on our website's Insights page here [paradice.com/au/insights/](https://paradice.com/au/insights/).

Signatory of:



## 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, our Australian Equities and Mid Cap teams provided a submission to the Federal Government's consultation on changes to the Safeguard Mechanism.\*

\*The Safeguard Mechanism requires Australia's largest greenhouse gas emitters to keep their net emissions below an emissions limit.



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