

EXTRACTIVE INDUSTRIES

The Alphinity Sustainable Share Fund seeks to address the UN's Sustainable Development Goals (SDGs) to the greatest extent practical and invests in companies that can support the achievement of one or more of these goals. When considering the potential investments of the Fund, which are shares listed on the ASX with market capitalisation greater than \$100m at the time of purchase and with adequate liquidity, we further refine the universe to:

- Companies producing products/operating in industries not excluded in the Fund's [Charter](#)
- Companies with strong ESG practices; and, where possible
- Companies that address one or more of the SDGs

When filtering out unacceptable activities we considered excluding companies involved in extractive industries altogether, including those producing Fossil Fuels, but decided against it. We set out our reasoning and conclusions below.

Extractive Industries

The Sustainable Share Fund Compliance Committee debated whether to exclude mining companies from our investable universe altogether. While there would have been some simplistic appeal in doing that, when we considered that one of the aims of the Fund is to address to the greatest extent possible the various SDGs, it became clear that supporting some companies involved in extractive activity would be required.

Some extracted materials are essential to achieve the Sustainable Development Goals. We cannot build badly-needed infrastructure that will enhance peoples' lives without materials like steel and concrete. We cannot produce technology without rare earths, plastics and glass. We cannot move to electric vehicles without access to materials like Copper, Graphite and Lithium to make motors and batteries.

But we also concluded that we need to make sure that the companies producing these commodities are behaving in an environmentally and socially responsible way, so having strong ESG practices is especially important. Where a viable and more sustainable alternative becomes available, we will adjust our commodity restrictions accordingly.

Having said that, some extractive activity is unnecessary or unhelpful. What social value is added by mining Gold? Its usage primarily consists of jewellery making and speculation/investment, and the environmental damage caused by gold mining can be severe due to the toxic chemicals often used and the challenges of disposing of the tailings generated. There are some industrial uses of gold, however this sort of demand can easily be satisfied by gold produced as a by-product of more socially-necessary metals such as Copper. Therefore we have excluded companies with a material* involvement in gold mining from investment in the Fund.

*Material involvement is defined as 10% of the revenues of the company being assessed

Important information

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