

A summary for our stakeholders

Today we have published Alphinity's third Environmental, Social and Governance (ESG) and Sustainability Report. This report highlights key ESG and sustainability outcomes and achievements across all Alphinity strategies including the Australian Share Fund, Concentrated Australian Share Fund, Australian Sustainable Share Fund, Global Equity Fund, and Global Sustainable Equity Fund.

In alignment with our dedication to responsible investment, this report serves as an overview for both our operations and investment practices. Beginning with operational initiatives to manage our environmental and social footprint, the report then delves into four of our pillars of responsible investing: ESG integration, stewardship and active engagement, sustainable strategies and thematics. Our annual reporting and policy documents demonstrate our commitment to transparency, our fifth pillar.

From this year, we have moved to a calendar year reporting cycle rather than financial year. Unless stated otherwise, the data, outcomes and examples in this report are from 1 July 2022 to 31 December 2023. This 18-month reporting period covers the 2023 calendar year and the second half of 2022 which was not part of the FY22 ESG and Sustainability Report.

Key highlights

- Over 70 company examples and case studies presented throughout the report
- Sections on seven major ESG themes that have been in focus throughout the period: climate change, nature, workforce, human rights, reputation and social license, digital technology, and sustainability governance
- ESG thought leadership examples such as our partnership with Australia's premier scientific research organisation, the CSIRO, to develop a framework for investors to assess the implementation of Responsible Artificial Intelligence considerations for listed equities.
- Limited assurance performed over the 2023 SDG Alignment Framework and Carbon metrics

Pillar 1: ESG integration

- We use a materiality approach to analyse the balance of ESG factors for a particular company and determine the best path forward. This underpins our ESG Framework. In 2023, we completed the roll out of internal ESG risk levels and established ESG risk registers for domestic and global holdings. We also continued our work to develop thematic frameworks and checklists for specific issues

Pillar 2: Stewardship and active engagement

- Presented at 14 ESG conferences and webinars and published 10 research reports on emerging ESG and sustainability topics. Alphinity also made a submission in response to the Australian Government's discussion paper titled 'Safe and Responsible AI in Australia'
- 209 dedicated ESG meetings with 137 companies over the 18-month reporting period. Top three engagement topics were climate change; AI, data & cyber; modern slavery & human rights
- Seven formal written communications to Boards and/or management on ESG matters
- Joined PRI Advance as lead investors for Freeport McMoran and support investors for BHP and contributed to RIAA's Digital Technology and Human Rights Working Group

Pillar 3: Sustainable investing

- 26 Sustainable Compliance Committee meetings held across both sustainable strategies
- Continued evolution on our approach to evaluating companies' contributions to the SDGs
- 100% of holdings align to at least one of the following: SDG3, SDG8, SDG9 and SDG11
- Comparative and thematic analysis to guide the assessment of grey areas

Pillar 4: Thematics

- The thematics section has been expanded to highlight the wide range of ESG topics that we manage across our portfolios.

- This year, we have presented our view, engagement activities, and case studies across 7 key thematic and 24 ESG issues that are considered within our ESG materiality assessment.
- Key outcomes highlighted across these thematic sections are:
 - Financed emissions for Alphinity at a group level and fund level
 - Analysis of carbon commitments across the 2023 holdings
 - An overview of our Nature Framework aligned with the recommendations of the Task Force on Nature related Financial Disclosures (TNFD)
 - Enhancements to our Modern Slavery and Human Rights Risk Assessment process to include new commodity-level, product-level, and country-level data
 - A snapshot of our project with the CSIRO to develop a Responsible AI Framework for investors

Summary of thematic case studies and examples:

Thematic	Case study summary
Climate change	8 examples of climate related engagement (eg Telstra, Linde, Woodside Energy, Chubb)
	Climate supplier challenges: insights from our apparel tour to Bangladesh
	Assessing the impact of physical climate change (Freeport McMoran)
Nature	Mitigating Antimicrobial Resistance (AMR) through ongoing engagement (Zoetis)
	Establishing clear engagement objectives to strengthen the management of deforestation risks (Brambles)
	Benchmarking best practice supply chain management using engagement (Starbucks)
Workforce	Implementing our culture framework to assess psychosocial safety risks (Albemarle)
	Escalating our engagement Psychosocial safety and culture (Rio Tinto)
	Escalating our engagement on the health and safety of contractors (Otis)
Modern slavery & Human rights	7 examples of modern slavery related engagement (e.g. AirBNB, Keysight, Nestle, Wesfarmers)
	Consumer spotlight: Product and commodity risk assessment
	Benchmarking good practice for modern slavery and human rights risk management (Nike)
Reputation & Social licence	Detailed research to analyse the impact of new obesity drugs (Novo Nordisk)
	Managing long-term community impact to mitigate regulatory risks (CSL)
	Managing significant controversy risk (Qantas)
Digital technology	Balancing employee safety and wellbeing in content moderation (Accenture)
	Deep dive session on data privacy and facial recognition software (Motorola Solutions)
	Integrating Responsible AI into ESG: A Framework for Investors
Sustainability governance	Engaging to gain clarity on how environmental and social risks are integrated in business decisions (Marsh McLennan)
	Board engagement with a focus on integrating ESG components into Executive remuneration (e.g. Rio Tinto, Wesfarmers, Worley)

For further information or to provide feedback, please contact your Alphinity or Fidante representative, or email our ESG team at esg@alphinity.com.au.

**Important information**

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