Stewardship and engagement

As investors, we have the ability to influence the behaviour and actions of companies that we own. We take this responsibility very seriously and are committed, where possible, to use this influence to reduce environmental, social and governance risks over the short, medium and longer-term to maximise value for our clients.

Contributing to the responsible investment industry and publishing thematic research and frameworks has become a cornerstone of our approach to stewardship. For material, systemic issues such as workplace culture, and responsible AI, we have completed deep research through structured engagement programs, and published findings for the wider investment industry. This not only sets clear expectations for investee companies but also encourages other investors to prioritise the management of these issues.

In 2024 we presented at 19 ESG events, including the United Nations Principles for Responsible Investment annual conference in Toronto, Canada.

We are disciplined and focussed in our approach to stewardship. We therefore link our stewardship activities to our ESG Framework. This ensures that activities like engagement and proxy voting are focussed on the most material issues for each company. Our overall approach is outlined within our **Stewardship Policy**.

We may escalate certain ESG issues through stewardship practices where we feel that appropriate action has not been taken by a company. For example, by seeking a further meeting, raising concerns with the Board, voting against specific Directors or resolutions, or issuing formal written communication to the company.

In 2024, we completed nearly 200 engagements with 124 companies and voted on over 940 resolutions put to shareholders.

This section of the report showcases further data points from our engagement and proxy voting activities throughout the year and highlights case studies and examples.
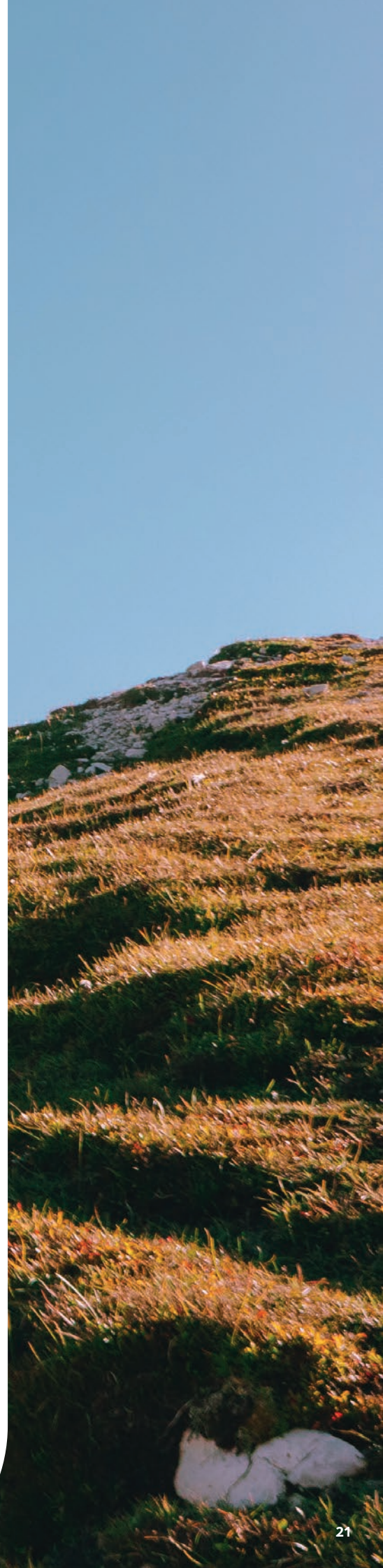
Responsible AI research with the Commonwealth Scientific and Industrial Research Organisation (CSIRO)

Project overview

In May 2024 we finalised a 12-month collaborative partnership with the Data61 CSIRO Responsible AI research team to develop a responsible AI framework for investors.

This project was initiated following close to two years of internal research into the ethics of AI and after we realised that there was limited existing guidance for investors and companies.

With the support of the Data61 team, we engaged with 28 listed companies to:

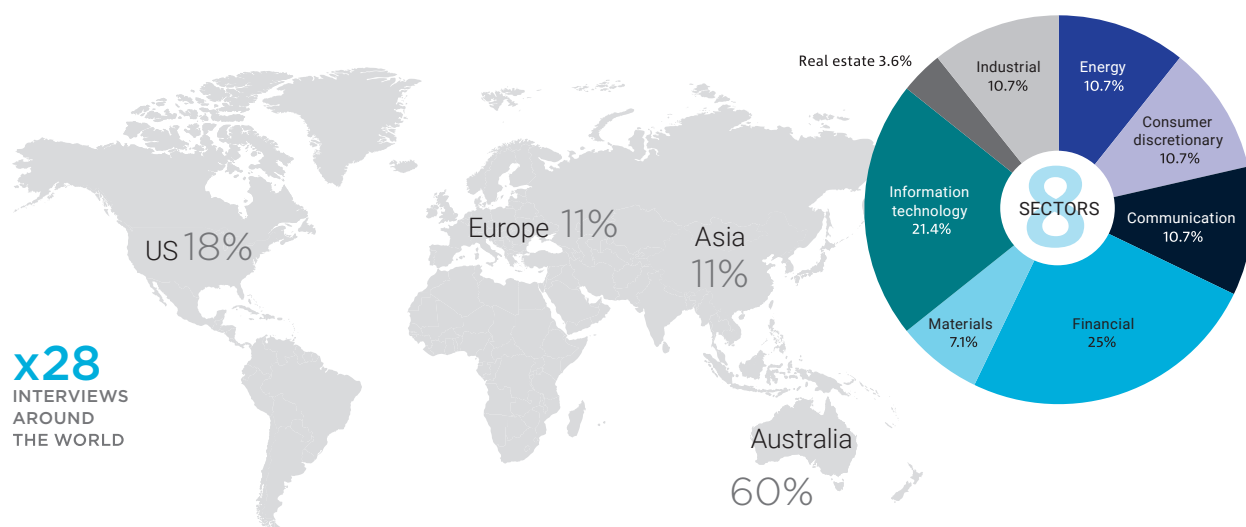| **Understand**	**Identify**	**Gain**	**Develop**
the state of play when it comes to AI uptake.	good practice implementation of responsible AI governance, strategy and risk management.	an understanding of company practices for those actively considering responsible AI.	a framework for investors to assess responsible AI, building on CSIRO's existing research and Australia's AI Ethics Principles.

At the completion of this work we published our framework in the form of an open-sourced excel toolkit alongside a research report. The report also presented a number of company examples and good practice case studies.

The scope of our company interviews

US 18%

Europe 11%

Asia 11%

Australia 60%

x28 INTERVIEWS AROUND THE WORLD

Real estate 3.6%
Industrial 10.7%
Energy 10.7%
Consumer discretionary 10.7%
Communication 10.7%
Financial 25%
Materials 7.1%
Information technology 21.4%
8 SECTORS

The framework

This Responsible AI (RAI) Framework that we produced has three components underpinned by 12 ESG topics that are all relevant to AI. The framework is designed to set a leading standard in responsible AI, can be used flexibly depending on the investor's scope and need, integrates a threat and opportunity view, and is designed to bridge the gap between existing ESG theory and AI ethics principles.

The deep dive assessment is the most detailed component and is informed by CSIRO research and the RAI question bank and metric catalogue.
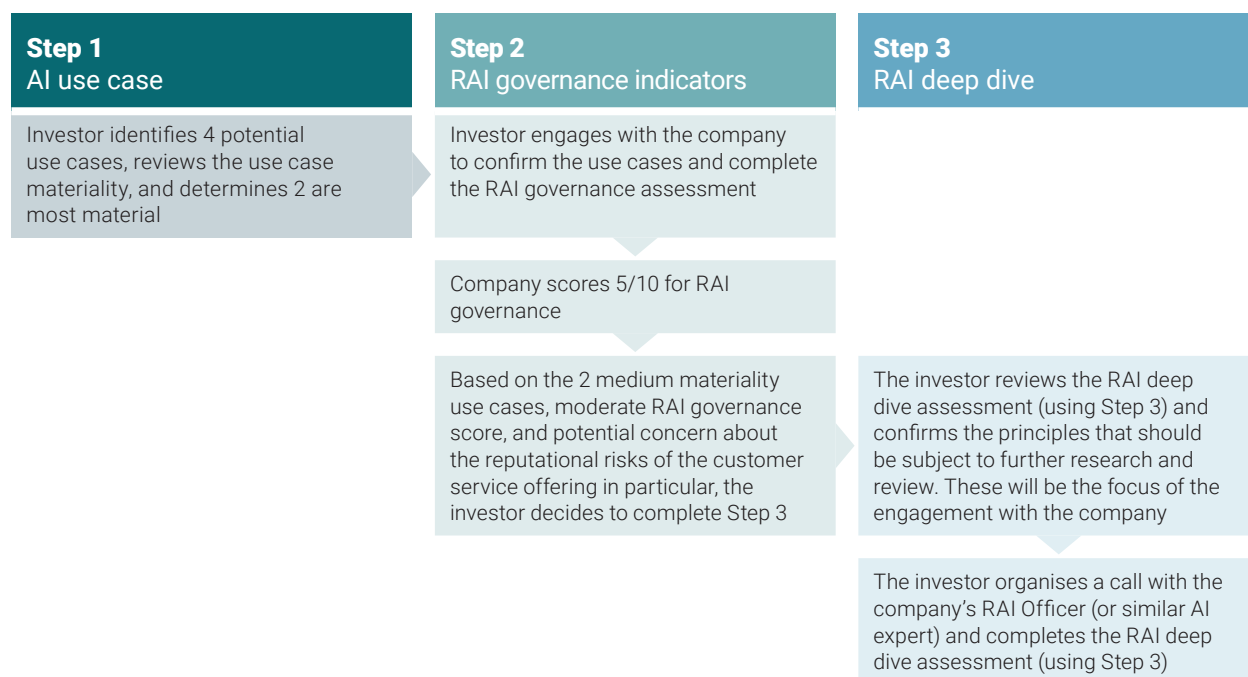
A snapshot of the framework is presented below.

Step 1 Use case analysis	Step 2 RAI governance indicators	Step 3 RAI deep dive
• Materiality assessment for 27 key AI use cases across 9 key sectors	• 10 indicators that can be used to assess the overall commitment, accountability and measurement of RAI	• Deep dive questions and indicators to assess company performance against Australia's AI Ethics Principles

Desktop research, high level engagement   Detailed analysis and engagement

Example assessment process for a consumer company

This is an example of how the full three-part-framework can be used.

In this scenario, an equity investor would like to understand the ESG threats and opportunities associated with an Australian consumer company that is exploring the use of AI for its marketing and customer service. The company already uses AI for supply chain management, floor design, stock management and for an internal chatbot.

Step 1 AI use case	Step 2 RAI governance indicators	Step 3 RAI deep dive
Investor identifies 4 potential use cases, reviews the use case materiality, and determines 2 are most material	Investor engages with the company to confirm the use cases and complete the RAI governance assessment	
	Company scores 5/10 for RAI governance	
	Based on the 2 medium materiality use cases, moderate RAI governance score, and potential concern about the reputational risks of the customer service offering in particular, the investor decides to complete Step 3	The investor reviews the RAI deep dive assessment (using Step 3) and confirms the principles that should be subject to further research and review. These will be the focus of the engagement with the company
		The investor organises a call with the company's RAI Officer (or similar AI expert) and completes the RAI deep dive assessment (using Step 3)

For more information on the project, including engagement insights and examples download our report **here**. This framework has been integrated into our overall ESG Framework and materiality analysis. A case study is presented on page 15.

Engagement

Wherever possible, we aim to engage with representatives of the companies in our portfolios and across the wider investment universe. Engagement provides us with a detailed understanding of ESG risks and opportunities and allows us to communicate our expectations to company management.

We engage through various forums, such as one-on-one, small group and large group meetings. Our engagement approach also varies depending on the issue. For proxy matters, we typically engage with the Board or Investor Relations. For ESG issues, we connect with ESG experts, such as the Sustainability Manager, and for controversy-related matters, we often engage with Investor Relations, Executives, or the Board.

Our engagement agenda is informed by our ESG Framework and determined by the portfolio management and ESG team together. We endeavour to have the appropriate member of the portfolio management team attend ESG meetings as the insights feed back into our ESG risk assessment and can influence investment decisions.
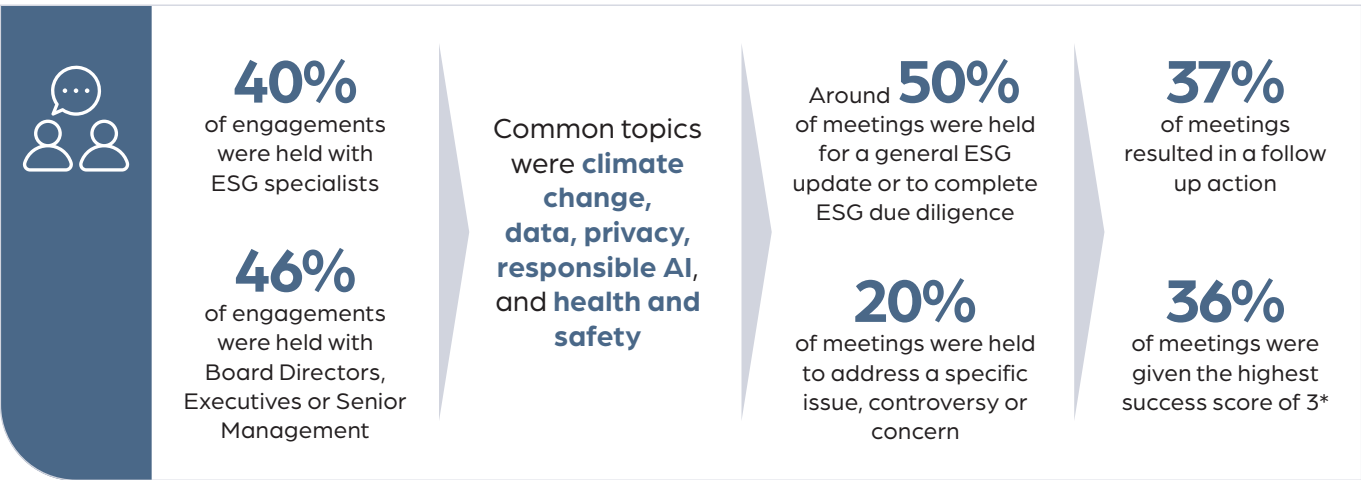
This section includes key engagement metrics and examples of engagement outcomes. More detailed engagement examples are provided throughout the thematic sections of this report.

2024 engagement metrics

We track a range of metrics for our engagements which allows us to monitor and report our ESG engagement practices to internal and external stakeholders. In 2024, we added a number of additional factors to our engagement tracking processes, bringing the total number of data points collected for each engagement to 13.
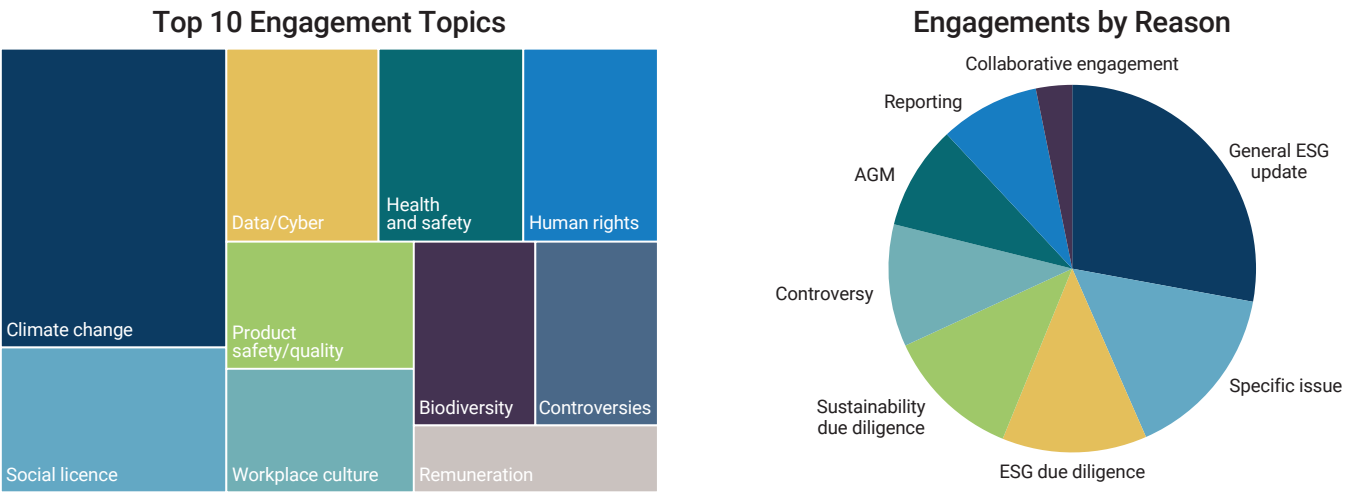
Some examples of data points collected are; the purpose of engagement, ESG topics addressed, the attendee seniority level, meeting success score and if any specific feedback was provided to the company.

In 2024 we completed **199 ESG engagements** with **124 companies**

40%
of engagements were held with ESG specialists

46%
of engagements were held with Board Directors, Executives or Senior Management

Common topics were **climate change, data, privacy, responsible AI,** and **health and safety**

Around **50%**
of meetings were held for a general ESG update or to complete ESG due diligence

20%
of meetings were held to address a specific issue, controversy or concern

37%
of meetings resulted in a follow up action

36%
of meetings were given the highest success score of 3*

*A success score of 3 indicates that the primary goal was addressed, good quality information was obtained, or an engagement objective was well received.

The following charts shows the relative proportion of the **top 10 engagement topics** across meetings with Australian and global companies and the percentage of engagements by reason.

Top 10 Engagement Topics

Climate change

Data/Cyber

Health and safety

Human rights

Product safety/quality

Biodiversity

Controversies

Social licence

Workplace culture

Remuneration

Engagements by Reason

Collaborative engagement

Reporting

AGM

Controversy

Sustainability due diligence

ESG due diligence

General ESG update

Specific issue

Progress on engagement objectives

Engagement often operates on long timelines and can take many years. For important issues we establish engagement objectives with clear 'asks' that can be progressed by the company.

Across our 2024 holdings there were more than 40 active engagement objectives covering a range of issues such as climate risk management, deforestation risk management, governance and responsible AI.

The following examples highlight some engagement objectives that were progressed in 2024. We recognise that we are one of many stakeholders that may be seeking action on certain issues and that it is sometimes impossible to say with any authority that outcomes were a result of our engagement. Any claims related to outcomes are attributed with this in mind.

Company	Engagement Area	Background	Objective	Progress
Aristocrat Leisure	Responsible gaming	Leading developer of gaming software and solutions, risks related to responsible gaming is an important ESG focus area	Set measurable objectives for responsible gaming and publish a strategy to investors	Published updated responsible gaming strategy in 2024 called 'Empowering Safer Play' with six specific goals and 2030 targets. The company confirmed that Alphinity's feedback was a key consideration for the strategy development
Brambles	Deforestation	Global provider of logistics solutions, sources significant amount of timber for pallets	Improve oversight of certified timber sourcing program and increase certainty on deforestation risk management through audits	Confirmed improved audit program and management practices
Qantas	Governance and customer experience	Experienced controversies in 2023 impacting social licence and investment risk	Improve customer metrics, complete and implement a governance review, measure and improve social licence	Board completed a governance review and published findings for investors, updated executive remuneration with social license component, and improved customer metrics
Commonwealth Bank of Australia (CBA)	Responsible AI	Use of AI throughout business, reputational and regulatory risk	Publish ethical AI principles and policy and demonstrate implementation	CBA published its Responsible AI Policy in 2024, Annual Report included improved metrics and details on governance
BHP Group	Climate risk	Global mining company exposed to international carbon pricing and increasing costs and disruption from energy prices and physical climate risks	Implement a market leading approach to the energy transition, align with net zero, and reduce operational and supply chain risks	2024 Climate Transition Plan included improved milestones and details, further details still required on physical risk and post-2030
Marsh McLennan	Social licence	Facing pressure to stop insurance brokerage services for controversial projects	Improve disclosure on Client Engagement Principles and demonstrate adequate risk considerations for controversial deals	Enhanced disclosure in 2023 ESG report, but continued advocacy for transparency on high-risk decisions remains a priority
Sherwin Williams	Product sustainability certifications	Paint and coatings company with a range of products with environmental and safety credentials, proportion of certified products not disclosed	Disclose sustainability credentials of product portfolio to support customer interests and mitigate greenwashing risk	Launched a dedicated website that outlines all certifications of architectural paints, plans to roll out similar in industrial paints
Zoetis	Antimicrobial Resistance (AMR)	AMR is a systemic risk, Zoetis is a leading developer of antibiotics for livestock and companion animals	Report amount of antibiotic sales, increase sales of alternative solutions, and implement initiatives to manage AMR risks in the value-chain	Reported a decrease in antibiotic sales year-on-year for the past six years, introduced AMR targets to focus on value-chain stewardship

Collaborative engagement

We collaborate with other investors where we believe a coordinated voice will be more effective in achieving an outcome that aligns with our investment and stewardship objectives. When considering participation in collaborative engagements, we look for alignment with our portfolio holdings and ESG priorities. We carefully consider the objectives of the engagement and whether it will create additional benefit beyond our existing engagement activities.

We are proud to support collaborative engagement initiatives organised by the UN PRI, the Investor Group on Climate Change (IGCC), FAIRR and HESTA's 40:40 Vision. Each membership requires approval from our senior management to ensure alignment with Alphinity's stakeholders, internal ESG philosophy, stakeholders and external commitments. Contribution to these initiatives is led by the ESG and sustainability team, with support from members of the portfolio management team.

Climate Action 100+: Aligns with our commitment to support net zero by 2050 and provides insight on climate change risks for portfolio and prospect companies.

We are proud to have been assigned as co-leads for the new Wesfarmers engagement, a long-term holding in our Australian strategies, starting in 2025. This complements our long-standing role as supporting investors for Incitec Pivot and Orica, which are similar to Wesfarmer's industrial business. We continue to support the working groups for two global portfolio companies: Trane Technologies and Walmart.

PRI Advance: Aligns with our commitment to support human rights and offers insight into social risks for portfolio and prospect companies.

This relatively new coalition seeks to advance human rights and social issues in the mining and renewable energy industries. We are pleased to have been involved since 2023 as co-leads for copper miner Freeport McMoran. In 2024, we also raised our hand to support the BHP and Rio Tinto working groups as we have long-standing relationships with both companies and have deep knowledge of their performance across social elements like indigenous rights, psychosocial safety and modern slavery. We also gain valuable insights into emerging human rights risks and other aspects such as grievance mechanisms through this community. Further information on progress for each engagement is provided in the Human Rights chapter on page 69.

FAIRR: Aligns with our view that antimicrobial resistance (AMR) is a systemic risk and provides analysis on other risks such as sustainable proteins within portfolio and prospect companies.

We have been members of FAIRR since 2021 and participated in its AMR collaborative engagement with a former portfolio company, Zoetis. FAIRR also provides valuable research reports on additional topics such as sustainable proteins and worker safety in the meat industry.

Proxy voting

Alphinity takes its ownership responsibilities seriously and believes the right to vote as a proxy for our investors is a valuable asset. Our primary objective when voting is to maximise the value of our clients' investments. We do this by voting on Director elections, analysing and voting on remuneration reports, and by critically assessing the value of a wide range of shareholder resolutions raised each year.

Our overall approach to proxy voting is outlined within our **Stewardship Policy**.

Each analyst, following discussion and agreement with the portfolio managers and ESG and sustainability team, is responsible for making decisions on all proxy items put to shareholders. In making this decision, we consider the context and specifics for each company, best practice corporate governance standards, insights from our proxy advisors and issues flagged within our ESG Framework and engagement activities.

2024 proxy voting metrics

We voted over 2200 resolutions across our Australian and global strategies in 2024. Of these, 93% were proposed by management and 7% were proposed by shareholders. Across all strategies:

We voted on **100%** of all proposals put to shareholders

We voted against management resolutions **6%** of the time

We voted in favour of shareholder resolutions **19%** of the time

85 shareholder resolutions were proposed across our holdings in 2024. The most common topics for resolutions in 2024 were climate, governance, diversity and inclusion and responsible AI. We evaluate each resolution on its own merits and consider the details of each request along with the alignment with our ESG Framework and risk statements. See examples below.

Proxy voting examples

Examples of votes against management resolutions

Company	Item	Explanation
Rio Tinto	Approve Remuneration Report & Elect Sam Laidlaw as Director	We voted against the remuneration report due to concerns with changes to the financial measures in the STI. We also voted against the re-election of the Chair of the Remuneration Committee due to ongoing concern with remuneration structures and the lack of accountability following controversies.
Telstra	Grant of restricted shares to CEO Vicki Brady & Remuneration Report	We voted against the grant of shares to the CEO and the Remuneration Report due to concern with some accounting adjustments which inflated executive remuneration outcomes. This vote position was confirmed following a meeting with the Chair of the Board.
Goodman Group	Elect Danny Peeters as Director	Notwithstanding our positive view of Mr Peeters as an executive, we voted against his re-election in line with our policy, as we have communicated to the Board for many years, that there should be no executives on the Board other than the CEO.
Alphabet	Elect Director John L Hennessey, Frances H Arnold	We voted against the re-election of these two directors due to their roles on the Nominating and Corporate Governance committee and ongoing issues with dual share class structure.
Ferguson	Amend Certificate of Incorporation to Limit the Liability of Officers	We voted against this item as we felt the Board had not presented a reasonable justification and explanation for the proposed change. We were also concerned that any reduction in liability may reduce accountability over governance and financial outcomes. The company did not offer an engagement ahead of this AGM.
SK Hynix	Elect Yang Dong-Hoon as Outside Director	We voted against the election of Yang Dong-Hoon to the Board due to concerns about his link to Governance issues at the Hana Financial Group. Mr Yang was on the Hana Financial Group Board when the Board chairman, another Director and the company's CEO were sanctioned by the Financial Services Commission for poor risk oversight in selling derivative-linked funds.

Examples of votes for and against shareholder resolutions

Company	Item	Vote	Explanation
NAB, Westpac and ANZ	Transition plan assessments	Against	Although we supported the general sentiment to increase transparency related to the credible transition plans and financing decisions, we felt that all four major banks have taken significant strides forward in supporting net zero and managing climate-related risk. Compared to five years ago, the level of commitment, clarity of intent around fossil fuel lending, and reporting on working with customers has improved significantly. We met with the NAB and Westpac Chairs who both acknowledged they understand the intent of the most recent proposals and agreed to consider enhanced reporting.
Coles and Woolworths	Identify and report on the impacts of farmed seafood	For	This proposal supported greater transparency to shareholders on the risks across the farmed seafood value chain. We agreed that greater analysis and disclosure on this topic helps the supermarkets to identify and mitigate supply chain risks, manage regulatory exposures, and address community or customer concerns.
Coles and Woolworths	Cease procuring farmed salmon for its Own Brand products from Macquarie Harbour	Against	This proposal called for the supermarkets to stop sourcing salmon from the Macquarie Harbour immediately. Given the specific nature of this proposal, and the potential detrimental impact to its sourcing practices, we did not vote in favour. We also felt that the previous resolution addressed the underlying issue of farming risk within this region.
Alphabet	Report on risks related to AI generated misinformation and disinformation	For	There is currently no disclosure on this issue and we believe there is benefit from greater transparency on mis/disinformation related to generative AI, to allow shareholders more insight into potentially material risks or practices.
Microsoft	Report on risks related to AI generated misinformation and disinformation	Against	Microsoft is a leader in Responsible AI. We engaged with Microsoft in 2023 as part of the Responsible AI research project and are comfortable with the organisation's governance and overall approach. Microsoft also published a RAI Transparency Report in 2024 which was a first of its kind in the listed market.
Amazon	Commission a third party audit on working conditions	For	Given the ongoing workforce issues and complaints around safety, which threatens workplace culture and operational efficiencies, we determined a third party audit would be valuable.
AirBNB	Report on political contributions and expenditures	For	Given recent community and regulatory controversies being high profile, it is in shareholders' best interests to understand more about political contributions & lobbying.

Rio Tinto: Stewardship in practice

Rio Tinto has faced significant environmental and social controversies over the past few years, including the destruction of Juukan Caves, issues of workplace culture linked to bullying, racism and sexual harassment and more recently the Bougainville mine human rights claims. These come in addition to ongoing pressure to decarbonise its operations and supply chains and better manage the physical risks of climate change. The company produces iron ore, copper, aluminium and mineral sands, operates worldwide and employees roughly 60,000 people.

Mining companies must comply with strict regulations and maintain strong governance and social licences to operate. Without these, they risk community concerns, regulatory breaches and environmental disasters, which can impact their economics, share prices, and investment performance. Companies like Rio Tinto and BHP therefore require rigorous ESG risk management and oversight.

We have engaged with Rio Tinto on environmental and social issues for many years. In 2020, following the destruction of Juukan Caves, we intensified our engagement by advocating for greater penalties for Senior Management to be applied by the Chair of the Board. Consequently, we voted against the Remuneration Report, the Chair of the Board, and the Chair of the Remuneration Committee.

Since then, we have continued to engage on First Nations' rights and heritage management. Additionally, we have prioritised engagement in areas such as remuneration structure, water risk and community involvement, and measuring social license.

We have voted against the Remuneration Report and the Chair of the Remuneration Committee on several occasions due to persistent concerns regarding remuneration structures, the application of discretion, and the lack of accountability in the event of significant controversies.

This case study outlines our five current engagement priorities, the timeline for our stewardship activities, and incremental outcomes that have been achieved.

Engagement priorities

There are many ESG topics relevant to Rio Tinto, however, the following five areas are currently prioritised through engagement, research and proxy voting activities.

- Improve the measurement of **social licence** including insights from key stakeholders (e.g. traditional owners).
- Improve workplace culture and **psychosocial safety** to reduce the number of instances of **sexual assault** and improve the overall psychosocial safety in the workforce.
- Undertake a review of **water impact** across assets (e.g. Resolution Copper, QMM, Serbia), report findings to investors, and address specific concerns from various communities.
- Mitigate **risks in the Pilbara** related to traditional owners, permitting risk, and ongoing negative media.
- Update **remuneration structure** to properly incentivise management and mitigate ESG risks (including social licence and psychosocial safety).

We use a multi-faceted approach to implement our stewardship priorities for Rio Tinto. The timeline on the next page illustrates how we have conducted **research** into priority topics, **engaged** with the company, established engagement **objectives** and **escalated** matters to senior management or through voting activities.

Timeline of stewardship activities with Rio Tinto since the destruction of Juukan Caves in 2020

	Engage	Research	Escalate	Alphinity Objective
2020	**Engaged** with Board and management team following the destruction of Juukan Caves	Meeting with **experts** and indigenous people to understand the impact of Juukan Caves		
2021			**Voted against** the Remuneration Report, Chair of Remuneration Committee and the Chair of the Board due to conduct and accountability concerns	Implement **Board recommendations to improve heritage management** and conduct a review into practices across the organisation
2022	Targeted **engagement program** (Rio Tinto and other miners) following the release of the Rio Tinto Report into Workplace Culture Letters to all companies engaged through the **Workplace Culture** project with feedback and opportunities for improvement	Published a report with findings from engagement program and a **Workplace Culture Framework** for investors **Site tour** to BHPs West Australian Iron Ore mining operations and engaged specifically on psychosocial safety and safety for women. This informed our engagement with Rio Tinto	**Voted against** the re-election of Chair of the Remuneration Committee	Improve workplace culture and psychosocial safety to reduce the number of instances of **sexual assault** and increasing overall psychosocial safety in the workforce
2023	**Engaged** with Board to discuss changes to remuneration structure and integration of social licence measure			Update **remuneration structure** to properly incentivise management to mitigate ESG risks (including social licence and psychosocial safety)
2024	Concern over **water** related complaints at various assets raised with the company Meeting with **Executives** to discuss management of indigenous relations Written feedback regarding **remuneration structures** and proposed changes	Participated in a small group **site tour** in the Pilbara hosted by the Robe River Kuruma Traditional Owners. Also met other First Nations' organisations Small group **community meetings** (e.g. Panguna, PKKP) Small group investor meetings in Calgary to **benchmark indigenous engagement** best practices	**Voted against** the re-election of Chair of the Remuneration Committee and Remuneration Report Joined PRI Advance **collaborative engagement** focussed on human rights. First meeting in Aug 2024 **Letter to Chair & CEO** with findings and concerns from research trip	Mitigate **risk in the Pilbara** related to Traditional Owners, permitting risk, and negative media Undertake a review of **water impact** across assets (e.g. Resolution Copper, QMM, Serbia) and address specific concerns from various communities

Outcomes

Engagement outcomes can sometimes take many years to achieve. For Rio Tinto, we have not fully achieved any single objective, however, there are a number of incremental outcomes and observations:

- In our experience, company management continues to be open to feedback and willing to engage with investors on a range of ESG and sustainability matters. When required, the company has also gone above and beyond to share insights with investors that others have not done. For example, the Board review into the destruction of Juukan Caves and review of global heritage practices. Another example is the independent review into Workplace Culture, published in 2022, and the updated review, published in 2024. These types of reports are highly unusual and have successfully set a precedent that other companies have since adopted.
- Feedback from representatives of the Puutu Kunti Kurrama people and the Pinikura people (PKKP) indicate that Rio Tinto has made good progress to repair that relationship. It is also implementing a co-management agreement model with the PKKP and intends to roll this out more widely.
- Rio Tinto included a social licence measure within its Short-Term Incentive in 2023. In 2024, the Remuneration Report included further explanation of how this measure was assessed which reflected our feedback throughout 2023 and 2024.
- Rio Tinto has continued to implement the recommendations of its internal cultural review and is developing cultural maturity metrics to gain a better view on cultural change across the business.

Rio Tinto has an **ESG Risk level** of 3 under our ESG Framework. It has been a Level 3 since we implemented this framework in 2021. The material nature of these multiple risks also means our exposure is managed through position sizing.

Next steps

Notwithstanding the above progress, further work is still needed. Looking ahead to 2025 we will continue to:

Engage with Rio Tinto management on First Nations' rights, community engagement and heritage management. We recognise there has been good progress in this area in the past four years, however, there is still conflicting feedback between different groups and several ongoing controversies that may cause material social licence impacts.

Engage with the Board of Directors to improve the integration of material ESG factors into Remuneration structures including significant psychosocial safety incidents.

Monitor Rio Tinto's progress to measure its social licence holistically across the group, implement the further recommendations of the Workplace Culture review update published in 2024, and integrate appropriate measures into Remuneration.

Ask Rio Tinto to disclose more information to investors on operational impacts to key water bodies and the implications for social licence.

Ask Rio Tinto to disclose the amount and types of disciplinary actions related to psychosocial safety complaints and incidents.