

Platinum Asset Management Limited (ASX: PTM)

# Corporate Responsibility and Sustainability Report

FINANCIAL YEAR 2021-2022

# Building a Sustainable Business

Founded in 1994, Platinum Asset Management is a Sydney-based funds manager specialising in international equities. From small beginnings with four investment professionals and a handful of support staff working from a makeshift office, Platinum has grown into one of Australia's most trusted global equities managers with more than \$18 billion under management (as at 30 June 2022).

Platinum's business is managing clients' money. We charge clients a fee for doing so and these fees are our chief source of revenue. We, at Platinum, have a simple core belief: if we responsibly and successfully look after our clients' money, our business should prosper. A failure to understand and commit to this priority will not result in an enduring asset management business; marketing, commissions and other selling practices notwithstanding.

This belief has led Platinum to maintain a deep and consistent commitment to sustainable business practices and responsible investment management. In particular, we consider that the following themes are key to the long-term sustainability of our business:

- 01 Being a responsible money manager
- 02 ESG considerations in investing
- 03 Putting clients' interests first – valuing independence and transparency
- 04 Advocating for change and engaging with policymakers
- 05 Engaging with our employees
- 06 Contributing to the community
- 07 Consideration of climate-related risks and opportunities

This report will discuss our strategy and performance in addressing the opportunities and challenges associated with each of these themes. It will also consider our goals and initiatives against the framework of the United Nations (UN) 2030 Sustainable Development Goals (SDG) as we seek to align Platinum's future prosperity with that of the broader community.

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Before publishing the CRSR (Report), a comprehensive review and sign-off process was conducted with relevant internal stakeholders to verify and validate the accuracy of the information, statements and data contained in the Report. Where data has been obtained from third party sources, this has been clearly stated in the Report. The Report has also been ratified by the Board of Platinum Asset Management Limited.

## 01

## Being a responsible money manager.

## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



The asset management industry in Australia has undergone significant changes over the past quarter century, driven by a combination of factors ranging from government policy to technological innovation. Superannuation – our national compulsory retirement savings scheme – has underpinned the sector’s steady and robust growth by providing a vast pool of institutional money, along with increasingly sophisticated self-managed super funds and individual investors. This has attracted numerous multinational fund management firms to enter the Australian market while a growing number of domestic boutique managers have also sprung up in the global equities space. The popularity of passive index funds (exchange-traded funds or ETFs) and a proliferation of intermediary products and platforms have also played a part in shaping and reshaping the funds management landscape.

Throughout this time, we have maintained a strong reputation and, indeed, worked hard to strengthen our relationship of trust with our clients, particularly direct investors and financial advisers, by staying true to *our central endeavour – to preserve and grow our clients’ capital over the long term*. We seek to do so throughout market cycles by diligently and responsibly applying our expertise, scouring around the world for overlooked, misunderstood and undervalued companies, and through in-depth research (complemented by quant analysis), contrarian thinking and an almost draconian emphasis on averting the psychological pitfalls that beleaguer most investors.

This clear focus has served us and our clients well over the long term. This is evidenced by the solid absolute long-term returns delivered by our funds, notwithstanding the recurrent market challenges that have punctuated Platinum’s history – the Asian monetary crisis of 1997-98, the tech bubble of 2000-01, the global financial crisis of 2008-09, the Coronavirus pandemic and more recently the Russian invasion of Ukraine. It is indeed during these periods of great market stress that our disciplined and index-agnostic approach sets us apart from the crowd.

To us, that is what “being a responsible money manager” means and this is the single most crucial factor to Platinum’s long-term sustainability, as our success as an asset management business is wholly dependent upon achieving good absolute returns for our clients over the long term.

Periods of turbulent performance can be both challenging and distracting for asset managers. The rise of ETFs and similar passive strategies over the last decade, coinciding with exceptionally high valuation dispersions across different parts of the stock market, has posed particular challenges for active managers. Net fund outflows, often driven by investors focused on relative performance (particularly over the short term), can put pressure on an asset management business. However, it is imperative that we do not allow ourselves to be distracted by the blind pursuit of business growth or lose sight of our core objective.

We do our best to avoid chasing the crowd or straying from our investment philosophy or process. We view risk primarily as the prospect of losing our clients’ capital, rather than any short term volatility or tracking error (i.e. underperformance relative to a benchmark). Central to our approach to risk management is our index-agnostic, bottom-up stock selection process and, in particular, our focus on identifying out-of-favour companies whose prices are already discounted relative to their intrinsic value. Read more about Platinum’s [investment philosophy](#) and approach to [risk management](#).

## 02

ESG considerations  
in investing.UNITED NATIONS SUSTAINABLE  
DEVELOPMENT GOALS

Platinum is a fundamentals-focused equity manager.

Our approach is focused on identifying companies whose intrinsic value is under-appreciated by the market due to temporary drawbacks or irrational market sentiments. Material ESG trends and factors can directly and indirectly impact on a company's financial performance and prospects, and when such externalities are not fully reflected in a company's share price, it may create opportunities for the discerning, but may also pose investment risks for the unwary.

To assess a company's true worth – the core of our mission – a nuanced consideration of the company's operations and operating environment is essential, and the evaluation of material ESG issues and risks, like traditional financial and operational factors, is a part of this exercise.

Platinum is a signatory to the Principles for Responsible Investment, a voluntary framework for incorporating ESG issues into investment-decision making and ownership practices. We have adopted a [Responsible Investment Policy](#) which outlines our approach to ESG considerations from an investment perspective.

In summary we:

1. apply exclusions to restrict investment in specific sectors or companies (e.g. tobacco and military weapon manufacturers);
2. generate investment ideas through the analysis of ESG trends and themes;
3. analyse material ESG issues and factors as part of our fundamental stock research process;
4. engage with portfolio companies; and
5. utilise our voting rights.

The ESG factors that we may examine in our integrated analysis are wide-ranging and depend on the industry concerned as well as the geographic location of the particular business. Some examples include, but are not limited to:

- **Environmental** – carbon footprint, resource depletion and waste management.
- **Social** – working conditions and industrial relations, community resettlement (e.g. by mining companies or real estate developers), product safety and cyber security.
- **Governance** – executive compensation, board independence and diversity, as well as having processes in place to prevent fraud and other malpractice.

These issues can have an impact on the environment and/or communities (including employees and consumers), but they also present regulatory, operational and economic risks to a company which may potentially have a material impact on its financial performance and hence investor returns.

In 2021, Platinum introduced a carbon emissions calculator that provides estimates of each of our unlisted managed funds' exposures to carbon emissions via their respective investment portfolios, per \$10,000 invested. Investors may wish to utilise this information to consider ways in which they can offset the estimated carbon emissions generated by their investment in a particular fund.

Please refer to the [Carbon Emissions Disclosure and Offset](#) for further detail.

## 03

## Putting clients' interests first.

## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



Losing the trust of clients, be it due to unethical business practices, prioritising a manager's own interests over that of its clients' in situations of conflict, or simply providing poor service, are in our view some of the greatest risks to the sustainability of an asset management business.

As outlined above, Platinum's business has been built with a sole focus on preserving and growing our clients' capital over the long term, rather than the pursuit of sales targets or the indiscriminate accumulation of funds under management. From the outset, our founders-led team has been guided by a paramount sense of responsibility towards the clients who have entrusted Platinum with their savings. This ethos means that we put our clients' interests first in everything we do.

### Valuing integrity, independence and transparency

Independence and transparency are the core principles underpinning our approach to investing, product distribution, investor communications and all other aspects of our operations. After growing our business over 28 years, we have remained independent and unaffiliated with any other financial product manufacturer, financial adviser, dealer group or platform operator, other than through arm's length commercial arrangements. In this way we minimise the potential for conflicts of interest to arise. These principles are strongly embedded in our business practices and policies. For example:

- we are not part of any vertically integrated financial services group;
- we transparently disclose our investment management fees;
- we do not charge investors entry or exit fees;
- we have never paid trail commissions to financial intermediaries or advisers; and
- we do not enter into fee sharing deals with platform operators or their related parties.

Platinum has always held high standards of integrity in all aspects of its operations and has in place robust policies and procedures aimed at preventing unlawful, unethical or improper conduct. Given the nature of our business, we are particularly mindful of the risks of insider trading and "front running" and have implemented our [Business Rules of Conduct & Personal Investing Rules](#), [Securities Trading Policy](#) and [Whistleblower Protections Policy](#), which all staff must comply with.

### Focus on superior client service and communication

We continuously seek to improve the quality of our client service, including investing in technological infrastructure to better serve investor and adviser needs. Our public website has enriched features, design and content (such as product comparison tools, portfolio snapshots and a regular stream of articles and videos on various investment topics), as well as a secure site delivering enhanced functionality and improved security to clients.

Regular, meaningful communication with clients, generally via direct channels, has always been an essential feature of our business model. We view it as part of every asset manager's core duties to keep its clients abreast of performance and portfolio positioning.

In addition to periodic performance reporting and portfolio updates, we endeavour to share with investors and advisers our perspectives on the companies we invest in and on investment themes more broadly, by:

- supporting financial advisers with quality presentations from dedicated investment specialists and members of the investment team;
- holding annual presentations for our direct investors and advisers;
- providing informative quarterly reports written by our portfolio managers;
- keeping investors updated on market trends and macroeconomic conditions and sharing our insights on key investment themes, through online publications across a range of mediums, including articles, videos and podcasts. See [The Journal](#); and
- publishing education-oriented materials covering the things such as the fundamental principles of investing, how to think about valuation and behavioural finance. See [Investment Fundamentals](#).

Over a number of years, we have built a team of investment specialists to strengthen our link with the adviser community (the retail arm of the team) and better service our institutional clients (the institutional arm). Some of our investment specialists are former investment analysts and have an intimate knowledge of our investment methodology, how the investment team operates, and what the portfolio managers are thinking. They spend a lot of time visiting advisers, to help them stay informed about our investment approach, performance and outlook.

In addition:

- our Co-CIOs and other members of the investment team present to direct investors in six cities around Australia each year;
- our investment specialists regularly present to advisers (and their clients) throughout Australia and New Zealand; and
- our investor services team responds daily to telephone and online enquiries from our direct investors.

Given our large retail investor base, the investor roadshow is a particularly important tradition for both Platinum and our clients. It gives our direct investors an opportunity to personally meet (Covid meant we moved to virtual presentations) with the portfolio managers who manage their money and to hear what they have to say about investing. Our clients have always embraced the occasion, and the event is equally meaningful for Platinum as these face-to-face meetings are a powerful reminder of the trust that our clients have placed in us and the weight of the undertaking that we have assumed.

## 04

Advocating for  
change and  
engaging with  
policymakers.UNITED NATIONS SUSTAINABLE  
DEVELOPMENT GOALS

Platinum views corporate advocacy as part of our social licence to operate and we selectively engage with industry and regulators on issues relevant to our business and clients.

Over recent years, we made the following submissions:

#### Submission on enhancing the ASX investment products offering

In June 2022, Platinum made a submission via LICAT on enhancements that could be made to the ASX Investment Product offering, particularly with a view to identifying areas where the different rules governing exchange traded products could be improved and brought into closer alignment.

#### Improving reporting standards for Listed Investment Companies

Over the course of the 2021 financial year, Platinum was an active member of an industry working group that sought to establish uniform standards for the reporting of investment performance by Australian listed investment companies.

#### Submission on introduction of design and distribution obligations

Following the release of ASIC's Consultation Paper 325 Product design and distribution obligations (CP 325) in December 2019, Platinum made a submission in March 2020, expressing concern that the draft regulatory guide could give rise to unintended consequences for issuers of actively managed exchange traded funds in respect of their on-market trading activities. In finalising guidance, ASIC undertook further targeted consultation with the industry on the application of the obligations to certain exchange traded products more generally, due to the unique circumstances of these products. This resulted in ASIC making a legislative (*ASIC Corporations (Design and Distribution Obligations—Exchange Traded Products) Instrument 2020/1090*) to modify the obligations in relation to these products.

#### Submission on reforming the regulatory framework applicable to exchange traded managed funds that use internal market makers

On 30 July 2019 ASIC issued a media release requesting licensed market operators not to admit any new active ETFs performing internal market making functions, unless portfolio holdings were being disclosed daily. The media release was issued as a result of concerns regarding the potential for insider trading for these types of products. In response to the media release, Platinum together with a number of other active ETF issuers participated in an industry submission to ASIC setting forth technical legal arguments as to why internal market making (if done properly) does not give rise to insider trading issues. Platinum and a number of other active ETF issuers subsequently met individually with ASIC to help ASIC understand how their own internal market making functions were being performed.

On 11 December 2019, ASIC lifted its pause on the admission of new active ETFs with internal market making functions, following the completion of their internal review, and subsequently updated their Information Sheet (INFO 230) in April 2020 to set forth their expectations for licensed exchanges admitting exchange traded products.

## 05

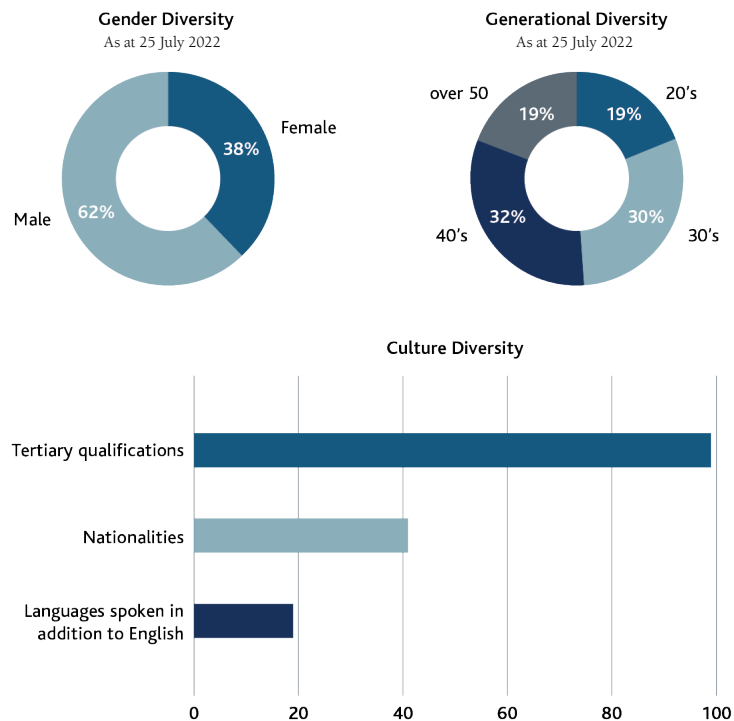
Engaging with  
our employees.UNITED NATIONS SUSTAINABLE  
DEVELOPMENT GOALS

Platinum is a service-oriented business and our sustained success depends first and foremost on the skills, expertise and dedication of our staff. Our people are our most important asset and the loss of human capital is a material risk to our ongoing sustainability, particularly in an environment where competition for talent is fierce. We are therefore always looking for ways in which we can provide a diverse and inclusive work environment, develop our people to fulfil their career potential and support our people in achieving greater personal well-being.

**Workplace diversity, flexibility and inclusion**

Platinum actively promotes a culture of meritocracy, fairness and equality at all levels within our organisation. We value the blend of skills, perspectives and personality traits that come with a diverse workforce and recognise that such diversity has contributed to our business success and sustainability. For example, our investment team includes not only economists and finance graduates, but also former scientists, engineers and programmers, bringing with them industry insights and specialist expertise.

At Platinum, we take a number of different factors into account when considering workplace diversity including but not limited to gender, age, ethnicity, tertiary education and cultural background.



To promote workplace diversity and inclusion, we have an active Diversity and Inclusion Committee made up of self-selected passionate employees who meet on a monthly basis. We have implemented a [Diversity and Inclusion Policy](#) containing our measurable objectives which are reviewed and updated annually by the Board. Our objectives for FY2022 were:

- Embed our core values and empower each other to hold one another to account.
- Strengthen our inclusive culture through education, awareness and practice.
- Provide a fair and flexible workplace.
- Review and enhance our recruitment and retention practices to increase workplace diversity.

Progress was made in strengthening our internal communications with regular all employee updates and events. Further training was undertaken in the giving and receiving feedback as well as understanding unconscious bias.

Our employee 'lunch and learn' series expanded and covered topics such as high performance teams with a guest speaker from the All Blacks coaching team. Platinum's onboarding and induction program for all new hires continued to evolve and improve – this was made difficult during the COVID-19 lockdowns but that enabled teams to get a little more creative in exploring new ways to get to know and train new hires.



Platinum also has a Workplace Behaviour Policy and conducts periodic training to emphasise the importance of an inclusive work culture founded on respect with zero tolerance for bullying, harassment and victimisation. Platinum has a Flexible Working Policy to assist our employees in achieving the optimum balance between work, family and personal responsibilities. Since the outbreak of COVID-19 we have been strictly following government health advice with our employees working at home during the mandatory lockdown periods. Since late 2020 we have been trialling a hybrid working model, leveraging the benefits of greater flexibility for all employees. We are currently experimenting with 'collaboration days' where employees are encouraged to come together in the office on Tuesday, Wednesday and Thursday each week, as we value in person social connection for strengthening our culture.

Even before the changes brought about by COVID-19, Platinum recognised the challenges that employees often face in balancing family life with professional responsibilities, and was proactive in its efforts to facilitate flexible working arrangements where possible, including through part-time work, work-from-home arrangements, and adjustments to roles and responsibilities. We encourage our male employees, including portfolio managers and investment analysts, to utilise parental leave with reasonable flexibility and our paid parental leave for primary care givers is available to all employees regardless of gender. Superannuation contributions are paid throughout parental leave periods with employees supported by, and connected through our keeping in touch days.

Providing an inclusive workplace where all employees feel valued and respected continues to be a strong focus at Platinum. Given our employees strong tenure it can be challenging to make substantial changes to our diversity statistics year on year and we recognise there is still much room for improvement. In June 2022, Platinum reported under Workplace Gender Equality Act 2012 (WGEA) for the first time. The report is available on our [website](#).

It is pleasing to see that Platinum's efforts to create an inclusive work culture have led to excellent retention rates. Our portfolio managers have an average of 17 years of investment management industry experience (as at 30 June 2022), with more than 16 years at Platinum. Other members of the investment team on average have been with Platinum for more than five years, while non-investment team employees have on average been with the organisation for more than seven years.

## Learning and development

In today's knowledge economy, ongoing training and upskilling is crucial to each employee's personal and professional growth. It is also extremely important for Platinum as an employer at a collective level in order for the company to stay competitive against industry peers.

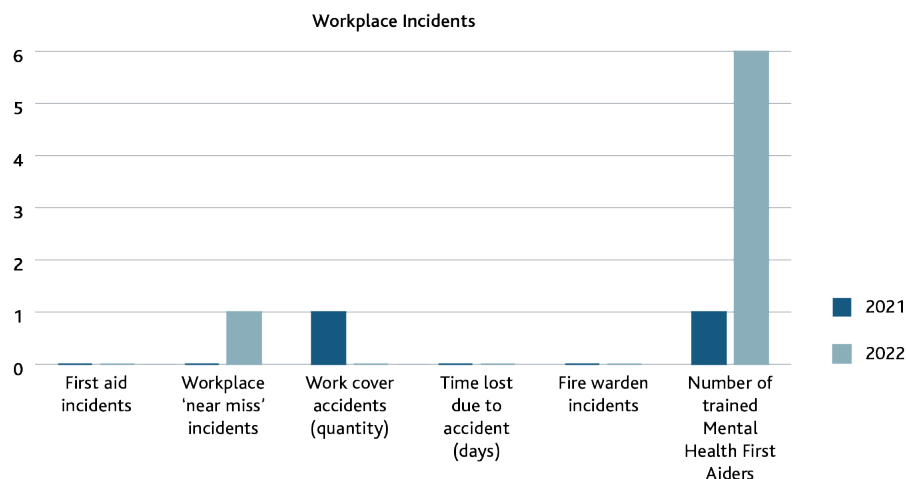
Platinum therefore has a number of programs in place to support staff development including an annual personal growth budget of \$5,000 per employee to encourage continual learning. This has been utilised for data camp programs to enhance data analytics knowledge, IT infrastructure and cyber security courses, professional presentation and communication courses and also for continued post graduate study and qualifications. We have continued our partnership with a number of leadership and executive coaches to continue our manager and leadership development programs for our line managers to enable them to be effective leaders and build stronger teams.

Platinum continues to believe that contributing to our employees' overall professional development will be beneficial to Platinum's long-term sustainable growth.

## Health, wellbeing and engagement

Healthy and happy employees are key to the sustained success of every business. We have a number of initiatives to help our staff stay healthy and reduce absenteeism, such as providing a free annual flu vaccination service onsite at our office for all employees who wish to participate.

Our Workplace Health and Safety (WHS) Committee includes representatives from different operational teams who not only track workplace injuries and illnesses but have also been proactively working to improve the safety and well-being of our employees. They actively review the workplace on an annual basis and implement adjustments or modifications as the need arises. In addition to our four trained first aiders, Platinum trained seven employees as mental health first aiders to further build our knowledge and support in this vital area.



Given the nature of Platinum's business, our employees' mental health is particularly important. Investment markets can be volatile and being entrusted to manage large sums of money can be highly stressful. Not only do our portfolio managers and investment analysts face the relentless pressure to deliver good returns for our clients and protect capital during market downturns, our back-office staff also have enormous responsibilities such as ensuring the accuracy and timeliness of portfolio accounting and investor reporting. Platinum continues to offer our Employee Assistance Program (EAP) to provide all of our employees and their immediate family members with free, confidential counselling and coaching services, including access to:

- in-personal or over-the-phone counselling to deal with a wide range of work-related and personal issues, whether it is stress management, bullying and harassment, or coping with domestic issues and mental health challenges;
- an online portal hosting hundreds of articles on health and wellbeing, self-assessment tools, online counselling, and digital learning programs;
- nutrition advice from qualified dietitians;
- financial counselling and resources in relation to money problems; and
- special confidential support to all managers and team leaders with advice and training to approach challenges in people management.

Platinum has partnered with Calm and Headspace to provide all employees access to these popular wellbeing apps with positive utilisation.

Platinum takes the opportunity to acknowledge a number of awareness days throughout the year such as World Mental Health, RUOK? Day with the aim of normalising the conversation and building awareness on such vital topics. In addition, the company has an employee initiated Social Committee which organises regular social events and participation in sporting events, such as inter-corporate basketball competitions, which we believe contribute positively to our employees' fitness and well-being. The COVID-19 lockdowns saw the adoption of a number of virtual events such as wine tasting, terrarium building, paint and sip, cheese and chocolate tasting to name but a few. We even hosted a virtual magic show for employees' partners and children, with positive reviews received.

Our goal for the next financial year is to continue to provide our employees with the above support programs, services and benefits. We do not set targets for utilisation rates of these programs as participation is completely optional.

### Team cohesion and performance

In high performing teams, the whole is greater than the sum of its parts, and hence it's about more than just hiring capable individuals. The connections between individual members of the team, how they work together and relate to each other also play a crucial role in the team achieving its potential. Since 2017 Platinum has partnered with Gain Line Analytics to critically assess our investment team on a regular basis, most recently in 2021.

Gain Line Analytics was co-founded by Ben Darwin, a former Wallaby (Australian international rugby union player) who, after retiring from his professional sporting career, developed a statistical method to assess team performance based on a core concept, he calls [cohesion](#). When studying the drivers of success or failure, conventional analysis tends to focus on talent and leadership. This tendency is particularly familiar in the asset management industry where there is an unhelpful obsession with individual star fund managers. We were drawn to Darwin's research insight emphasising the importance of cohesion and particularly that derived from shared experiences, as a key determinant of team performance.

We concluded that the analytics tools developed by Gain Line Analytics using data from sporting franchises across a range of competitive sports over several decades, had a much broader application and that there were lessons for investment managers too. (Through our work with Gain Line Analytics, since 2018 we recognise excellence in Australasian Sport and donate annually to a charity on behalf of Australasia's Best Sporting team).

We invited Gain Line in to look at our investment team in the same manner in which they had analysed hundreds of sporting teams, and the results gave us an objective confirmation that Platinum's investment team had strong cohesion. The [conclusions](#) from Gain Line's analysis were pleasing, confirming our intuition that we had a deep, experienced team, populated by analysts who typically joined without extensive prior professional investing experience and learned Platinum's method and philosophy from the ground up. Senior members of the team play an active role in mentoring newer members of the team and passing down Platinum's values alongside the craft and know-how. Over the years we have seen analysts come and go – not everyone is suited to our investment style, nor destined to stay forever. But we have had plenty of talent coming through the ranks – all of our portfolio managers have been promoted organically from within.

Members of our broad investment team have on average been with the firm for around eight years while the eight portfolio managers' average tenure with the firm is 16 years (as at 30 June 2022). Our recruitment process is focused on adding curious people that love business in order to replenish and grow the talent pool over time.

The longevity, continuity and cohesion of [our team](#) gives us confidence in the sustainability of Platinum's business. These characteristics are not easy to replicate and are a core competitive strength against many peers. As Gain Line Analytics research has shown, putting together a group of intelligent and capable individuals is only the first step, but success as a team cannot be achieved overnight – it requires shared experience gained from, and working together over, lengthy periods of time.

## 06

## Contributing to the community.

## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



As a corporate citizen, Platinum aims to make a contribution to the broader community above and beyond achieving our core mission of delivering good returns for our clients over the long term whilst protecting capital during market downturns.

### Scholarships

One of the areas that we are passionate about focuses on both education and professionalism in the Australian financial advisory industry. Financial planners play an important role in helping Australians to achieve financial security. Yet, as the recent Royal Commission has revealed, it is an industry that is still finding its way to become a well-regulated profession with appropriate standards of qualification and conduct, rules on independence, disclosure and conflict management, and other relevant ethical norms and principles.

To play a small part in raising the professional standards of future planners from 2014-2018, Platinum and The Neilson Foundation funded scholarships to students majoring in Financial Planning across a number of Australian universities. Since beginning the scholarships in 2014, \$1.5 million was awarded to financial planning students jointly by Platinum and The Neilson Foundation. In addition to the financial contribution, Platinum also offered a four-week work experience program to two of each year's scholarship recipients.

We continue to work closely with the industry as to how best we can support the needs of financial planners.

### Sponsorship to other education programs

Platinum has been both a financial sponsor and a content contributor to the Portfolio Construction Forum (PCF) over the past five years. PCF is a specialist, independent provider of investment continuing education and certification for wealth management professionals, but in particular portfolio construction practitioners – those who design, build and/or manage multi-asset, multi-manager portfolios. We share the organisation's core belief that "Better quality portfolio construction knowledge and skills result in better quality decisions – and, therefore, better quality investor portfolios and financial wellbeing", and therefore have enjoyed taking part in the annual Markets Summit and Finology Summit held by PCF. Several members of our investment team, including Platinum's founder and former CEO/CIO, Kerr Neilson, our current CEO and Co-CIO, Andrew Clifford, and various Investment Specialists, have presented at these summits on a range of investment topics, such as avoiding the abstraction and distraction of indices, cohesion is critical to investment management success, managing the psychological heuristics in investing, the paradox of cycles, as well as the challenges of communication between asset managers and financial advisers. Some of the materials from past presentations have been made available to the broader audience on the [Investment Fundamentals](#) sections of our website.

### Corporate and employee fundraising

As a firm, Platinum has been a regular sponsor in a number of fund-raising events, including, among others:

- For the last eight consecutive years, Platinum has been the official partner sponsor of the Bobbin Head Cycle Classic, an annual event organised by The Rotary Clubs on Sydney's North Shore to help raise funds for Lifeline, Women's Shelter and other local charities. Several of our employees as well as their families and friends are ardent riders who have taken part in the event.
- Platinum and those keen runners among our staff are regular participants in the annual JPMorgan Corporate Challenge.
- Platinum sponsors a team of employees to participate in the annual City2Surf running event to raise money for various charities.
- Platinum has a three-year sponsorship of New Zealand's Brook Waimārama Sanctuary. Platinum has a long-standing association with investors and advisers in New Zealand.

## 07

## Consideration of Climate-related risks and opportunities.

### UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



### Overview

Climate change is one of the greatest challenges facing our generation. Extreme weather events and changing weather patterns are impacting on economies and communities around the world. While we believe that coordinated and effective government policy is the most impactful form of climate action, although we feel such is currently lacking at both an international and national level, we recognise that corporate and private citizens should do their part to collectively respond to the challenges of climate change.

Platinum Asset Management Limited (PTM) through its operating subsidiary Platinum Investment Management Limited (PIML) collectively referred to as 'Platinum', considers the implications of climate change in both its operational and investment decisions and is committed to aligning its climate change disclosures with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

This report provides Platinum's response to the TCFD recommendations for the period from 1 July 2020 to 30 June 2021.

### Governance

Position of individual(s)	Please explain
Chief Financial Officer (CFO)	The Chief Financial Officer (also the Finance Director) is responsible for oversight of climate measurement and climate reporting at a corporate level. The CFO is also responsible for overseeing the actions to achieve Platinum's carbon reduction targets and ensuring that carbon credits are purchased by Platinum each year to fully offset Platinum's carbon footprint.
Co-Chief Investment Officer (CIO)	The co-CIO (who is also the Managing Director) is responsible for ensuring that climate change risks are considered as part of the portfolio management decision making process in accordance with Platinum's <a href="#">Responsible Investment Policy</a> .
PIML Board	Approves Platinum's <a href="#">Responsible Investment Policy</a> and all new product development initiatives.
PTM Board	Approves Platinum's budget (forecast carbon emissions and the cost of purchasing carbon offsets are considered as part of the annual budget process) and business strategy.
ESG Working Group	Comprised of members of Platinum's Investment, Investor Services, Finance, Legal, and Risk & Compliance teams. Responsible for monitoring industry, legal and regulatory ESG developments and overseeing implementation of ESG initiatives within Platinum.

### Strategy

Platinum has identified the key risks and opportunities arising from climate-related issues to be changes in investor preferences, the launch of new investment products and services, and changes in law, regulation and government policies. These transitional risks and opportunities are considered as part of Platinum's business strategy and budget setting processes and its investment strategy.

### How climate-related matters impact on Platinum's business strategy

Platinum is committed to running its business operations in an environmentally responsible and sustainable manner. We actively monitor and measure our carbon footprint and have been purchasing carbon credits to offset our emissions since PTM's listing on the ASX in 2007.

As part of our commitment to being transparent about the environmental impact of our operating activities, Platinum has been voluntarily participating in the Carbon Disclosure Project (CDP) since 2013. The CDP is an annual study of the greenhouse emissions and climate change strategies of the world's largest companies. In 2021, we achieved a CDP climate change score of D. Our physical office premises are located at 7 Macquarie Place, Sydney. The building has a 5-star NABERS energy rating and a 4.5-star NABERS water rating.

From a product development perspective, Platinum's soon to be launched carbon transition product is seeking to capitalise on the transition away from fossil fuel derived energy sources, and goods production and consumption i.e. the carbon transition, by investing in undervalued companies from around the world that are enabling or contributing to this transition. The carbon transition is expected to take place over the next ~30 years and will require a complete re-engineering of energy production and consumption, and many material and agricultural production processes. We believe that the transition will have wide-reaching impacts on businesses and economies, creating many investment opportunities as the transition accelerates and evolves. Our new product is looking to capitalise on this by investing in undervalued companies that are enabling or contributing to this structural change.

### **How climate-related matters impact on Platinum's budget setting processes**

Platinum's annual budget setting process includes inputs for climate-related risks and opportunities that impact on operating costs and revenues. These include the cost of purchasing carbon offsets and the estimated revenues and costs of any new climate related product launch.

### **How climate-related matters impact on Platinum's investment strategy**

As a fundamental equity investor, Platinum's investment approach is focused on identifying companies whose intrinsic value is under-appreciated by the market due to temporary setbacks or irrational market sentiments. We invest with a long-term outlook (typically five years or more). We believe that environmental, social and governance (ESG) considerations (including climate-related considerations) can impact on a company's financial performance and prospects and, consequently, a company's valuation. As such, there is an implicit inclusion of ESG factors in our investment analysis and decision-making process. Platinum has strengthened its commitment to the consideration of ESG issues in its investment process by becoming a signatory to the United Nations Principles for Responsible Investing in 2021.

Accordingly, climate-related considerations (like other ESG considerations) are taken into account by Platinum when selecting, retaining and realising investments for our investment strategies to the extent we believe they will have a material financial impact on the company's valuation and hence the return on our investment. In this regard, our investment analysts will typically meet or speak with members of a company's management team both before and periodically after we have initiated a position in an investee company. The questions Platinum puts to management may encompass targeted questions relating to ESG factors, including matters such as climate risk and mitigation. Where material ESG issues are identified, our approach favours thoughtful engagement. Platinum will raise its concerns with management if it believes that the company is pursuing a course of action that risks jeopardising the sustainability of the business and thus shareholder value. We aim to nudge companies towards better ESG outcomes. However, given the diversified nature of our portfolios, we are realistic about the extent to which we can effect change through active ownership.

## **Risk management**

### **Climate-related risk management within Platinum's business strategy**

The Platinum Board is responsible for setting Platinum's risk appetite and ensuring that an appropriate risk management framework is in place for Platinum such that significant risks (financial and non-financial) facing Platinum are identified, and appropriate systems and controls, metrics, monitoring and reporting mechanisms are put in place to enable the Board to measure performance against Platinum's approved risk appetite.

In setting its risk appetite, the Board has identified nine material risk categories, of which ESG risk is one. Climate related risks are specifically classified within the ESG category. The Board has also determined a number of key risk indicators for each risk category in order to measure whether Platinum is operating within the accepted risk tolerances set by the Board. The Board receives quarterly risk reporting from Platinum's management against these indicators.

## Climate-related risk management within Platinum’s investment strategy

Material climate-related factors can directly and indirectly impact on a company’s financial performance and prospects, thus creating opportunities and risks relative to market prices. Platinum takes climate-related considerations into account when selecting, retaining and realising investments for its investment strategies to the extent we believe they will have a financial impact on an investee company’s valuation and hence the return on our investment.

Please refer to “How climate-related matters impact on Platinum’s investment strategy” above for more details.

## Metrics and targets

### Platinum’s corporate carbon emissions

Over the past five years, Platinum has partnered with South Pole Carbon Asset Management Ltd (South Pole), an independent third party consultancy specialising in carbon reduction projects, to calculate and manage our greenhouse gas (GHG) emissions. South Pole applies a rigorous calculation methodology to comprehensively account for the GHG emissions from our operating activities, which extend from direct emissions arising from stationary and mobile combustion of fuels (Scope 1) to indirect emissions from purchased electricity, heating and cooling (Scope 2) as well as other indirect emissions from fuel and energy related activities, business travel, consumption of paper and waste management (Scope 3).<sup>1</sup>

Platinum’s total GHG emissions (Scope 2 and Scope 3) over the past five financial years have been as follows:

Scope	FY2016-17 (tCO <sub>2</sub> e)	FY2017-18 (tCO <sub>2</sub> e)	FY2018-19 (tCO <sub>2</sub> e)	FY2019-20 (tCO <sub>2</sub> e)	FY2020-21 (tCO <sub>2</sub> e)
Scope 2	318.9	303.9	284.5	231.0	143.0
Scope 3	640.4	1,292.3	1,698.7	1,041.6	150.4
Total tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e)	959.3	1,596.2	1,983.2	1,272.61	293.4
GHG emissions offset tCO <sub>2</sub> e – South Pole projects	(959.3)	(2,304.0)	(1,984.0)	(1,273.0)	(294.0)
<b>Net emissions</b>	<b>–</b>	<b>707.8</b>	<b>–</b>	<b>–</b>	<b>–</b>

<sup>1</sup> The GHG accounting and reporting procedure applied by South Pole is based on the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard Revised edition, which was developed in partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) in 2004, and is the most widely used international accounting tool for governments and businesses.

Electricity consumption was the biggest source of our overall GHG emissions, accounting for 49% of Platinum’s GHG emissions in FY2020-21. It is notable that during FY2020-21, Platinum transitioned its primary energy supply to renewable sources (Green Energy accredited under the national Green Power program). This transition was the main reason for the large reduction in Scope 3 emissions in FY2020-21 compared to FY2019-20.

Business travel undertaken by our staff decreased significantly in FY2020-21 as a result of COVID-19 related travel restrictions. As a result, GHG emissions from business travel reduced from 733 tCO<sub>2</sub>e in FY2019-20 to 9 tCO<sub>2</sub>e in FY2020-21. Business travel is undertaken by our staff for the purposes of investment research, engagement with investee companies, and meetings with clients and prospective clients. A significant portion of the GHG emissions from Platinum’s business trips come from air travel, which is a particularly carbon-intensive mode of transport. However, these trips are a necessary and important part of Platinum’s business strategy as a global investment manager. As such, the volume of business travel is expected to return to pre-COVID-19 levels in future years. However, we will seek to offset these emissions through the purchase of carbon credits (as outlined on the following page).

## Emission reduction targets

As part of Platinum's ongoing efforts to improve our environmental performance through operational efficiency and responsible consumption, we have set an intensity based target to reduce our average per-employee GHG emission by 5% each financial year. The 5% overall target is based on achieving a larger than 5% reduction on Scope 2 emissions where Platinum is most able to achieve emission reductions.

The primary mechanism to achieve the targeted reduction in Scope 2 emissions for FY2021-22 is the expected full year impact of transitioning our primary energy supply to renewable sources during FY2020-21. The change to renewable energy is expected to reduce Scope 2 GHG emissions per employee by a further 78% in FY2021-22.

Our target reduction of Scope 2 GHG emissions per employee has been set taking into consideration Platinum's historical carbon footprint as well as our future operational needs. We believe this target is both realistic and sustainable.

As mentioned above, Scope 3 emissions decreased significantly in 2020-21 due to COVID-19 related travel restrictions. As a core part of Platinum's business strategy is to grow its business offshore, necessitating more overseas travel by our employees, these business initiatives will likely increase our Scope 3 carbon emissions in the future.

We will monitor and reassess our progress each financial year and seek, to the greatest extent possible, to ensure that our business operations are conducted in an environmentally sustainable way. In addition, as part of our emissions management we will continue to offset GHG emissions by purchasing carbon credits thus making our business carbon neutral.

Activity	2019-20 Actual Consumption (per employee)	2020-21 Actual Consumption (per employee)	2021-22 Target Consumption (per employee)
Scope 2	2.16	1.32	0.29
Scope 3	9.73	1.39	3.31
<b>Total (tCO<sub>2</sub>e)</b>	<b>11.89</b>	<b>2.71</b>	<b>3.60</b>

## Partnerships for carbon credits

Although Platinum's business operations are not carbon intensive by nature, Platinum has been voluntarily participating in carbon credit purchase programs to offset our GHG emissions and achieve carbon neutrality since PTM listed on the ASX in 2007.

When purchasing GHG emission offsets, we seek to partner with projects that not only provide verified and certified emission reductions, but which also provide additional social and/or environmental benefits to local communities in areas such as infrastructure, employment, health and education. Working with South Pole, Platinum offset 100% of our total emissions in 2020-21 by purchasing carbon credits in relation to the following projects:

- **Mount Sandy Conservation Project, Australia.** This project brings together indigenous and non-indigenous communities of Australia by promoting traditional land management for biodiversity conservation. This project protects a rare pocket of wetlands and woodlands between the Coorong National Park and Lake Albert. As one of the last remaining areas of native vegetation in the region, the land forms a strategic wildlife corridor and is of great significance to the Ngarrindjeri people, the indigenous local nation.
- **InfraVest Tongyuan Wind Farm, Taiwan.** The project involves the construction and operation of 34 onshore wind turbines across 5 wind farms, to harness the prevailing coastal winds of northwestern Taiwan. The electricity generated is fed into the national grid, powering the island with clean, renewable energy. This displaces power derived from fossil fuels and supports the development of the wind energy sector in Taiwan.



## Investment portfolio emissions

We calculate a monthly estimate of our Australian domiciled unlisted managed funds' exposures to carbon emissions through their investment portfolios. The data is published each month on our [website](#). Our investors may wish to use this information to consider whether to offset the emissions generated by their investments in our funds.

Platinum's investment portfolio carbon emissions for the year ended 30 June 2021 were estimated at 1.5 million tCO<sub>2</sub>e<sup>2</sup>. The estimated carbon footprint of Platinum's unlisted managed funds as at 30 June 2022 is set out in the table below.

Fund	Carbon Footprint (t/\$10K invested)
Platinum International Fund	1.05
Platinum Global Fund (Long Only)	1.00
Platinum Asia Fund	0.68
Platinum European Fund	1.83
Platinum Japan Fund	1.17
Platinum International Brands Fund	0.29
Platinum International Health Care Fund	0.05
Platinum International Technology Fund	0.37
Platinum Global Fund	0.89

<sup>2</sup> Calculation Methods & Disclaimer: Source: Platinum and Sustainalytics. The carbon emissions have been calculated by Platinum. They are estimates and subject to change. The actual carbon emissions may vary considerably from the estimates provided. The estimate of the carbon emissions ("Carbon Emissions") is calculated by Platinum as at each month end. It represents the sum of the carbon emissions from each underlying long stock positions, based on the closest match and latest data available in Sustainalytics, having regard to the level of ownership in each company. For the proportion of the long portfolio for which carbon emissions data is not available, the rate of carbon emissions for the long portfolio for which carbon emissions data is available, is applied. The calculation does not take into account the impact of short positions. Whilst the calculation is performed by Platinum on a monthly basis, the carbon emissions data from Sustainalytics is updated periodically. To the extent permitted by law, no liability is accepted by Platinum for any loss or damage as a result of any reliance on this information.