

# ESG and Sustainability Quarterly Report December 2024

For Adviser use only

## Antares December 2024 Quarter ESG & Sustainability Activity

### 24 ESG specific research initiatives

carried out by the team across numerous topics through engaging with companies and domain experts

### 12

#### Environmental

- Sustainability targets
- Environmental license to operate
- Water management
- Policy development
- Decarbonisation technology
- Charging infrastructure
- Carbon fuel migration
- Biofuels

### 3

#### Social

- Workplace behaviour
- Modern slavery

### 9

#### Governance

- CEO behaviour
- Remuneration outcomes
- Succession planning
- Disclosure
- Culture / turnover
- Forfeiture of reward

## 2 key strategic engagements

1. Our key engagement for the period relates to Mineral Resources. We have written a brief summary of the situation and our response is included on the following page.
2. During the quarter we engaged numerous times with South32 management and board members regarding the Board's handling of remuneration outcomes for FY24 to gain a better understanding of the situation.

### 2 portfolio decision across the funds influenced by ESG insights

- Reduced our holding in Wisetech following media reports and board acknowledgement of potential inappropriate behaviour relating to the CEO
- Exited AGL following deeper analysis regarding the expiry of legacy coal and gas contracts.

### 437 resolutions at 61 meetings



407 were voted "for"  
27 were voted "against", 3 "abstained".

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### Antares key ESG & Sustainability – key example during the quarter

#### ESG Report on Recent Developments at Mineral Resources (ASX: MIN)

##### Overview

It was an eventful December quarter for Mineral Resources (MIN) as the company came under immense scrutiny following allegations directed towards its founder and CEO, Chris Ellison. At Antares, we hold a modest position in MIN across some of our funds. Although it is a challenging time to be a MIN shareholder, this situation provides an opportunity to demonstrate our ESG philosophy in action.

##### Setting the Scene: Allegations Against Chris Ellison

###### Tax Evasion Scheme:

Ellison, along with former Mineral Resources chairman Peter Wade and three other founding executives allegedly operated a tax evasion scheme for a decade. This scheme involved using a British Virgin Islands company, Far East Equipment Holdings Ltd, to buy used mining machinery and resell it to Mineral Resources at inflated prices. This allowed the executives to profit personally while Mineral Resources could claim accelerated depreciation on the inflated prices. The scheme was allegedly in operation from 1993 to 2014. Ellison's tax advisors approached the Australian Taxation Office (ATO) in 2019, offering to voluntarily disclose the scheme in exchange for reduced penalties and an assurance that the matter would not be referred to other authorities. Ellison settled with the ATO in May 2023. The Mineral Resources board claims it only learned of the scheme in June 2023 and that the scheme did not involve related party transactions. However, in a later statement, the board admitted that Far East Equipment Holdings was a related party and the transactions should have been disclosed.

###### Related Party Transactions:

- **Property Leasing:** Ellison allegedly leased industrial properties to Mineral Resources at above-market rates. He also leased office space to the company but allowed his daughter's company, Ship Agency Services, to use a portion of that space rent-free for 10 years.
- **Shipping Arrangements:** Ellison allegedly used his daughter's company, Ship Agency Services, for shipping arrangements that benefitted him personally.
- **Keli Resources IPO:** Ellison and his close associates, including Mineral Resources, invested in the IPO of Keli Resources Ltd, a small resource company, in 2023. This raised concerns about potential conflicts of interest and the transparency of the investments.

###### Misuse of Company Resources:

- **Personal Use of Staff:** Ellison allegedly directed Mineral Resources staff to work on his personal properties and boat.
- **Personal Finances:** He allegedly used company employees to manage his personal finances.
- **Purchase of Goods and Services:** Ellison allegedly used the company to buy goods and services for his personal use.

### Workplace Bullying:

Ellison has been accused of bullying behaviour towards employees, including publicly humiliating and berating female executives.

### Antares Philosophy and Process

Our philosophy is not to screen out or immediately sell companies that have ESG risks. Instead, we aim to understand and quantify the risk, incorporating it into our undisturbed valuation of the company. If valuation support still exists, our philosophy is to engage with the company to enact change. If these efforts fail to bring about meaningful change, we are left with no other outcome but to sell. By doing so, we hope that over the long term, more companies will become better at managing their ESG risks, thereby

making the Australian share market more investable to a wide range of investors.

It is important to note that over the long term, many of our leading companies have experienced ESG risks. Screening them out at the outset would leave a very narrow investment universe and deny the opportunity to provide management with investor feedback. Below, we provide a table illustrating some of the ESG risks that have been faced by our leading listed companies.

Company	Historic incidence of social harm
BHP Group Ltd	Samarco, historic bribery
Commonwealth Bank of Australia	Irresponsible lending, financing illicit activities
CSL Ltd	Blood collection from disadvantaged communities
National Australia Bank Ltd	Fee for no service scandal
ANZ Group Holdings Ltd	Overcharging customers
Westpac Banking Corp	Financing illicit activities, laundering
Woodside Energy Group Ltd	Hydrocarbons, WA oil spill
Macquarie Group Ltd	German Tax Scandal
Wesfarmers Ltd	Underpayment of staff
Woolworths Group Ltd	Underpayment of staff, predatory supplier pricing
Telstra Group Ltd	Unaffordable contracts to vulnerable customers, misleading charges
Rio Tinto Ltd	Juukan Gorge, Bribery, Violence in mine communities
Transurban Group	Scope 3 emissions
Goodman Group	Remuneration strikes, scope 3 emissions
Fortescue Metals Group Ltd	Indigenous land issues, non payment of royalties
Aristocrat Leisure Ltd	Gaming
Santos Ltd	Hydrocarbons
QBE Insurance Group Ltd	CEO scandal
Newcrest Mining Ltd	Environmental fines, selective disclosure
Coles Group Ltd	Underpayment of staff, milk wars

### Engagement and Meetings

Since the revelation of these events, we have had numerous meetings with people both inside and outside the company to gain a comprehensive understanding of the incidents, implications, and potential outcomes. In early December, we travelled to Perth to meet some of those listed below face-to-face. Our recent interactions include:

- Investor Relations
- Chairman
- Founder and CEO
- Previous senior executive
- Annual General Meeting
- Senior divisional management
- Numerous other industry participants

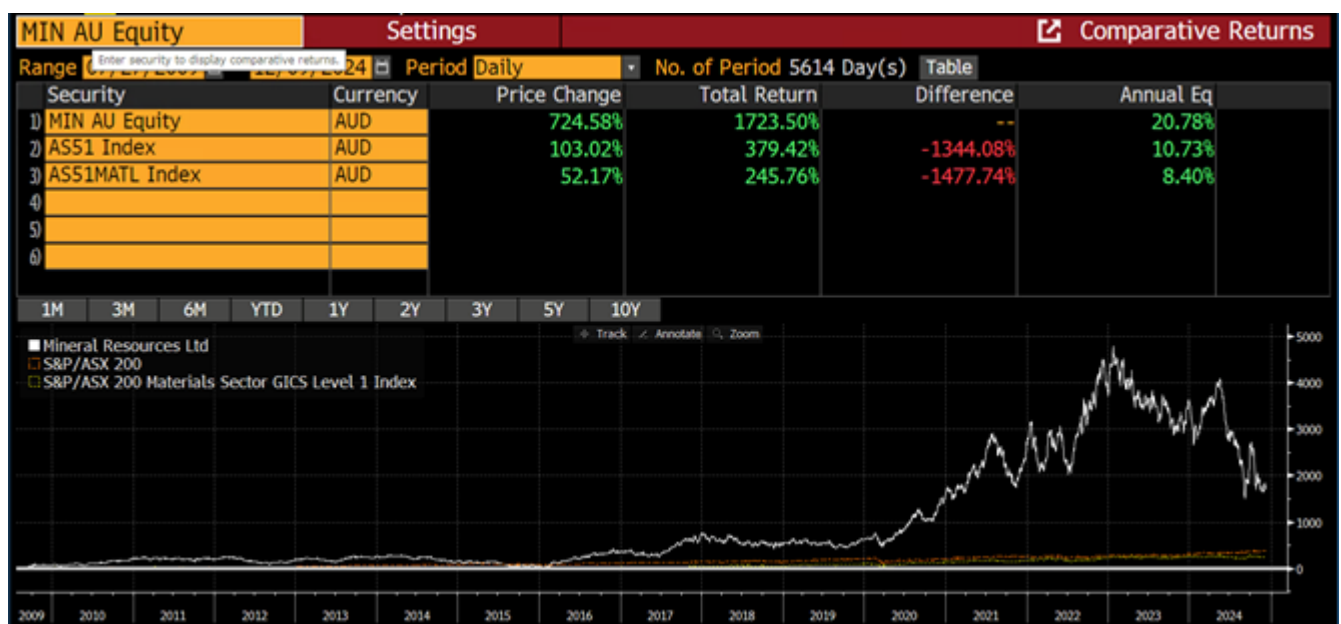
### Response from the Company

Following the revelations of various misconduct allegations, Ellison agreed to step down as Managing Director within 18 months. James McClements (Chairman) also agreed to step down within the next year. Financial penalties applied to Chris Ellison include:

- **Repayment of \$3.79 million to MIN:** This relates to two pre-contracted payments made to Far East Equipment Holdings Ltd (FEEHL), Ellison's British Virgin Islands company, in August 2006 and January 2008.
- **Loss of 2024 Bonus:** Forfeited his 2024 bonus of \$3.1 million.
- **Forfeiture of Unvested Incentives:** Forfeited \$6.5 million of unvested incentives.
- **Charitable Donation:** Ellison agreed to donate \$5 million to charity over a five-year period.
- **Total Quantified Financial Penalties:** Total quantifiable financial penalties imposed on Ellison amount to \$18.4 million.

### Antares Views and Actions

Part of the investment attraction for Mineral Resources is the entrepreneurial and can-do attitude of the company, largely sourced from its CEO. As illustrated below, these traits have led to material shareholder returns over the long term. Over the last 15 years, MIN has returned almost 21% per annum versus the ASX200 return of almost 11% per annum and the Materials Index of 8.4% per annum.



Source: Bloomberg; December 2024

Our fundamental investment thesis is that the company remains undervalued at current levels. The company's transformational Onslow iron ore project continues to ramp up, which should alleviate

the balance sheet risks many are highlighting. The Onslow project acts as a reminder of MIN's investment appeal, being conceived only a few years ago and brought to market over a short construction period using innovative techniques (automated road haulage on a dedicated private road and transhippers). Furthermore, although lithium remains challenged, the dynamic nature of the management team appears to be restructuring the assets to see out the current trough in prices.

This must be balanced in light of the issues we have noted, which have occurred repeatedly over a protracted period. Although there is an emotional attachment to the CEO and founder, the events, many of which have been publicly acknowledged, are unacceptable by any measure. They are not one-off in nature, did not all occur

in the distant past, but instead speak to the repeated and blatant disregard of minority shareholders and other behavioural flaws.

In many of our interactions with the company, we have made our position clear and asked that the proposed remedies be executed and, where possible, timelines accelerated. We have also voted against some resolutions proposed by the company at its recent AGM.

### **Milestones to Look For**

Our resolve to own MIN has been reduced but not eliminated by these developments. In summary, we have decided to continue with our investment and continue to engage with the company, encouraging them to execute as quickly as practicable on their announced intentions. Any backpedalling on the announced plan will cause us to rethink our investment. We will also be watching upcoming quarterly production and financial results to determine if these events have galvanized the organization to deliver on its growth ambitions or distracted them from what is an enviable growth profile.

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