RESPONSIBLE INVESTMENT: 2025 THEMES AND CONFERENCE FEEDBACK

As part of our ongoing commitment to responsible investing, we have recently attended responsible investment focused conferences in Sydney where we gained valuable insights from an impressive line-up of speakers. The key insights from these events are highlighted below.

1. Funding the Energy Transition

It's not surprising that the energy transition continues to be a major focus, with one conference panel highlighting Australia needs to triple investment in climate solutions to meet its net zero target and decarbonise in line with the Paris Agreement.

There was consensus amongst several speakers that the transition to cleaner/renewable energy sources (like wind and solar) is an enormous undertaking, and orderly transition is necessary to avoid disruption to electricity supply which will likely require a degree of fossil fuel usage for the foreseeable future.

It's clear that divestment from emissions intensive sectors alone won't deliver an orderly transition, highlighting the importance of supporting companies that are making tangible progress by investing in new technologies to reduce the emissions intensity of their operations.

Equity Trustees see the energy transition as attractive investment thematic and has exposure though companies that contribute positively to the transition across our portfolio's.

For example, within our Australian equities portfolio, we have exposure to this theme though lithium mining company Pilbara Minerals (PLS), a key player in the global battery materials supply chain. We are also exposed through our position in Origin Energy (ORG), who are actively investing in renewable energy projects and storage solutions.

Within the Eight Bays Global Fund we have exposure to thematic through position in GRID, a global exchange traded fund (ETF) providing exposure to the transition through investment in companies developing smart grid infrastructure which support cleaner, and more efficient energy use.

2. Trump's Anti ESG Agenda

Trump's anti ESG agenda has been making news headlines around the world, resulting in several large companies and financial institutions in the US pulling back their ESG and diversity, equity and inclusion (DEI) commitments. There has been speculation on whether there could be contagion of this sentiment to Australia.

Although we have seen some Australian companies with US operations become more cautious on the language used when it comes to ESG, we have not seen evidence of companies winding back their commitments. For examples, Macquarie (MQG) diluted references to DEI in their annual report, but previous commitments remain intact.

This suggest the potential for increased greenhushing' by companies with operations in the US, which is where companies intentionally water down the reporting on ESG information.

This could hinder progress in sustainable investment where transparency and disclosure are vital.

We expect these issues are front of mind for Australian boards and it will be a key area of focus as we approach reporting season next month.

3. Corporate Cyber Resilience

We heard from the National Lead Partner, Cyber Security and Transformation at Deloitte who highlighted a significant increase in cyber-attacks globally, noting attacks are becoming more frequent and sophisticated, while the cost of a breach and time to repair are also on the rise.

This highlights the importance of the right governance and risk management structures to ensure preparedness and ability to respond rapidly when an inevitable event occurs.

In Australia, we are seeing companies increase spending to defend against cyber-attacks, while also making enhancements to cybersecurity governance and training.

We heard examples of best practice cyber defence which includes strong governance, board oversight and accountability, clear polices and reporting lines, employee training, continuous monitoring of supply chains, and imbedded cyber teams. Some companies have even tied failure of cyber training to performance and bonuses of staff.

Cybersecurity is a material governance related ESG theme and core business risk which can result in privacy breaches, regulatory penalties, financial loss, reputational damage and operational disruption.

We have seen the impact of cybercrime play out on companies like Medibank Private (MPL), where a data breach in 2022 resulted in significant financial (estimated at $150mn) and reputational damage, while there still are ongoing legal and regulatory proceedings. MPL did not have cyber insurance.

Earlier this month we saw a cyberattack on Qantas (QAN) which has compromised the personal data of 6 million customers. QAN seem to have been quick to contain the issue however it is still too early to estimate the impact. Cyber insurance is likely to make a difference,

These valuable expert insights will be used to support our engagements with companies where our objective is to better understand how they are managing and mitigating cyber risk to inform ESG analysis.

Attending responsible investing focused events enables us to meet with RI practitioners and leaders to gauge upcoming trends and benchmark best practice. These insights provide a good basis for our engagement discussions with the companies we’re invested in and provide useful insights into key thematics which can help to shape our portfolio’s.

Equity Trustees' Approach to Responsible Investing

We believe the incorporation of RI principles is an important element of our investment research process, recognising that robust RI practices may lead to positive financial and social outcomes, assisting to manage risk and potentially improve investment returns. Our objective is to observe how RI issues such as those outlined above are evolving, and how they will impact the companies we invest in and portfolio positioning.

The Equity Trustees Responsible Investment Policy demonstrates our approach and consideration of RI in the investment management process. We are dedicated to preserving and growing our client's wealth; while ensuring the way we direct capital is aligned with the values of our clients and where possible, progressing positive economic, environmental, and social outcomes.

Our approach has been developed over time in line with the evolution in the RI landscape and objectives of our client base. We manage two RI specific Funds across Australian and Global Equities that have received RIAA certification, demonstrating the strength in our process and prudent responsible investment framework which we have in place.

To learn more about our offerings and approach to responsible investing, please email us at eqtassetmanagement@eqt.com.au.

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[1]The investment manager applies ESG principles as part of its broader investment philosophy. However, the extent to which ESG factors are integrated may vary depending on the fund, its investment strategy, objectives, and regulatory classification. For detailed information on how ESG is applied to a specific fund, please refer to Product Disclosure Statement (PDS).

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