



Platinum Asset Management Limited (ASX: PTM)

# Corporate Responsibility and Sustainability Report

FINANCIAL YEAR 2018-2019

# Building a Sustainable Business

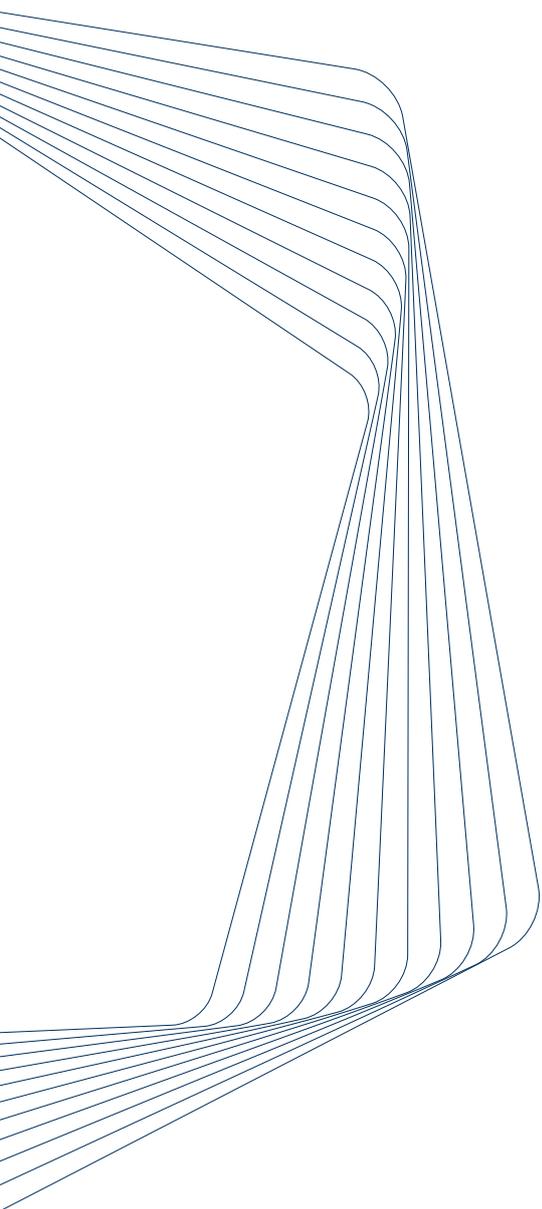
2019 marks the 25th anniversary of the founding of Platinum Asset Management. From small beginnings with four investment professionals and a handful of support staff working from a makeshift office, Platinum has grown into one of Australia's most trusted global equities managers with \$25 billion under management (as at 31 May 2019).

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 Being environmentally responsible

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.



## 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. More recently, the increasing 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, strengthened 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. 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 and the more recent global financial crisis of 2008-09. It was, indeed, during these periods of great market stress that our disciplined and index-agnostic approach set us apart from the crowd and afforded our investors much-needed protection and superior risk-adjusted returns.

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, on a risk-adjusted basis.

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. We believe that private enterprise plays a central role in wealth creation and socio-economic advancement. It is also our belief that value creation for shareholders ought to be aligned with value creation for society at large. Platinum invests with a long-term outlook (typically around five years) and, as part-owners of the enterprises in which we invest our clients' money, it is paramount to us that these companies maintain their social licence to operate. As such, we view social and environmental sustainability as well as sound corporate governance as vital to a company's long-term viability, growth and profitability.

Platinum's 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 the 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 an integral part of this exercise. We believe, based on both our own experience and studies by third party researchers, that incorporating ESG considerations into the investment process can lead to more informed and holistic investment decision-making and, ultimately, better investment outcomes for our clients.

To this end, we have adopted a [Responsible Investment Policy](#) which affirms our commitment to responsible investing and outlines our approach to:

1. incorporating ESG considerations into our investment process. This is implemented through three key integration techniques:
  - applying exclusionary screens to restrict investment in specific sectors or companies (e.g. tobacco and military weapon makers);
  - generating investment ideas through the analysis of ESG trends and themes; and
  - integrating the analysis of ESG issues and factors into our fundamental stock research;
2. engagement with portfolio companies; and
3. proxy voting.

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 cybersecurity.
- **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.

For a more detailed description of our approach to ESG, please refer to the [Responsible Investment Policy](#).

## 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 responsibly 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 25 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](#) and [Securities Trading 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. In late 2017, we launched a new public website with enriched features, design and content (such as product comparison tools, portfolio snapshots and a regular stream of articles and videos on various investment topics), followed by the progressive roll-out of a new 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 investor presentations for our direct investors;
- 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 the last few years we have incrementally built a team of six 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 on the road visiting advisers, to help them stay informed about our investment approach, performance and outlook.

In addition:

- our CIO 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 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, evidenced by the large turnouts including some 700 in Sydney and more than 400 in Melbourne, in 2019. 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 with us and the weight of the undertaking that we have assumed.

## 04

## Advocating for change and engaging with policymakers.

## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

**Submissions on reforming the asset management and financial advice sectors**

The ethical standards and business practices of the financial services industry have been under intense public scrutiny more recently, culminating in the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (“Royal Commission”). Whilst, the existence of malpractice was not news to many, the Royal Commission’s revelations shocked the nation in terms of how widespread and systemic the misconduct was across different segments of the industry.

Independence and transparency are core principles that have guided Platinum’s business since the beginning. In our view, conflicts of interest and a lack of independence and transparency have been at the root of much of the misconduct in the wealth management sector. Conflicted financial services providers prioritising their own interests over the interests of their clients has led to the provision of unsuitable financial product advice and poor client outcomes, as well as excessive and non-transparent charging practices along the supply chain.

Platinum has been vocal in advocating for change in the wealth management sector, making three separate written submissions to the Royal Commission in 2018. These submissions put forward a range of proposals to minimise the potential for conflicts of interest, and included the following:

- **Enforcing structural separation between financial advisers and financial product issuers.** The Royal Commission demonstrated firsthand how vertical integration along the wealth management supply chain, has given rise to complex conflicts of interest, frequently resulting in poor investment outcomes for their clients. The inherent misalignment of incentives within financial services groups that integrate product manufacturing and financial product advice have given rise to systemic conflicts of interest which have proved extremely challenging, if not impossible, to be appropriately managed. Whilst the Royal Commission acknowledged that conflicts of interest should be avoided, we strongly believe that such conflicts can only be avoided through the mandated structural separation of providers of financial product advice and financial product issuers.
- **Banning all conflicted remuneration, including the removal of grandfathered commissions.** The design and regulation of adviser remuneration should be guided by the single objective of ensuring alignment of advisers’ interests with those of their clients. In our submissions, we strongly advocated for the removal of grandfathered commissions and we were pleased to see that the Royal Commission has supported this position.
- **Greater transparency and improved disclosure.** The current requirements governing the disclosure of fees and costs, whilst detailed and prescriptive, have obvious flaws and still fail to ensure that product disclosure documents provide customers with sufficient information to make fully informed choices. Comparability across products is an obstacle. This problem is particularly acute in the context of platforms which rarely make meaningful fees and costs disclosure, whether that be in respect of the cost differential between investing via the platform versus investing in the same underlying product directly, or in respect of fees and costs which are deducted from investors’ balances and paid to related parties. We believe that regulatory reform is needed to ensure that platforms are required to explicitly, consistently and transparently disclose fees and costs charged to investors including, without limitation, any shelf-space fees charged to third party fund managers, any mark-ups on third party managers’ standard fees and any fees and charges paid to their related parties.

- **A centralised and automated settlement facility to increase efficiencies and reduce cost.** With certain categories of investment products (e.g. unlisted managed funds, wraps or platforms), clients often find themselves stuck with financial products that deliver sub-optimal performance and/or are not cost-competitive, but find the switching cost and administrative constraints prohibitive or at least off-putting. In addition to requiring platforms to permit in-specie transfers, we believe that the government and the industry as a whole should do more to improve the portability of investment products, providing investors with greater flexibility and promoting greater competition within the industry. We advocate for the mandatory use of a centralised and automated processing and settlement facility for unlisted managed funds – the equivalent of the CHES system for ASX-listed equity securities, which would improve the portability of these types of financial products, reduce costs and increase operational efficiencies.

After nearly a year of hearings and review of submissions, the Royal Commission released its final report in February 2019. The Royal Commission has been a huge impetus for industry change, which we strongly support.

### **Submissions on the proposal to remove cash refund of franking credits**

To suit different investors' needs, Platinum makes its investment strategies available via a range of different product structures. As an independent investment manager, we are agnostic as to which type of investment vehicles investors select to access our investment capabilities and believe that, all things being equal, the impact of taxation on the investment outcomes for investors in different investment vehicles should be neutral.

As a result, we closely followed the Australian Labor Party's proposal to remove cash refunds of franking credits. Had the proposal been implemented in its then current form, zero or marginal tax rate investors in our LICs, Platinum Capital Limited (ASX: PMC) and Platinum Asia Investments Limited (ASX: PAI) would have been adversely affected, creating an uneven playing field between LICs and managed funds. This is because managed funds distribute 100% of income (which includes trading gains) on a before tax basis, whereas LICs distribute those same trading gains as dividends only after corporate tax has been paid.

We first wrote to the Leader of the Federal Opposition and the Shadow Treasurer in July 2018 after the announcement of the proposal and subsequently made a formal [submission](#) to the House of Representatives Standing Committee on Economics in October 2018, expressing our concerns and urging legislators to either reject the proposal or alternatively, exempt LICs from the proposed franking credit policy.

## 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 and cultural background. To promote workplace diversity, we have adopted a [Diversity Policy](#) in addition to a Workplace Anti-Discrimination & Anti-Harassment Policy. We also have a policy on [Flexible Working Arrangements](#) to assist our employees in achieving the optimum balance between work, family and personal responsibilities.

Platinum has set clear diversity objectives as part of our corporate governance practices, which include:

- building an awareness across the organisation of the value of diversity and inclusion in the workplace;
- building awareness and providing training and mentoring opportunities to employees across the organisation;
- ensuring that remuneration outcomes are equitable;
- exploring flexible working arrangements for staff, where possible; and
- ensuring diversity and inclusion are taken into account as part of Platinum's recruitment and selection practices.

The following statistics (current as of 13 August 2018) reflect Platinum's workplace diversity performance relative to Australia's national average.

	Platinum <sup>1</sup>	Australia national average
Women on the Board	33% (3 of 9)	25.6% <sup>2</sup>
Women in senior executive positions	29% (2 of 7)	16.5% <sup>3</sup>
Women in the workforce	30% (30 of 100)	46.9% <sup>4</sup>
Women in line roles	20% (4 of 20)	29.7% <sup>5</sup>
Women employed on a part-time basis	47% (14 of 30)	21.8% <sup>6</sup>
Workforce over 55 years of age	7% (7 of 100)	16.0% <sup>7</sup>
Workforce made up of people born outside Australia	47% (47 of 100)	56.0% <sup>8</sup>
Workforce made up of people with tertiary qualifications	83% (83 of 100)	31.0% <sup>9</sup>
Workforce made up of people identified as Aboriginal or Torres Strait Islander people	0% (0 of 100)	0.19% <sup>10</sup>

<sup>1</sup> This data is current as at 13 August 2018.

<sup>2</sup> Australian Institute of Company Directors, Board Diversity Statistics, 31 July 2018.

<sup>3</sup> Workplace Gender Equality Agency (WGEA), Gender workplace statistics at a glance, February 2018.

<sup>4</sup> WGEA, Gender workplace statistics at a glance, February 2018.

<sup>5</sup> WGEA, Gender workplace statistics at a glance, February 2018.

<sup>6</sup> WGEA, Gender workplace statistics at a glance, February 2018.

<sup>7</sup> Australian Bureau of Statistics (ABS), Cat. 6291.0.55.001, Labour Force, Australia, Detailed, June 2018.

<sup>8</sup> ABS, Cat. 2071.0, Census of Population and Housing: Reflecting Australia - Stories from the Census, 2016.

<sup>9</sup> ABS, Cat. 6227.0, Education and Work, Australia, May 2017.

<sup>10</sup> ABS, Cat. 2076.0, Census of Population and Housing: Characteristics of Aboriginal and Torres Strait Islander Australians, 2016.

While Platinum has exceeded Australia's national average in regards to female representation on the board and in senior executive positions, we recognise that there is still much room for improvement with respect to our overall female participation rate. Recognising the challenges that staff often face in balancing family life with professional responsibilities, Platinum has been 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. It is worth mentioning that we equally encourage our male employees, including portfolio managers and investment analysts, to utilise parental leave with reasonable flexibility.

Platinum's endeavours to promote diversity and inclusion within the workplace are ongoing. The following table demonstrates the progress we have made over the past year as well as the targets we have set for the next year:

Platinum	As at 11 Aug 2017	As at 13 Aug 2018	Target for Aug 2019
Women on the Board	25% (2 of 8)	33% (3 of 9)	33%
Women in senior executive positions	25% (1 of 4)	29% (2 of 7)	25% (2 of 8)
Women in the workforce	32% (29 of 90)	30% (30 of 100)	30%
Women in line roles	20% (4 of 20)	20% (4 of 20)	20%
Women employed on a part-time basis	41% (12 of 29)	47% (14 of 30)	N/A
Workforce over 55 years of age	6% (5 of 90)	7% (7 of 100)	N/A
Workforce made up of people born outside Australia	49% (44 of 90)	47% (47 of 100)	N/A
Workforce made up of people with tertiary qualifications	86% (77 of 90)	83% (83 of 100)	N/A
Workforce made up of people identified as Aboriginal or Torres Strait Islander people	0% (0 of 90)	0% (0 of 100)	N/A

It is pleasing to see that Platinum's efforts to create an inclusive work culture have led to excellent retention rates. Platinum is about to undergo a Values project that will involve all aspects of the business.

Our portfolio managers have an average of 15 years of investment management industry experience (as at 1 November 2018), with 14 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 six 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.

We routinely pay for employees to undertake training programs that are directly relevant to their role, be they technology boot camps for some of our IT staff, publishing and graphic design courses for members of the communications team, or analytics software workshops for those needing to enhance their data analytics skills. During the past few years, we have also partnered with external coaches to conduct a series of leadership development programs for our line managers to help them become more effective leaders and build stronger teams.

Platinum also has in place a separate scheme to support employees who undertake further education programs in their own time by reimbursing their course fees up to a pre-approved annual limit upon completion of the course. These courses may only be indirectly related to the employee's day-to-day responsibilities at Platinum, but we 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 to 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. These include initiatives such as providing professional ergonomic assessments and training, arranging flexible workstation design and set-up to accommodate individual needs and preferences, as well as ensuring that safety precautions are taken during various renovation projects on office premises.

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. Three years ago Platinum partnered with an experienced third-party professional organisation and launched an Employee Assistance Program (EAP) to provide all of our staff 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 also took the opportunity of the World Mental Health Day in October 2018 to distribute educational resources to help employees be more aware about – and more comfortable discussing – mental health issues.

In addition, the company has a staff-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.

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

The aim of every team should involve making the whole greater than the sum of its parts. To build a high-performing team therefore requires more than just hiring capable individuals. There is something about the connections between the individual members of the team, how they work together and relate to each other that also play an important role in determining whether the team as a whole can achieve its potential.

Last year Platinum partnered with [Gain Line Analytics](#) to take a look at our own team. Gain Line Analytics was co-founded by Ben Darwin, a former Wallaby player who, after retiring from his professional sporting career, developed a statistical method to assess team performance based on the core concept of [cohesion](#). When studying the drivers of success or failure, conventional analysis often focus on talent and leadership, a tendency particularly familiar to the asset management industry where there is an unhelpful obsession with individual star fund managers. We were therefore drawn to Darwin's research insight which emphasises the importance of cohesion, particularly that derived from shared experiences, as a key determinant of team performance. We realised that Gain Line's analytics tools, which were developed using the data from sporting franchises across a range of competitive sports over several decades, had much broader application than sports, and that there were lessons for investment managers too.

Led by Andrew Clifford, the Chief Investment Officer, Platinum had gone on a journey of optimising the structure of the investment team in 2011-2013. The exercise markedly improved the flow of ideas and the cut-through of investment analysis, but it was not an easy message to convey objectively to external stakeholders. We therefore invited Gain Line in to look at our investment team in the way they had analysed hundreds of sporting teams, and the results gave us a more objective confirmation that Platinum's investment team had strong cohesion.

The [conclusions](#) from Gain Line's analysis were pleasing, but not surprising as we had intuitively known – or thought – 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. Three of the four founding members of the investment team from 1994 continue to serve clients today by contributing investment ideas. They also play an active role in mentoring newer members of the team and passing down Platinum's values as well as the craft and know-how. It is true that over the years we have seen analysts come and go – not everyone is suited to our investment style. But we have also had plenty of talent coming through the ranks – all of our portfolio managers have been promoted organically from within the team. Members of the investment team have on average been with the firm for more than seven years while the nine portfolio managers' average tenure with the firm is 15 years (as at 1 November 2018).

The longevity, continuity and cohesion of [our team](#) give us confidence in the sustainability of Platinum's business. These characteristics are not easy to replicate and form the basis for one of our core competitive strengths against our peers. As Gain Line's 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 without shared experiences and working together over lengthy periods of time.

## 06

## Contributing to the community.

## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



11 SUSTAINABLE CITIES AND COMMUNITIES



15 LIFE ON LAND



17 PARTNERSHIPS FOR THE GOALS

As a corporate citizen, Platinum aims to make a contribution to the broader community above and beyond achieving our core mission of providing our clients with responsible investment management services to improve their financial well-being.

### Scholarships

One of the areas that we are passionate about focuses on both education and professionalism in the Australian financial advisory industry. Financial advisers and 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, Platinum and The Neilson Foundation have funded scholarships to students majoring in Financial Planning across a number of Australian universities. Since beginning the scholarships in 2014, \$1.5 million has been awarded to financial planning students jointly by Platinum and The Neilson Foundation. In addition to the financial contribution, Platinum also offers a four-week work experience program to two of each year's scholarship recipients.

### 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 two 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 CIO, Andrew Clifford, and Investment Specialists, Douglas Isles and Julian McCormack, 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, 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 five 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.

## 07

## Being environmentally responsible.

## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



## Climate action

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, though it is currently lacking at both an international and national level, we recognise that corporate and private citizens should all do our part to collectively respond to the challenges of climate change.

Platinum considers the implications of climate change in both our investment and operational decisions. When selecting investments for our portfolios, environmental factors, including climate change risks and clean energy developments, are taken into consideration in our assessment of the competitiveness of the companies in question and their ability to generate sustainable returns for shareholders over the medium and long-term. Please refer to our [Responsible Investment Policy](#) for further detail on how environmental factors are integrated into our investment process.

More directly, in our day-to-day operations, Platinum is committed to running our business 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 listed 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 (reporting on our emissions during FY2011-12). Our physical office premise is located at 7 Macquarie Place, Sydney. The building has a 5-star NABERS energy rating and a 4-star NABERS water rating.

Over the past two years, we have 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 from stationary and mobile combustion of fuels (Scope 1) to indirect emissions from purchased electricity, heat 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>11</sup>

PTM’s total GHG emissions (Scope 2 and 3) over the past three financial years are as follows:

Scope	FY2014-15 (tCO <sub>2</sub> e)	FY2015-16 (tCO <sub>2</sub> e)	FY2016-17 (tCO <sub>2</sub> e)	FY2017-18 (tCO <sub>2</sub> e)
Scope 2	398.5	432.2	318.9	303.9
Scope 3	581.0	494.8	640.4	1,292.3
<b>Total tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e)</b>	<b>979.5</b>	<b>927.0</b>	<b>959.3</b>	<b>1,596.2</b>
GHG emissions offset tCO <sub>2</sub> e – South Pole projects	(979.5)	(927.0)	(959.3)	(2304.0)
<b>Net emissions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(707.8)</b>

<sup>11</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.

Business travels undertaken by our staff continue to be the largest source of GHG emissions from Platinum's operations, accounting for 76% in the past year. These trips are undertaken by our staff for the purposes of investment research, engagement with portfolio companies, and meetings with clients and prospective clients. A significant portion of the GHG emissions from business trips comes from air travel, which is a particularly carbon-intensive mode of transport. However, these trips form a necessary and important part of Platinum's business as a global investment manager. Therefore, rather than reducing our carbon footprint generated by business travel, we seek to offset these emission through the purchase of carbon credits (as outlined below).

Electricity consumption is the second biggest source of our overall GHG emissions, accounting for 19% in the past year. We have sought to reduce our electricity usage over the past year by replacing old lighting equipment with more energy-efficient LED lighting, and replacing old equipment and appliances (such as PCs, printers, scanners, fridges and dishwashers) with new equipment and appliances that have higher energy-efficiency ratings.

Waste and paper usage form a very small part of Platinum's overall carbon footprint and we have already implemented initiatives to further reduce the GHG emissions from these sources, including:

- Providing recycling bins throughout our office premises and raising employee awareness about the need to recycle;
- Encouraging employees to reduce printing and encouraging investors and shareholders to opt for electronic communications; and
- Using reusable cups and glasses throughout the office, for both clients and staff – (Platinum has always had a “no bottled water” policy).

As part of Platinum's ongoing efforts to improve our environmental performance through operational efficiency and responsible consumption, we have set a target of reducing our average per-employee GHG emission by 5% in the next financial year. We will work towards the following environmental targets by seeking to reduce energy consumption through measures such as raising employee awareness, equipment upgrades to achieve higher energy-efficiency, as well as better travel planning.

Platinum is growing its business and expanding into overseas markets, which together with the opening of our London distribution office necessitates frequent local and overseas travel by our employees. These new business initiatives will likely increase our overall carbon emissions in the future. Our target reduction of GHG emissions per employee will use a science-based approach and take into consideration Platinum's historical carbon footprint as well as future operational needs. We believe this target is both realistic and sustainable, and is in line with the generally accepted industry practice. Platinum will work towards the following environmental targets by seeking to reduce energy consumption through measures such as raising employee awareness, equipment upgrades to achieve higher energy-efficiency, as well as better travel planning. We will monitor and reassess our progress each financial year and ensure our business operations are conducted in an environmentally sustainable way. In addition, as part of emission management, Platinum will continue to offset GHG emissions, thus making our business carbon neutral.

Scope	2017-18 Actual Consumption (per employee)	2018-19 Target Consumption (per employee)
Scope 2	3.10	2.95
Scope 3	13.16	12.50
<b>Total (tCO<sub>2</sub>e)</b>	<b>16.26</b>	<b>15.45</b>

## Partnerships for carbon credits

Even though the nature of Platinum's business means that our operations are not carbon intensive, Platinum believes in the importance of climate action for the sustainability of global economic growth and the long-term viability of businesses throughout the world and across industries, including that of our own. We therefore have 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 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 purchased 50% of our total emission offsets in 2017-18 from each of the following two projects:

- **The Gunung Salak Geothermal Project** in Indonesia is an exciting project that taps into the region's vast geothermal potential to generate clean energy. With more than 150 active volcanoes, the archipelago nation accounts for 40% of the world's geothermal reserves but only about 6% of which have been developed. Building geothermal power plants is both costly and risky, particularly when 80% of Indonesia's geothermal locations are within protected national parks.

The Gunung Salak project is located within the Halimun-Salak National Park. It involves the capacity upgrade of three turbines at an existing geothermal power plant from 55 MW to 60 MW, significantly increasing its efficiency. This additional installed capacity of 5 MW allows the plant to generate more energy from the same source of geothermal steam. The plant now delivers an additional 200,000 MW of electricity per year to the Indonesian grid, helping to service the country's growing energy demands with clean electricity while reducing the need for emissions-heavy fossil fuel burning power plants.

The social benefits created by the Gunung Salak project extend beyond emissions reduction and clean energy. It promotes sustainable development and supports regional educational programs, running activities such as book donations at local schools. The project also improves employment opportunities by offering vocational training classes in the garment industry to unemployed local community members, and improves local transport infrastructure through, for example, upgrading roads and bridges.



Source: South Pole [www.southpole.com/publications/0321-project-fact-sheet-gunung-salak-geothermal-energy](http://www.southpole.com/publications/0321-project-fact-sheet-gunung-salak-geothermal-energy)

- **The Huoshui Grouped Small Hydropower Project** consists of multiple small-scale hydropower plants which generate clean renewable electricity to service the remote rural communities in South West China. Despite China's rapid economic growth over the last few decades, the country's wealth and prosperity has been highly unevenly distributed with the eastern coastal cities being the primary beneficiaries while many rural towns and villages in the South Western region of the country remaining poor and under-served in terms of infrastructure and energy needs. China as a whole is also heavily reliant on fossil fuel energy (with some 80% of its energy demands being met by coal-fired power plants), making the country a significant contributor to GHG emissions globally.

China's South West region is mountainous and its numerous river systems provide a powerful resource that can be harnessed to generate electricity. The Huoshui project comprises a group of 95 hydropower plants with a total combined capacity of 215.71 MW, providing South West and Central China with clean energy to help sustainably meet the country's mounting energy demands. These small-scale plants range in capacity from 0.1 to 14 MW, and supply nearly 770,000 MWh of renewable energy to the regional grid on average each year. Their 'run-of-river' design allows them to do so with minimal environmental impact. The cost of developing hydroelectric power plants in remote locations is a significant barrier to construction, and this project would not be possible without the revenue generated by carbon credits.

The Huoshui project not only helps diversify China's energy supply, it also further contributes to raising local communities' living standards by providing employment opportunities in power plant construction and operation and alleviating regional poverty. The project activities also fund social initiatives in cooperation with local organisations, including disaster relief funds and educational programs. Sustainable agricultural workshops create increased income opportunities for local farmers, while the reliable electricity supplied by the project gives remote communities better access to electrical appliances that ameliorate their daily life.

#### SUSTAINABLE DEVELOPMENT GOALS



**192**  
students

involved in educational programs, learning about environmental protection



**240**  
women

employed by the project, representing 30% of total workers



**179**  
people

in surrounding villages partaking in agricultural training programs



**769,396**  
tCO<sub>2</sub>e

mitigated on average each year

For more information on the UN Sustainable Development Goals, please visit: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

**Official name:** Grouped Hydropower Plants in Chongqing, Yunnan, Sichuan and Guizhou Provinces, P.R. China  
**UNFCCC/market/VCS link:** [https://mer.market.com/br-reg/public-project.jsp?project\\_id=100000000000384](https://mer.market.com/br-reg/public-project.jsp?project_id=100000000000384) | **UNFCCC/market/VCS ID:** 0384

**Source:** South Pole [www.southpole.com/projects/small-and-micro-run-of-river-hydro-china](http://www.southpole.com/projects/small-and-micro-run-of-river-hydro-china)