

Platinum Asset Management Limited (ASX: PTM)

Japan Stewardship Code

FINANCIAL YEAR 2022-2023



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Introduction

Platinum Investment Management Limited AFSL 221935, ABN 25 063 565 006 (“Platinum”) is a fully owned subsidiary of Platinum Asset Management Limited, a company listed on the Australian Securities Exchange.

Platinum was founded in 1994 and is an Australian-based global equity asset manager. We focus on one core investment style and asset class (international shares) across a number of investment products. We hereby disclose our compliance status with the Japanese Stewardship Code.

Platinum adopts the “Principles for Responsible Institutional Investors” (also known as the Japanese Stewardship Code) in relation to our investments in publicly listed Japanese equities. We align with the aims of the Code to

“ enhance the medium- to long-term investment return for [our] clients and beneficiaries by improving and fostering the investee companies’ corporate value and sustainable growth through constructive engagement, or purposeful dialogue, based on in-depth knowledge of the companies and their business environment and consideration of sustainability consistent with their investment management strategies. ”

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Principle 1: Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it.

At Platinum, we have a core belief that if we responsibly and successfully look after our clients' money, our business should prosper. This belief has led Platinum to maintain a deep and persistent commitment to responsible and sustainable business practices, including strong governance plus environmental and social awareness. Platinum is a listed entity (PTM ASX) and seeks to apply a pragmatic approach to both how we run our business, and the expectations that we place on the companies in which we invest. Platinum's [Corporate Responsibility and Sustainability Report](#) provides our stakeholders with information on Platinum's corporate activities focused on Our People, Environment, Community and Governance, Advocacy & Transparency including how this work aligns with our investment stewardship activities.

Investment philosophy

Platinum's central endeavour is to deliver good absolute returns for our investors over the medium to long-term by investing in companies that we believe are undervalued. We have a contrarian, long-term investment philosophy. Our detailed fundamental investment research looks beyond short-term market turbulence caused by events of a transient nature to seek out 'unfashionable' companies whose actual worth is greater than the value implied in their present share price.

Platinum's investment philosophy is centred around the idea that stock prices are heavily influenced by our cognitive biases and that, from time to time, this can lead to mispricing, particularly where there is temporary uncertainty or long-term change.

Platinum believes these opportunities are more likely found away from the spotlight and that the best decisions will often be uncomfortable, while noting that the price paid for an investment is a key driver of its return.

We believe that ESG considerations can impact on a company's financial performance and, consequently, a company's valuation. Such issues can have an impact on the environment and/or communities in which a company is operating and may also represent legal, regulatory, operational and/or economic risks and opportunities, potentially impacting a company's financial performance and hence investor returns. Although Platinum has no predetermined view about what it regards to be an ESG consideration, some examples of ESG issues that companies may potentially be facing, include but are not limited to: greenhouse gas emissions, biodiversity, waste management, diversity & inclusion, human rights, cybersecurity, board composition, and remuneration structures.

Our [Responsible Investment Policy](#) outlines our approach to ESG and sustainability 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. incorporate ESG analysis in stock research;
3. engage with our investee companies;
4. utilise our proxy voting rights; and
5. manage our conflicts of interest

Platinum is a signatory to the UN Principles for Responsible Investment ("UN PRI") and thereby has made the commitment that "as an institutional investor, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance issues can affect the performance of investment portfolios".¹

¹ www.unpri.org

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Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

As a responsible entity, trustee, investment manager and SEC registered investment adviser, Platinum owes a fiduciary duty to its clients and investors. We are required to avoid or otherwise manage (including through disclosure) all conflicts or potential conflicts arising between Platinum's interests, and the interests of Platinum's clients and investors.

In accordance with Platinum's [Business Rules of Conduct](#), all employees are required to report any such conflicts or potential conflicts of interest, to Platinum's Chief Compliance Officer.

Furthermore, as a fully independent asset management firm, Platinum does not belong to any corporate group.

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Principle 3: Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

Platinum's investment approach and process

Platinum's portfolios are built via a process of individual stock selection ("bottom-up") – this is neither by macro-economic modelling ("top-down") nor by reference to any index weightings ("benchmarking").

Platinum applies qualitative and quantitative analyses when selecting stocks. Considerations for each company typically include, but are not limited to:

- whether the company's business is competitive and sustainable (including ESG considerations);
- the quality of the company's management;
- the company's ownership structure;
- whether the company is financially sound; and
- the company's valuation metrics.

Such analyses are augmented by observations and studies of broader socio-political and macroeconomic themes and trends. Platinum's investment process generally involves the following key elements:

Idea generation

Platinum's investment team is structured into sectoral/regional teams, generally led by a Portfolio Manager for a relevant sector or regional fund. It is further augmented by the Co-Chief Investment Officers and the Head of Investment as well as the Stewardship, Quantitative and Dealing teams.

The location, organisational structure, range of team meetings and internal infrastructure is all designed to foster a collaborative open approach and to facilitate the free flow of information between analysts with different geographic and industry responsibilities. Platinum believes global context is critical. Generation of themes and ideas in Platinum's investment process is eclectic in nature drawing on a wide range of sources, observations, and market analysis, and benefiting from the cross-pollination of ideas within the team

Quantitative analysis

Platinum uses a range of quantitative techniques, including proprietary models to drive short-lists of companies for more intense analysis. This is helpful in uncovering companies that are not part of the popular narratives of the day. The quant team run a portfolio of best ideas which demonstrates their conviction to the broader team.

Intensive research

Having identified a company as a potential investment, analysts explore it in greater depth, utilising a wide range of resources, which may include material from the company and its competitors, consultation with experts, reports from stockbroking analysts and industry material, and potentially visiting the company, its competitors and its suppliers.

Platinum has developed a proprietary, in-house ESG template. The template collates data and information from a range of resources to guide and inform the analyst on financially material ESG issues (as guided by the SASB materiality map).

The analyst promoting an idea, is responsible for exploring this with their sector/regional team, anyone with appropriate knowledge across the broader team, and any relevant Portfolio Managers. The goal here is to draw on the experience of the team, expose areas of concern and any weaknesses in the case. Often this will result in a vigorous debate, which Platinum believes should lead to better outcomes and reduce the risk of biases.

The investment case should highlight why the mispricing exists and what the analyst expects the company to achieve over the investment horizon. This can vary across industries and regions but would tend to include sales and earnings trajectories. It is this 'roadmap' that allows analysts to track the case as it evolves and continually calibrate this to the price of the shares.

Each Portfolio Manager is responsible for their purchase decisions, supported by the appropriate analyst. The process is not about forming internal consensus but instead seeks to empower decision makers to engage with the market and explore differences in opinion with the intention of deepening collective understanding of investment cases.

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Principle 4: Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

Platinum established a Stewardship Team in 2023. The Stewardship team works closely with the Investment team to strengthen our approach to environmental, social and corporate governance considerations in our investment process and how we constructively engage with investee and potential investee companies on their ESG journeys.

Our approach to responsible investment is primarily designed to focus on engagement with our investee companies. We understand that value creation by companies can take time and we look to support companies as they make progress on their strategies, including those relating to ESG and sustainability.

Platinum also has a number of long-standing relationships with key decision makers in management teams as a result of our long holding periods and/or the size of positions we take. We understand that companies behave differently depending on multiple factors including stage of development, size of workforce, environmental footprint and geographic exposure. As such, we do not adopt a one-size-fits-all approach and we tailor our engagements to the individual company.

Company engagements are typically conducted by the responsible analyst plus other members of that team supported by our stewardship team. Our analysts will generally meet (either in person or virtually) with members of a company's management team both before we initiate a position in the company and periodically after we have invested in it.

Platinum has recently developed a more targeted engagement strategy that focuses engagement with companies on financially material ESG issues (as guided by the by the SASB² materiality map) as well as ESG issues that are aligned with the SDG pillars of our corporate strategy i.e. gender equality, climate action, decent work and economic growth, and peace, justice and strong institutions.

This engagement strategy has been developed for a "priority list" of companies with the aim of contributing to demonstrable ESG outcomes. The priority list³ is comprised of companies based on a number of criteria including but not limited to companies:

- Where we have a substantial holding;
- That we have held within the funds for an extended period of time; and/or
- That represent a significant weighting within our funds.

To support this work, we have developed a proprietary in-house engagement reporting template which enables us to record, set objectives and report on the progress of company engagements and subsequent potential engagement outcomes over time.

² Sustainability Accounting Standards Board

³ As at 1 September 2023, the priority list for FY2023-2024 comprised 75 companies accounting for ~50% of Platinum's funds under management.

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Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.

Proxy voting is a key tool that is consistently available to fund managers and is an important responsibility we carry out on behalf of our investors. We view proxy voting as a key component of our broader investment and engagement objectives. Voting strengthens our ability to engage and supports the conversations we are having with management teams and boards.

At Platinum, voting decisions are made on a case by case basis. Given that taking a long position in a company generally reflects our alignment with and confidence in the company's management, we will generally vote with management unless we hold a contrary view on a particular motion.

Platinum does not participate in protest voting and will only vote with the intention of having the motion carried. As such, unless we intend for a particular motion to be defeated, we will generally vote in favour of the motion, but may also abstain from voting on company formalities.

We will vote on significant matters, such as proposed share buy-backs, mergers and acquisitions, significant asset divestments and business reorganisations, and will exercise our voting rights in the best interests of our investors after careful consideration of all available information.

Where deemed appropriate, we may, on occasion, consult with external proxy advisors on significant resolutions. However, the ultimate decision lies with Platinum's investment team.

Platinum's proxy voting activity is disclosed on our [website](#).

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Principle 6: Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

When requested by our institutional clients, we provide stewardship and engagement documentation which include details of our discussions with portfolio companies and any other relevant stewardship practices.

As stated in Principle 5, the results of our proxy voting activity are disclosed on our website.

Platinum's [Corporate Responsibility and Sustainability Report](#) provides our stakeholders, including clients and beneficiaries, with information on Platinum's corporate activities focused on Our People, Environment, Community and Governance, Advocacy & Transparency including how this work aligns with our investment stewardship activities.

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Principle 7: To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.

Platinum established a Stewardship Team in 2023. The Stewardship team works closely with the Investment team to strengthen our approach to environmental, social and corporate governance considerations in our investment process and how we constructively engage with investee and potential investee companies on their ESG journeys.

The Stewardship Team conducts analyst and portfolio manager training and sustainability / ESG topics are included in this program. This includes training on specific sustainability topics, such as modern slavery, as well as updates by the Stewardship Team on major sustainability themes and Platinum's sustainability strategy as appropriate. All our staff have access to the UN Global Compact Academy learning platform which provides online courses on a range of sustainability topics.

The Stewardship Team regularly participate in external seminars and meetings to understand sustainability trends and best practice and gather suggestions for improvements in consideration of sustainability in accordance with Platinum's investment strategy and our broader corporate sustainability strategy.

Platinum also has a Stewardship Committee, comprised of senior representatives from our Legal, Compliance, Finance, Investment and Investment Specialist teams. The Stewardship Committee is currently chaired by Platinum Asset Management's Head of Stewardship and is responsible for overseeing the implementation of ESG corporate initiatives across Platinum including the appropriate resourcing of these initiatives.

Platinum became a participant in the UN Global Compact Network Australia in 2023 to further support our corporate sustainability and investment stewardship initiatives.

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Principle 8: Service providers for institutional investors should endeavour to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfil their stewardship responsibilities.

Platinum is not a service provider for institutional investors and so is not subject to this principle.

