STRICTLY CONFIDENTIAL | This report is for the period 1 October 2022 to 30 September 2023 ("Reporting Period").

ADAMANTEM CAPITAL

RESPONSIBLE INVESTING AND IMPACT INVESTING REPORT

NOVEMBER 2023

Foreword

We are pleased to present this year's Responsible Investing and Impact Investing Report (Report), alongside our Climate Action Report.

As with previous years, we have seen an acceleration in the significance of understanding and actively managing environmental, social and governance (ESG) risks and opportunities in investments. These are no longer confined to ethical considerations but continue to emerge as drivers of financial performance.

Several key developments have underscored the importance of integrating ESG considerations into our investment strategy. On the global front, the release of the inaugural International Sustainability Standards Board standards has set a new benchmark for ESG disclosure and reporting. Domestically, we have seen Federal Treasury consultations on mandatory climate disclosure reporting, indicating the growing recognition of climate change as a systemic risk for all businesses. Beyond climate, Australian regulatory reviews are underway across various ESG issues, ranging from gender pay gap reporting to modern slavery and privacy reforms.

Our commitment to responsible investing continues to evolve and deepen. During the Reporting Period, we have had a particularly strong focus on strengthening our stewardship framework and data collection across the portfolio to support our investee companies to better manage ESG risks and identify ESG opportunities. These efforts are designed to not only meet evolving regulatory requirements but, more importantly, to support the delivery of financial returns for our investors. This Report contains two case studies which demonstrate how we increasingly seek to link our ESG strategy to each portfolio company's broader transformation agenda.

2023 also saw us launch our impact investing approach, which represents an additional element of our strategy to deliver outstanding financial returns alongside positive environmental and social outcomes. We believe there is an important distinction between responsible investing and impact investing and we explore this in this Report.

As we look ahead, we remain committed to continually improving our responsible investing and impact investing practices, exploring innovative approaches and strengthening our partnership with our investors to generate long-term value and contribute positively to the broader global community.



Adamantem's ambition is to deliver outstanding financial returns for our investors, including through generating environmental and social outcomes. During the Reporting Period we have continued to focus on the integration of our responsible investing approach to make better investment decisions and create value in our portfolio companies. Another significant development this year was the launch of our first impact investing strategy, The Environmental Opportunities Fund.



ROB KOCZKAR
Managing Director



ANTHONY KERWICK
Managing Director



NATASHA MORRIS
Managing Director, Responsibility and Impact

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All Adamantem's investments fall within our responsible investing approach, however a subset of those investments are also specifically designated as impact investments. As a result, this Report outlines our responsible investing approach and activities separately from our impact investing approach and activities. It concludes with a section explaining how we engage within our own business and the broader investment community in relation to both investing approaches.



In the spirit of reconciliation Adamantem acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Our approach

HOW ADAMANTEM DEFINES RESPONSIBLE INVESTING AND IMPACT INVESTING

All our investments fall within our responsible investing approach, and a subset of our investments are also impact investments. We believe there are very important distinctions between the two approaches.

RESPONSIBLE INVESTING

Responsible investments integrate ESG considerations into the investment decision-making process and stewardship activities. In 100% of our investments we:

- Evaluate ESG risks and opportunities, and their potential financial impacts, in our Investment Committee process
- Actively seek to improve ESG risk management and create value through ESG strategies within portfolio companies during our ownership period

Responsible investing focuses on "how" a company operates, providing an opportunity for companies to differentiate themselves from their peers. We believe that:

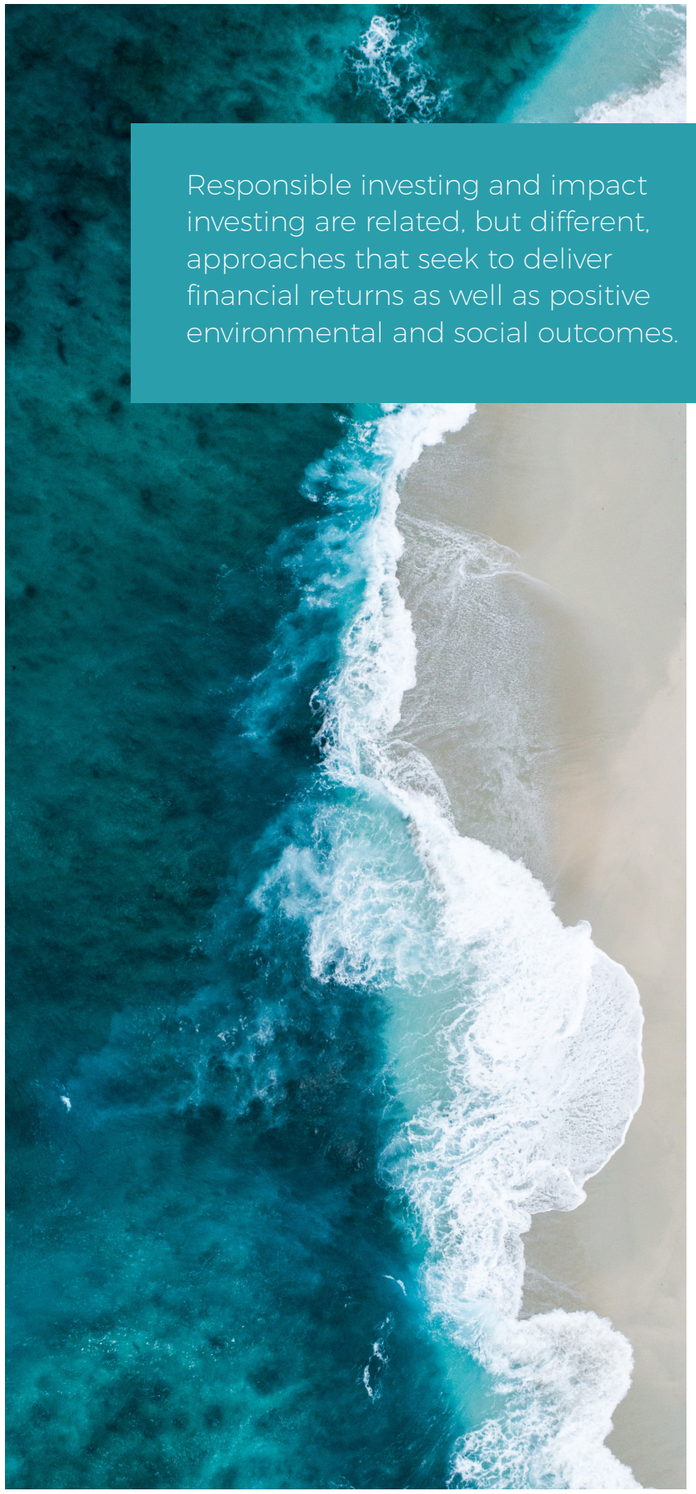
- comprehensively assessing ESG risk and value creation opportunities in due diligence enables us to make better investment decisions
- enhancing the ESG performance of our portfolio companies during our ownership period creates more valuable companies with broader exit opportunities.

IMPACT INVESTING

Impact investments are made with the explicit intention to generate measurable positive social and/or environmental impact, in addition to financial returns, typically through the core products and services provided by the investee. In our Impact Investments we not only integrate ESG considerations into the investment decision-making process and stewardship activities, we additionally:

- Assess the alignment of the investee's core products and services with the Sustainable Development Goals, and other key dimensions of impact, during the Investment Committee process. Our impact assessment approach is set out in more detail on pages 14 and 15
- Actively seek to generate additional, measurable positive impact through the investee's core products and services during our ownership period

Impact investing focuses on "what" a company provides, where opportunities exist for certain industry segments to grow and outperform through providing goods and services aligned to solving broader environmental and social challenges.



Responsible investing and impact investing are related, but different, approaches that seek to deliver financial returns as well as positive environmental and social outcomes.

our approach

HOW ADAMANTEM INTEGRATES A RESPONSIBLE INVESTING AND IMPACT INVESTING APPROACH

The differences between how we integrate these two approaches throughout the investment lifecycle are set out in Diagram 1 below.

Pages 6–13 of this Report describes our responsible investing progress during the Reporting Period. Pages 14–17 of this Report introduces our approach to impact investing, which we launched in 2022. We made our first impact investment during the Reporting Period.

Diagram 1: How Adamantem integrates responsible investing considerations and impact investing considerations in its investment decision-making process. The impact investing approach applies only to those investments specifically designated as impact investments.

	Due Diligence and Investment	Stewardship	Exit
Responsible Investing Approach (applies to 100% of our investments)	**ESG risks and opportunities considered by Investment Committee**	**ESG risk management program to reduce operating risk and protect portfolio company value**	**Systematically incorporate material ESG considerations into exit preparations**
	Full external ESG due diligence and climate assessment at later stages of Investment Committee process	**ESG value creation strategies based on key stakeholder considerations**	
Impact Investing Approach (applies additionally to a subset of our responsible investments)	**Impact thesis and impact assessment integrated in Investment Committee process**	**Impact creation plan with key impact metrics linked to impact thesis**	**Include impact in exit planning**
	Full impact due diligence and development of an impact creation plan at later stages of Investment Committee process	**Monitor and manage impact risks**	
	Better investment decisions	**More valuable companies**	**Financial returns, environmental and social outcomes**

Our portfolio

Our investment portfolio is comprised of a diverse set of companies across the consumer, healthcare, business services and circular economy sectors in Australia and New Zealand. Our responsible investing approach takes into account systemic sustainability issues relevant to all businesses, as well as specific ESG issues which are material to the sectors and businesses in which we invest.

Heritage Lifecare

Aged-care and retirement operator

DATE OF INITIAL INVESTMENT:
2017

HEADQUARTERS:
Wellington, New Zealand

WORKFORCE[1]:
2,293

HYGAIN FEEDING CHAMPIONS SINCE 1983

Manufacturer of premium horse feed and supplements

DATE OF INITIAL INVESTMENT:
2017

HEADQUARTERS:
Officer, Victoria

WORKFORCE:
128

zenitas

Community-based healthcare business specialising in aged and disability care

DATE OF INITIAL INVESTMENT:
2018

HEADQUARTERS:
Melbourne, Victoria

WORKFORCE:
1,311

Hellers NZ's Butcher

Producer of processed and ready to eat meats

DATE OF INITIAL INVESTMENT:
2019

HEADQUARTERS:
Christchurch, New Zealand

WORKFORCE:
793

LEGEND
THE POWER TO TRANSFORM

Engineering solutions provider in electrical, power, rail, mining, IT, semiconductor, medical and defence industries

DATE OF INITIAL INVESTMENT:
2019

HEADQUARTERS:
Hendon, South Australia

WORKFORCE:
270

climate friendly

Australian land-based carbon offsets developer

DATE OF INITIAL INVESTMENT:
2021

HEADQUARTERS:
Sydney, New South Wales

WORKFORCE:
77

LINEN SERVICES AUSTRALIA

Provider of linen and garment laundry services to the healthcare, aged care, manufacturing, hospitality and food industries

DATE OF INITIAL INVESTMENT:
2021

HEADQUARTERS:
Truganina, Victoria

WORKFORCE:
1,683

NAK HAIR
AUSTRALIA

Australian professional haircare company

DATE OF INITIAL INVESTMENT:
2022

HEADQUARTERS:
Eagle Farm, Queensland

WORKFORCE[1]:
83

Advara HeartCare

A national provider of cardiology services, providing diagnostic services and a network of specialists to treat cardiovascular disease

DATE OF INITIAL INVESTMENT:
2022

HEADQUARTERS:
Paddington, Queensland

WORKFORCE:
607

RETAIL ZOO

Australian food business in the fast refreshment and casual dining categories, with a range of retail brands including Betty's Burgers and Boost

DATE OF INITIAL INVESTMENT:
2023

HEADQUARTERS:
Clayton, Victoria

WORKFORCE:
411[2]

PAC TRADING

National distributor of sustainable food packaging and serviceware solutions

DATE OF INITIAL INVESTMENT:
2023

HEADQUARTERS:
Sydney, New South Wales

WORKFORCE:
42

[1] Workforce figures in this Section comprise permanent full-time employees and permanent part-time employees except for PAC Trading which only comprises permanent full-time employees.
[2] This does not include workforce in the franchised businesses in Retail Zoo's network.

Responsible Investing

OUR INVESTMENT PROCESS

2023 HIGHLIGHTS

We continue to integrate ESG risk and opportunity evaluation in our Investment Committee process, as set out in Diagram 1 above.

During the Reporting Period, we evolved our approach in the following ways:

ESG DUE DILIGENCE LEAD BY DEDICATED INTERNAL EXPERT

All ESG, climate and nature diligence on potential investments during the Reporting Period was led by a member of the Responsibility and Impact team, reporting directly to the lead investment team Managing Director on each transaction.

This approach allowed us to provide in depth ESG transactional training to the broader investment team and facilitate a consistent approach to identifying and analysing key ESG investment risks and opportunities. Over time we will transition this function to within the core investment team as part of our approach to embedding ESG expertise within all aspects of our business.

DEVELOPMENT OF AN EARLY STAGE FRAMEWORK TO IDENTIFY NATURE RISKS

During the Reporting Period, we developed an in-house framework for considering nature dependencies in our investment decision-making process. The framework takes into account aspects of the various beta versions of the Taskforce on Nature-Related Financial Disclosures released during the Reporting Period.

We acknowledge that our approach to nature is in its very earliest stages and will require significant refinement over the coming years.

A summary of our approach and the findings of some of our nature analysis is included in our Climate Action Report.

DEVELOPED EXPERTISE TO CONDUCT IN-HOUSE CLIMATE ANALYSIS

We have been incorporating scenario-based climate risk and opportunity analysis as a standard part of our investment decision-making process since 2020. We have done this with the support of an expert climate consultancy.

During the Reporting Period, we developed an approach to enable us to carry out an in-house qualitative climate risk and opportunity assessment on transactions where we consider this appropriate. Building this capacity in-house enhances our ability to better integrate climate considerations into our investment decision making process.



We believe that integrating ESG into our investment decision making process leads to better investment decisions, enabling us to better assess and price risk and identify innovation opportunities in a world with rising sustainability expectations.

CASE STUDIES OF ESG ISSUES CONSIDERED IN DUE DILIGENCE IN THE REPORTING PERIOD

The diagrams below illustrate the broad range of ESG risks and opportunities that were the subject of due diligence on two of the investments made during the Reporting Period.

Diagram 2: Retail Zoo ESG due diligence considerations



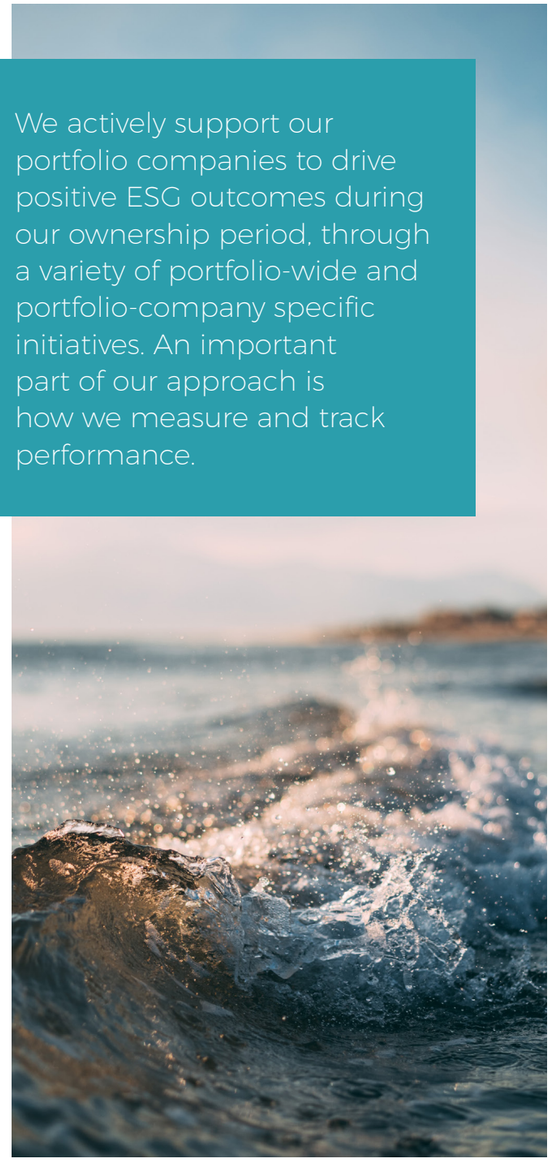
Diagram 3: PAC Trading ESG due diligence considerations (this does not include impact due diligence considerations)



Responsible Investing

OUR STEWARDSHIP PROCESS

We actively support our portfolio companies to drive positive ESG outcomes during our ownership period, through a variety of portfolio-wide and portfolio-company specific initiatives. An important part of our approach is how we measure and track performance.



We transition our ESG due diligence findings into the stewardship phase through the development of an ESG Action Plan, which is integrated into our onboarding process. This ESG Action Plan takes into account:

- our ESG due diligence findings
- a standard set of portfolio-wide onboarding deliverables, including, for example, commencing measurement of Scope 1 and 2 Emissions

During the Reporting Period, we also integrated an ESG strategy session into our onboarding process. The purpose of this session is for Adamantem to work closely with each senior management team earlier during our hold period to identify the ESG issues of most significance to the company's key stakeholders, to provide a basis for developing a value focused ESG strategy as part of its transformation agenda

Following the onboarding phase, ESG deliverables are included within each portfolio company's annual Board calendars and are reviewed regularly through our internal quarterly portfolio company review process. These ESG deliverables are comprised of:

- A set of Baseline ESG Expectations which we expect all portfolio companies to address over the course of our ownership period[3], designed to reduce operating risk within each portfolio company
- Initiatives to be delivered as part of the portfolio company's value focused ESG strategy

Adamantem provides support to its portfolio companies for these deliverables. For example, Adamantem:

- has developed guidance materials across a range of topics, including gender pay gap analysis, modern slavery assessments, personal data audits and cyber incident response plans
- researched and provided portfolio-wide recommendations on carbon accounting software platforms and independent whistleblowing hotline services
- provides ESG training sessions. Most recently we held a CEO and CFO offsite day in September 2023 for all portfolio companies, which included a session on ESG issues

Diagram 4: Adamantem's approach to ESG integration in our ownership period

Onboarding stage	Post onboarding ownership	
ESG Action Plan	**Reduce operating risk:** Progress maturity of ESG risk management practices through ESG Baseline Expectations	**Create value:** Develop and implement strategic ESG initiatives
ESG Strategy Session		

[3] This comprises a set of deliverables (both one off and annual) across various E, S and G related topics, standard across our portfolio. This is reviewed and updated on a regular basis.

Responsible Investing



MEASURING PORTFOLIO COMPANY ESG PERFORMANCE

We believe it is important to monitor our portfolio companies' ESG progress during our ownership. During the Reporting Period, we have significantly enhanced our approach to measuring the ESG maturity of our portfolio companies, with the introduction of two new frameworks.

ESG Integration Maturity Framework

This proprietary framework uses a four stage scale to assess each company's progress in integrating our Baseline ESG Expectations into its overall governance processes. During our ownership period we expect portfolio companies to mature along the scale. Diagram 5 sets out the percentage of portfolio companies within each band of the scale as at the end of the Reporting Period.

ESG Metrics Reporting Tool

We expanded our ESG Metrics Reporting Tool this year to cover a broader range of E, S and G metrics, now producing over 100 output indicators, to provide a more wholistic view of each company's ESG performance. Portfolio companies will complete this during onboarding and then annually, providing us with a time series of performance data over our hold period to measure ESG improvement. A snapshot of some key metrics from the 2023 portfolio company reports, aggregated to a whole of portfolio level, is set out in Table 1.

Diagram 5: Adamantem's proprietary ESG integration maturity framework

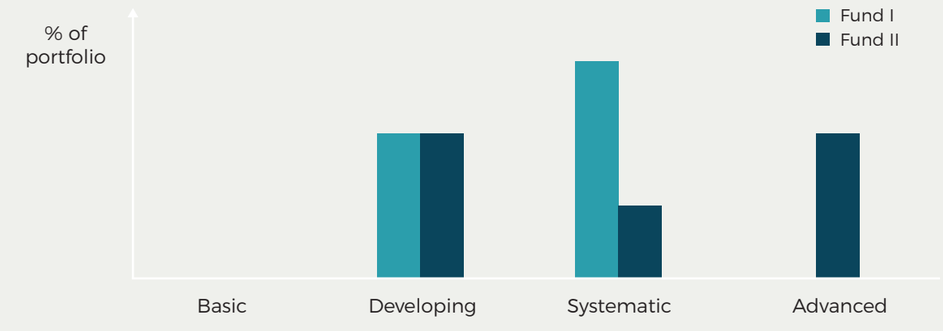


Table 1: Snapshot of ESG metrics from 2023 ESG Metrics Reporting Tool, aggregated across Fund I and Fund II[4]

ENVIRONMENTAL SUSTAINABILITY

Through our "E" initiatives we seek to reduce impact on the natural environment and contribute to climate solutions to avoid the deterioration of natural resources. We believe these initiatives can lower our portfolio companies' exposure to climate risk and provide a competitive advantage as the world transitions to a low carbon economy.

SCOPE 1 AND 2 EMISSIONS

82,167 tCO2e

of Scope 1 and 2 Emissions across our portfolio[5]

EMISSIONS REDUCTION PATHWAYS

80%

of portfolio companies have identified emissions reduction pathways

RENEWABLE ENERGY GENERATION

642,883 kWh

of renewable energy generated across our portfolio

CLIMATE RISK ASSESSMENTS

60%

of portfolio companies have had a climate risk assessment conducted[6]

BIODIVERSITY HOTSPOTS

14

operating sites located in a Key Biodiversity Area[7]

SUSTAINABLE PACKAGING

60%

of portfolio companies with material packaging exposures are a member of the Australian Packaging Covenant Organisation

SOCIAL INCLUSION

Through our "S" initiatives we seek to increase the opportunities for positive social and economic inclusion and engagement across all stakeholder groups in the community. We believe these initiatives can help our portfolio companies attract and retain talent, enhance productivity and innovative thinking and create stronger client connections.

GENDER DIVERSITY OF CEOS

45%

of portfolio company CEOs are female

GENDER DIVERSITY OF SLTS

48%

of senior leadership team members across the portfolio are female

EMPLOYEE ENGAGEMENT

90%

of portfolio companies have carried out an employee engagement survey in the last 12 months

GENDER PAY GAP

59% to –1%

is the range of gender pay gaps across our portfolio

MODERN SLAVERY

70%

of our portfolio companies are required to report under the *Modern Slavery Act 2018* (Cth)

RECONCILIATION ACTION PLANS

25%

of our portfolio companies have a Reconciliation Action Plan[8]

GOVERNANCE AND TRANSPARENCY

Through our "G" initiatives we seek to create enhanced relationships of trust with all stakeholders. We believe these initiatives can help our portfolio companies to improve the quality and integrity of their operations, mitigate the financial impacts of operational disruption and protect and enhance their reputation.

WHISTLEBLOWING HOTLINE

80%

of portfolio companies have an independent whistleblowing hotline

HUMAN RIGHTS POLICY

30%

of portfolio companies have a human rights policy

CYBER INCIDENTS

1

cyber security incident across the portfolio

Our portfolio companies were able to complete 80% of the requested inputs into the 2023 ESG Metrics Reporting Tool

Aggregated and averaged across all portfolio companies who completed the ESG Metrics Reporting Tool.

4 These figures do not include PAC Trading.
5 Total Scope 1 and 2 Emissions of Fund I and Fund II portfolio companies, not adjusted for Adamantem's ownership. See Climate Action Report for more detailed emissions reporting.
6 This includes due diligence phase climate assessments carried out by Adamantem. See Climate Action Report for more detail.
7 See Climate Action Report for methodology used.
8 Excludes NZ-headquartered portfolio companies.

Case study

HYGAIN

Hygain is a leading equine nutrition company, manufacturing premium horse feed and supplements for global equine markets.

With 70+ feed and supplement products across its Hygain, Mitavite and Arenus brands, it holds the market leading position in the APAC region, and exports to a global customer base across the Middle East, Asia, Europe and North America.

Hygain has implemented a range of ESG initiatives to support its mission to *"combine passion, knowledge and innovations with the highest quality natural ingredients, to deliver leading edge nutrition solutions that improve the wellbeing and performance of horses"*.

CUSTOMER AND MISSION-FOCUSED BRANDING

During Adamantem's ownership period, Hygain has evolved from a specialist boutique racing feed provider into a globally recognised equine nutrition brand across racing, breeding, equestrian and recreation. Hygain's customer base includes top trainers, leading studs, equestrian riders and horse owners, each of whom are increasingly focused on horse diet as a key driver of horse health, wellbeing and performance.

Hygain operates a "high touch" relationship-driven sales model, with frequent dialogue at end customer level in a market where trust and reputation are key drivers of growth. Key to Hygain's success has been its approach to generating long-term customer relationships and brand credibility:

- **The growth of a sales team tailored to customer needs and preferences:** Hygain employs the largest equine nutrition sales team in Australasia, with 14 sales representatives across the region. As this sales team has grown, Hygain has deliberately ensured its sales team composition reflects its growing female customer base, with the sales team currently c.80% female. This is supported by Hygain's commitment to diversity and inclusion, with a Diversity and Inclusion Committee established to oversee the development and implementation of Hygain's diversity and inclusion strategy, and 40:40:20 gender diversity targets at the senior leadership team level.
- **The development of a recognised and trusted brand centred around animal welfare:** Hygain has developed a number of approaches to building brand credibility and customer confidence. For example, Hygain's proprietary online diet analysis platform, Nutrikey, provides horse owners with a bespoke nutrition program from a qualified nutrition expert for free, creating a direct customer connection centred on optimising horse wellbeing. Hygain's new product development process also focusses on solutions that address common afflictions of performance horses, particularly in relation to the bone strength of young horses and digestive issues. Hygain's broader community animal welfare initiatives reinforce the brand's commitment to equine welfare and resonate strongly with its customer base. For example:
  - Hygain supports the longer-term wellbeing of retired race horses through its contributions to Off The Track, a program which facilitates the placement of retired racehorses in second careers. Hygain contributes complimentary nutrition advice and the most appropriate feeds and supplements on a subsidised basis.
  - Hygain is well placed to respond to emergency situations to support horse wellbeing. For example, Hygain provided over 75 tonnes of free feed to stranded horses in front-line evacuation centres during the 2019 Victorian bushfires.

180% GROWTH IN REVENUE
SINCE ADAMANTEM INVESTMENT*

HYGAIN HAS PREMIUM BRAND POSITIONING WITH
90%+
SPONTANEOUS BRAND AWARENESS IN AUSTRALIA



INVESTING FOR SUSTAINABLE GROWTH

Hygain operates two end to end equine-only manufacturing facilities. Hygain has deliberately positioned itself for long-term growth, with approximately 60% spare capacity available across its facilities. Hygain has future proofed its facilities through investing in environmental sustainability initiatives designed to support a longer-term reduction in greenhouse gas emissions from Hygain's direct operations:

- The installation of solar panels at the Victorian manufacturing facility, delivering 25-30% of the facility's daily power requirements and reducing emissions by 472tCO2e in FY23
- Plans to install a further 200+ kwH of solar generation at the New South Wales manufacturing facility, estimated to deliver an additional 200tCO2e of annual emissions reduction

Alongside these environmental initiatives, Hygain has developed a strong manufacturing framework with an emphasis on workplace safety and quality control. The introduction of a safety technology platform has reduced health and safety incidents, with a ~60% decrease in reported actions from FY21 to FY23.

All Hygain's manufacturing processes are fully certified under Hazard Analysis and Critical Control Point (HACCP) food safety program standards and Feedsafe, a program aimed at increasing the commitment of the Australian stock feed industry to quality assurance and risk mitigation in the manufacture and use of animal feeds.

* November 2017–June 2023, including through acquisitions.

Case study

LINEN SERVICES AUSTRALIA

Linen Services Australia (LSA) is an Australian and New Zealand market leader in outsourced laundry services, working with ~3,500 customers across the healthcare, aged care, manufacturing, hospitality and food industries. It processes more than 100,000 tonnes of laundry annually, across 12 plants.



ESG INITIATIVES WITHIN LSA'S BROADER TRANSFORMATION AGENDA

During diligence Adamantem identified a number of transformation opportunities, including:

- **Driving operational efficiencies:** with tightening margins across the sector in general, LSA has focused on managing labour costs, improving equipment efficiency and technology adoption.
- **Driving revenue growth from key customer sectors:** in particular in the healthcare sector, which represents the majority of LSA's revenue.

LSA's ESG initiatives across employee attraction, wellbeing and safety, as well as its focus on enhancing the energy efficiency of its operations, have contributed to sustained margins during Adamantem's ownership despite cost inflation, particularly in relation to labour and utilities. A strong focus on understanding and responding to customer sustainability preferences has seen LSA grow revenue from new circular economy solutions for its healthcare customers.

With a wide existing range of trading and transaction multiples in the commercial laundries sector, Adamantem believes that sustainability performance will increasingly become a relevant consideration in shaping exit multiples.

DRIVING OPERATIONAL EFFICIENCIES

Employee attraction, wellbeing and safety

Under Adamantem's ownership LSA has continuously focused on enhancing production demand planning, scheduling and rostering to improve site productivity. During an era of post-COVID labour shortages, LSA implemented a range of initiatives to reduce the level of agency and casualisation in its workforce and enhance the recruitment and retention of permanent employees.

During 2022, LSA re-designed a streamlined recruitment process to focus on talent sourcing and minimise vacancy rates. Alongside this, LSA has sought to create a culture of diversity and inclusion, with strategies across gender, Indigenous engagement, migrant workers, people with a disability and disadvantaged groups. As at 30 June 2023, 52% of LSA's manager-level employees were female, with a gender pay gap of 6% (below the 2022 Workplace Gender Equality Agency manufacturing industry average of 12.3%).

Creating a safe working environment is critical in LSA, where employees routinely carry out manual handling and machinery operation. Safety performance, leadership and culture is a focus across all parts of LSA's business, with lag and lead indicators monitored at an individual plant, state, country and group level.

During FY23, LSA implemented a range of safety initiatives focused on increased employee awareness, early injury intervention programs, injury management and return to work procedures, including the launch of its "Safety First, Zero Harm" refresh program. As a result, LSA has maintained significant improvement in its lag indicators in FY23:

- Rolling 12 month lost time injury frequency rate was 6% below the targeted level
- Rolling 12 month total reportable injury frequency rate was 37% below the targeted level, and 19% lower than in FY22.

LSA's improved safety performance and claims management processes has seen a significant insurance premium reduction across Australia (prior to Scheme rate changes in NSW, Vic and SA).

LSA's workers compensation risk re-rating has resulted in over $840,000 reduction in its annual workcover insurance costs on a like for like year on year comparison.

Case study

LINEN SERVICES AUSTRALIA

LSA has implemented systems to achieve:

- a 10% reduction in casual participation rate
- a >50% reduction in agency spend
- a reduction in month end production vacancies to less than 10 out of over 1,200 production roles across Australia.



Enhanced environmental sustainability of LSA's operations

LSA has continued to implement Scope 1 and Scope 2 emissions reduction initiatives, identified in 2022, including receiving four NSW Government grants for various emissions reduction projects in NSW. As a result of prioritising initiatives at sites with the highest energy intensity, LSA has seen its emissions intensity decrease c. 26.5% from its FY21 baseline year, despite an increase in volumes since Adamantem's investment.

In June 2023 LSA commissioned its new garment facility in Truganina, Victoria, resulting in the closure of its Northcote site, which was one of LSA's least energy efficient sites. In the new facility, LSA invested in the latest production and energy efficiency and water saving technology, and included 100kW of solar generation capacity. As the new site only reached full production in the final two months of FY23, LSA expects to see a full year emissions reduction impact in its FY24 measurements.

In FY23, LSA consumed 1,123,939 m3 of water in its operations. LSA is committed to managing this scarce and valuable resource and all laundry facilities have extensive water re-use technology, estimated to save over 400,000 m3 of water per annum across LSA's facilities.

MEETING CUSTOMERS' SUSTAINABILITY EXPECTATIONS

Healthcare customers represent over 65% of LSA's FY23 revenue. With a growing focus on the environmental footprint in the sector, LSA works alongside clinical staff, infection control and quality managers to create high quality and cost-effective sustainable solutions for its healthcare customers.

As part of its focus on developing new and innovative products, in 2021 LSA committed to a process of research, development and investment to design a range of reusable PPE gowns, as an alternative to single use disposable gowns. LSA worked with a manufacturing partner to design its own product, a Level 2 and 3 barrier isolation gown (a non-surgical gown for use by clinical staff), which can be reused up to 100 times. Switching to a re-suable product can achieve significant cost savings for the customer, on a total cost per unit replacement basis, as well as by reducing medical waste disposal costs and reducing actual usage over a disposable product.

LSA is currently supplying these gowns to customers across all Australian mainland States, with plans to roll-out to more customers and sites in every State, and develop further products and extend the range of re-usable products to assist customers in meeting their sustainability targets.

Impact investing[9]

OUR IMPACT INVESTING FRAMEWORK

All of our impact investments are assessed and monitored using our proprietary Impact Management Framework.

Our Impact Management Framework provides a standardised methodology for assessing, measuring and communicating the environmental and / or social impact of investments. It enables us to allocate capital to industries and companies with high growth potential based on their ability to positively contribute to solving economy-wide environmental and social challenges, and delivering positive impact outcomes alongside financial returns during our ownership period. Our framework was developed during 2022, with support from an external impact specialist.

HOW DO WE ASSESS AND MEASURE IMPACT?

During the due diligence phase for each investment we develop an Impact Thesis which considers the following:

Diagram 6: Developing an impact thesis

CHALLENGE

What is the environmental or social challenge the business is trying to solve?

CONTRIBUTION

How do the business's products or services contribute to positive impact?

How will Adamantem contribute to positive impact during its ownership?

IMPACT

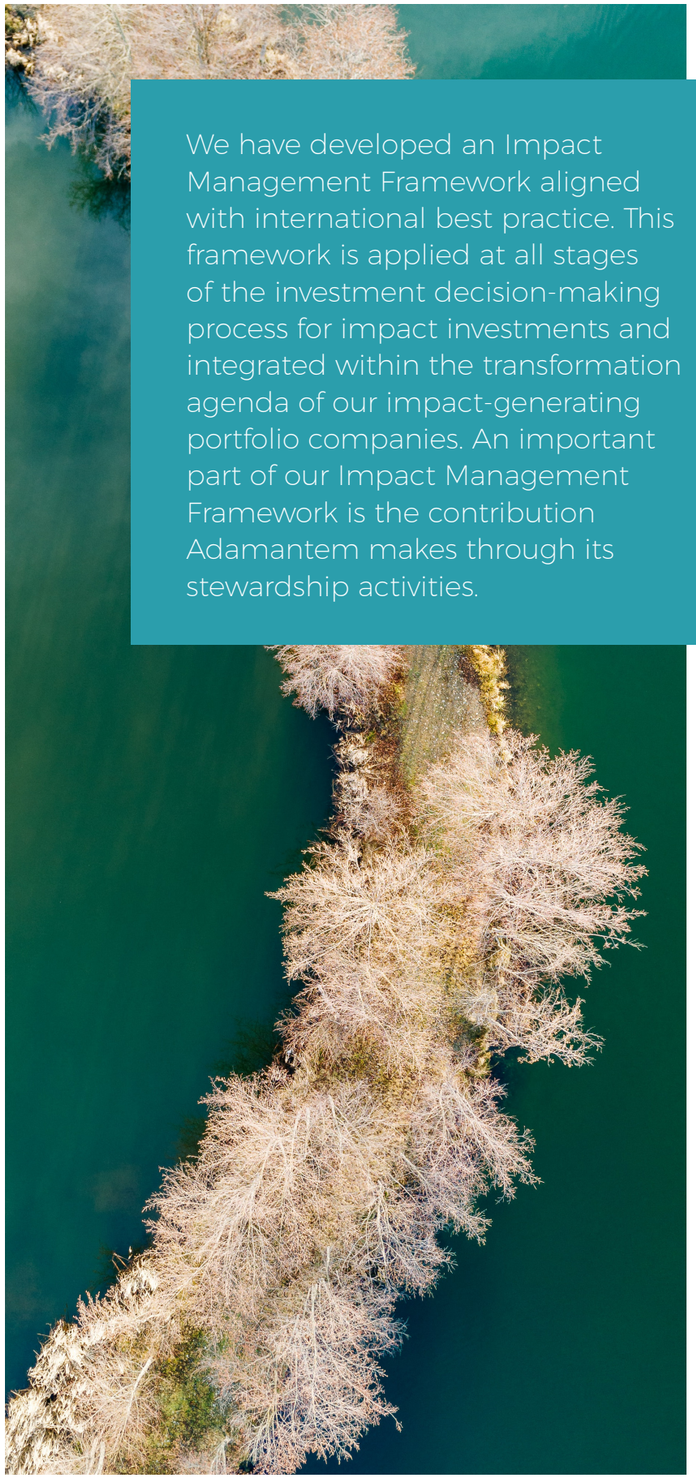
What are the expected impact outcomes and how do they align with the Sustainable Development Goals?

We assess the impact of each potential investee across 4 key dimensions (and 8 associated sub-dimensions) of impact:

- **Effects:** Do the products and services positively contribute to the Sustainable Development Goals?
- **Enhancement:** Is there market differentiation with a management team committed to impact?
- **Extent:** Is there sufficient scale, speed and duration of impact?
- **Risk:** Can the delivery risks and risks of unintended negative impacts be managed?

This approach is anchored in the Impact Management Project's dimensions of impact and includes a detailed approach to scoring both current and future anticipated impact to support a rigorous impact analysis.

Following investment, we work closely with the portfolio company management team to develop an Impact Creation Plan, outlining the actions to be taken during our ownership period to deliver the Impact Thesis and generate enhanced positive impact. This plan will include core impact metrics to measure delivery of the plan, which will be refined and deepened over time as required.



We have developed an Impact Management Framework aligned with international best practice. This framework is applied at all stages of the investment decision-making process for impact investments and integrated within the transformation agenda of our impact-generating portfolio companies. An important part of our Impact Management Framework is the contribution Adamantem makes through its stewardship activities.

9 This section only applies to investment products which are specifically designated as impact investment products. It does not apply to any Adamantem Capital Fund I or Adamantem Capital Fund II investments.

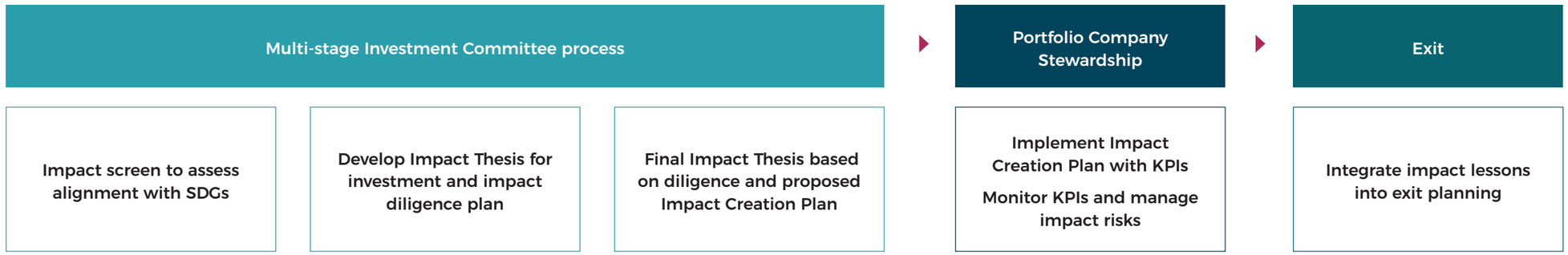
Impact investing

WHEN DO WE ANALYSE IMPACT?

Impact analysis is integrated into all stages of Adamantem's Investment Committee process and across the lifecycle of the impact investment:

Our impact integration process is set out in Diagram 7 below.

Diagram 7: How Adamantem intergrates impact assessment and measurement into the lifecycle of an impact assessment.





Case study

PAC TRADING

PAC Trading (PAC) is a leading Australian national distributor of sustainable food packaging and serviceware solutions, establishing the consumer brand “Greenmark” in 2011.

The majority of its products are compostable, sourced from manufacturers (mostly in Asia) and then distributed to ~1,500 smaller distributors and end customers in the food services industry across Australia.

INVESTMENT: THE PAC IMPACT THESIS

Applying the Impact Management Framework, Adamantem assessed the potential positive environmental impact of PAC’s core products as part of the investment decision-making process. This included developing an Impact Thesis and carrying out due diligence to test it.

The figure on the following page sets out Adamantem’s final Impact Thesis following completion of due diligence.

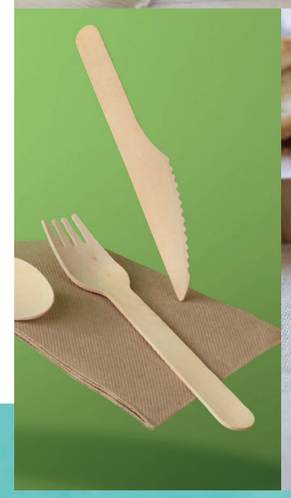
STEWARDSHIP: THE PAC IMPACT CREATION PLAN

As part of onboarding, PAC is currently developing an Impact Creation Plan targeted at increasing the positive environmental impact and reducing the risk of any unintended negative impacts of its products. The Impact Creation Plan centres around three key themes:

- Supporting the increase in renewable materials in food service packaging sold by PAC and increasing the market penetration of PAC’s sustainable foodware alternatives
- Improving the waste outcomes for compostable products in Australia through internal initiatives, consumer education and public advocacy
- Improving the integrity and quality of compostable products

The Impact Creation Plan will be embedded within the overall 500 Day Plan, and will include key metrics against which impact creation will be measured during the life of the investment, alongside financial performance.







Case study

PAC TRADING

ADAMANTEM'S IMPACT THESIS FOR PAC, DEVELOPED AND TESTED DURING DUE DILIGENCE

What is the environmental challenge that PAC's core products address?

Plastic food serviceware is harmful to the environment for many reasons, including being made from non-renewable resources, leaking chemicals into the natural environment and degradation into microplastics which are harmful to human health and marine life. Single use plastic products can only serve one purpose over their useful life and are a hallmark of the "take-make-waste" economy.

As a result, Australian States and Territories have been progressively introducing bans on a range of single-use plastic products.

PAC's products, including its compostable products, provide a sustainable alternative solution for foodservice ware.

How do PAC's products contribute to positive environmental impact aligned to the Sustainable Development Goals?

PAC's core goods and services:

Enable the transition away from single use plastic items, which are harmful to the environment



Contribute to a reduction in waste volumes through composting



Contribute to responsible consumption through the use of renewable resources



Adamantem considered whether PAC's products contribute to greenhouse gas emissions reduction, and developed a methodology for analysing the cradle to grave emissions of six of PAC's best selling products. The analysis was carried out by comparing the material composition of those products to plastic alternatives, assuming typical levels of recycled content in such plastic products and end of life waste outcomes in Australia.

The diligence conducted[10] found that:

- For most compostable products analysed (four of six, representing more than 75% of PAC's revenues), cradle to grave emissions relative to their recyclable (i.e. plastic) alternatives were lower
- For the compostable products assessed where the cradle to grave emissions were higher, if the composting rates in Australia could be improved to between 30-45%, the cradle to grave emissions outcome for those products would be equivalent to their recyclable alternatives.

Climate Action alignment has been taken into account in developing the Impact Creation Plan to be pursued during Adamantem's ownership of PAC.



Adamantem's contribution to impact creation

During its ownership Adamantem intends to contribute to the creation of positive environmental impact through:

- Providing support and expertise to the management team to corporatise and build a stable platform to accelerate growth, allowing for increased sales of compostable products
- Supporting PAC to enhance its ability to implement end of life solutions for its corporate customers and undertake consumer education on product disposal
- Using its network to advocate for improvement of the waste chain in Australia for compostable products

10 Adamantem analysis; Billerud LCA analysis

our influence

OUR INTERNAL INFLUENCE

We demonstrate our commitment to responsible investing by applying an ESG lens to our own business operations and engaging to enhance responsible investing practices across the private capital industry. We believe this is fundamental to creating a successful asset management business and enhancing the resilience and reputation of our industry in the face of evolving environmental and social challenges.

Refer to our Climate Action Report for detail on our climate and emissions related activities.



We consider the most material ESG issues in our own business to be:

- Environmental Sustainability: Our environmental footprint and management of climate change risks
- Social Inclusion: Our ability to attract and retain high quality employees and create a diverse and inclusive culture to drive enhanced decision-making
- Governance and Transparency: The management of ESG risks within our supply chains

We undertake a range of internal initiatives to address these issues:

607 ACCUs
retired from the Wiralla Generation Project
TO OFFSET against our FY23 corporate emissions[11]

In June 2023 we adopted a
HUMAN RIGHTS STATEMENT
which sets out our commitment to upholding the human rights of all stakeholders in our operations, our supply chain and our fund investments

We submitted our third voluntary
MODERN SLAVERY STATEMENT
under the *Modern Slavery Act 2018* (Cth)

Our responsible investing and impact investing approaches are governed by our
RESPONSIBLE INVESTING & IMPACT INVESTING POLICY
and our CLIMATE POLICY
No material changes were made to these policies during the Reporting Period

9 suppliers returned our
RESPONSIBLE PROCUREMENT CHECKLIST which includes
24 different ESG questions

46%
of our investment team is
FEMALE

30%
of our Managing Directors are
FEMALE

33%
of directors on portfolio company Boards are
FEMALE

94% of Reporting Period
DELIVERABLES
under our Innovate Reconciliation Action Plan were completed

During the Reporting Period we continued to implement our Innovate Reconciliation Action Plan. Our Reconciliation Action Plan Working Group is comprised of c.19 staff members from across all teams within our organisation, and is grateful for the valuable contributions of Ash Walker, a Dharawal/Dhurga man belonging to the La Perouse Aboriginal Community in Coastal Sydney.

Key initiatives during the Reporting Period included developing our guiding principles for future engagement with Aboriginal and Torres Strait Islander peoples, which we have made publicly available.

Our latest thinking on how businesses and investors can contribute to reconciliation can be found here.

[11] Excluding our investment portfolio. Please see our Climate Action Report for more details on our approach to measuring and offsetting our organisational emissions.

Our influence

OUR EXTERNAL INFLUENCE

We actively participate in a wide range of industry initiatives to contribute to improving responsible investing practices across the private capital industry.

riaa Responsible Investment Association Australasia

Named Responsible Investment Leader for the second year in a row in 2023

Investor Group on Climate Change

Became a member in 2022 and presented to the Private Equity Working Group on approaches to net zero planning

Australian Sustainable Finance Institute

Became an Associate Member and participate in the "Organisational transformation for sustainability" member working group

initiative climat international
Private equity action on climate change

A member of the UK network since 2021, in 2022 we joined the inaugural Asia Pacific network

WE SUPPORT UN GLOBAL COMPACT

We have committed to align our strategies with the UNGC's 10 Principles in human rights, labour, environment and anti-corruption

AUSTRALIAN INVESTMENT COUNCIL

We actively participate on the Australian Investment Council's ESG Committee and regularly present our ESG perspective on industry panels

Signatory of:

PRI Principles for Responsible Investment

We have been a member of UNPRI since 2017



We made two submissions to Federal Treasury in relation to the proposed mandatory climate disclosure regulations



We publish thoughtpieces on key responsible investing issues

THE VOICE TO PARLIAMENT

On 14 October 2023, Australians voted in a referendum about whether to change the Constitution to recognise the First Nations Peoples of Australia by establishing a body called the Aboriginal and Torres Strait Islander Voice. The referendum did not pass.

Earlier this year we agreed to the referendum related "opt in" commitments under our RAP, which included the education of stakeholders and the circulation of campaign resources to customers, clients, and partners. We did this because we believed that corporate Australia had a significant role to play in educating employees on the referendum and it was consistent with our public support for reconciliation, and in particular the Uluru Statement from the Heart.

We undertook a range of activities in the lead up to the referendum, including:

- compiled and provided Voice to Parliament reference resources to our portfolio companies and staff
- hosted an event for the CEOs within our broader network with Rachel Perkins from the Yes campaign
- hosted virtual and in-person 'lunch and learn' sessions for staff
- participated in the Voice Education Network to learn from the practices of other organisations with a RAP and share experiences

Glossary

ACCUs	Australian Carbon Credit Unit
Adamantem, Adamantem Capital, or Firm	Adamantem Capital Management Pty Limited and its affiliates
Baseline ESG Expectations	The set of baseline ESG expectations which Adamantem expects all portfolio companies to address over the course of our ownership period
Board	Board of directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Climate Action Report	Adamantem's separate 2023 climate report which details our approach to climate change integration across our business and investment activities and the progress we have made over the past year
Climate Policy	Adamantem's Climate Policy, which outlines Adamantem's approach to climate change
ESG	Environmental, Social and Governance
ESG Action Plan	An action plan developed as part of Adamantem's onboarding process to set out key ESG deliverables for a portfolio company
ESG Integration Maturity Framework	Adamantem's framework for assessing how well a company has integrated the Baseline ESG Expectations as described on page 9
ESG Metrics Reporting Tool	Adamantem's proprietary E, S and G metrics reporting tool for portfolio companies as described on page 9
Fund I	The vehicles comprising Adamantem Capital Fund I
Fund II	The vehicles comprising Adamantem Capital Fund II
Fund II Emissions Reduction Committee	A sub-committee of the Adamantem Capital Fund II Limited Partners Advisory Board which oversees the development of emissions reduction strategies and monitors the performance of portfolio companies against them
Human Rights Statement	Adamantem's Human Rights Statement which sets out our commitments to human rights
IC or Investment Committee	Adamantem's Investment Committee
Impact Creation Plan	A plan outlining the actions to be taken during our ownership period to generate positive impact
Impact Management Framework	Adamantem's framework for assessing, measuring and communicating the environmental and / or social impact of investments
Impact Management Project	A forum for building global consensus on how to measure, manage and report impacts on sustainability. Now found here: Impact Management Norms | Impact Frontiers
Impact Thesis	The transaction-level challenge being addressed, investee and investor contribution, and the intended outputs and outcomes of the investment
Investment Team	The team comprising Adamantem's investment, responsibility and impact and portfolio operations professionals
ISSB	International Sustainability Standards Board
Key Biodiversity Areas	Locations that play a substantial role in preserving biodiversity across terrestrial, freshwater, and marine ecosystems on a global scale, as determined through the Integrated Biodiversity Assessment Tool found at www.ibat-alliance.org
Modern Slavery Statement	A statement lodged by a company addressing the mandatory criteria outlined in the *Modern Slavery Act 2018 (Cth)*
Net Zero	Achieving an overall balance between greenhouse gas emissions produced and greenhouse gas emissions taken out of the atmosphere
RAP	Reconciliation Action Plan
Reporting Period	1 October 2022 to 30 September 2023
Responsible Investing and Impact Investing Policy	Adamantem Responsible Investing and Impact Investing Policy, which outlines Adamantem's approach to responsible investing and impact investing
RI	Responsible Investing
Scope 1 Emissions	Scope 1 greenhouse gas emissions are direct greenhouse gas emissions that occur from sources owned or controlled by the reporting company.
Scope 2 Emissions	Scope 2 greenhouse gas emissions are indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company.
Scope 3 Emissions	Scope 3 greenhouse gas emissions are all other indirect greenhouse gas emission (not included in Scope 2) that occur in the value chain of the reporting company. Scope 3 can be broken down into upstream emissions and downstream emissions.
Sustainable Development Goals	See here THE 17 GOALS | Sustainable Development (un.org)
TNFD	Task Force on Nature-Related Financial Disclosures, a framework that organisations can use to publicly disclose the nature-related risks and opportunities of their business
UNGC	United Nations Global Compact
UNPRI	United Nations Principles for Responsible Investment
40:40:20	40% male, 40% female, 20% either gender
$	Australian Dollar

Data sources & disclosures

As part of our commitment to transparency, this section sets out the sources for the quantified data reported in this Report.

PAGE	REPORT REFERENCE	DATA SOURCE	DATE OF DATA
5	Workforce of each portfolio company	2023 ESG Metrics Reporting Tool completed by portfolio companies (self reported)	As at the date of completion of each ESG Metrics Tool[12]
9	Diagram 5: percentage of portfolio companies within each level of Adamantem's ESG Maturity Integration Framework	Adamantem's internal assessment of information provided by portfolio companies	As at 30 September 2023
10	Table 1: Snapshot of ESG metrics from FY23 ESG Metrics Reporting Tool	2023 ESG Metrics Reporting Tool completed by portfolio companies (self reported), aggregated through Adamantem's portfolio company dashboard tool	As at the date of completion of each ESG Metrics Tool
11	Hygain case study	Hygain provided company data	Various
12–13	Linen Service Australia case study	Linen Services Australia provided company data	Various
17	PAC Trading Impact Thesis	Adamantem's due diligence and Investment Committee materials	Various
18	Purchase of 607 ACCUs	Adamantem	These were purchased after the end of the Reporting Period in respect of FY23
	Gender diversity of our teams	Adamantem	As at 30 September 2023
	Percentage of Reporting Period RAP deliverable items completed	Adamantem's RAP Working Group	As at 30 September 2023
	Percentage of female Board directors	Adamantem	As at 30 September 2023
	Number of responsible procurement supplier checklists returned	Adamantem	As at 30 September 2023
	Number of people on our RAP Working Group	Adamantem's RAP Working Group	As at 30 September 2023

[12] Each portfolio company completed the ESG Metrics Reporting Tool in respect of its most recent financial year. All portfolio companies have a 30 June financial year end, apart from Heritage (which has a 31 March year end) and Climate Friendly (which has a 31 December year end).

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