RESPONSIBLE INVESTING

2022 ANNUAL REPORT

ROC PARTNERS

This report is for the 2022 Financial Year period: 1 July 2021 – 30 June 2022

We're responsible for tomorrow

Sustainable investing is now firmly in the mainstream, with investors around the world demanding fund and asset managers consider environmental, social and governance (ESG) factors when making investments.

In Australia, four out of five investors (83 per cent)[i] expect funds in their bank account and their superannuation to be invested responsibly and ethically. For over 80 per cent of the population, this means that their investments must deliver a positive impact to the world.[i]

Asset managers are responding. There are now 4,578 signatories to the Principles for Responsible Investment (as of December 7, 2021) – up more than 50 per cent from 3,038 at the end of 2020.[ii]

High on the list of priorities for investors is climate change.

The risks that climate change poses are well documented. For example, the Intergovernmental Panel on Climate Change's (IPCC) sixth report warns that the world faces multiple unavoidable climate hazards over the next two decades with global warming of 1.5 degrees Celsius (2.7 degrees Fahrenheit).

Other aspects of our natural environment such as biodiversity, water, soil and air, are also in crisis due to human activities, which include destruction of habitats, pollution and the effects of climate change.

Governments, businesses and communities are increasingly committing to take action to curb the threat of climate change, while investors are seeking "green" opportunities for investment.

Globally, policymakers and investors convened around a "net-zero" carbon agenda at the United Nations Climate Change Conference (COP26) in November 2021.

Locally, all Australian states and territories are targeting net zero carbon emissions by 2050, while businesses across sectors are setting their own goals. In the agriculture industry for instance, Meat and Livestock Australia (MLA) has set an aspirational target of net zero emissions in the red meat industry by 2030.[iii]

This progress is promising, but investors are also grappling with the detail of how to measure and move towards net-zero on multi-asset class portfolios that are currently predicated on a high carbon world.

In this context, "greenwashing" in financial products – with companies making unfounded claims about their ESG credentials – has become a global concern. Regulators in Australia and worldwide are working to address unfounded ESG claims by asset owners and managers and enforce greater standardisation of disclosures.

Much of the regulatory environment surrounding ESG remains in its infancy. Over time, a steady focus on transparency, accuracy and robustness of commitments, strategies and disclosures, will support the integrity of sustainability-labelled financial products.

Of course, environmental concerns form only one part of the ESG picture. Social and governance factors are also key components.

Social issues such as Equity, Diversity and Inclusion (ED&I) are coming into sharper focus, with major superannuation funds and asset managers leading initiatives to promote race and gender diversity in board and executive positions.

Mandatory reporting could soon be on the agenda in some jurisdictions, with both Nasdaq and the UK financial regulator making game-changing proposals on diversity and disclosure.

Positive action on the diversity agenda will lead to greater diversity of views at the fund management level. At the portfolio company level, it will inspire new ideas, broaden perspectives, and potentially lead to stronger growth, better returns, and enhanced risk management.

At Roc Partners, we believe in the significance of the investment decisions we make and the influence that these decisions have on the portfolio companies and General Partners (GPs) we work with. We continue to advance our responsible investment approach and ESG integration practices across our investments and operating frameworks.

We hold ourselves to the same high standards that we expect of our portfolio companies and GPs.

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A message from our Managing Partner

Roc Partners has successfully invested in private markets for over 25 years with a focus on positively contributing to our clients' investment goals.

We believe responsible and sustainable investing is a global business imperative and is key to building long-term value in a rapidly changing and increasingly complex world.

The past year has been turbulent, marked by the impacts of climate change, geopolitical uncertainty, the Russian war on Ukraine, rising inflation and interest rates, and the ongoing effects of COVID-19. Each of these forces has affected fundraising and deal activity across private markets.

Despite this uncertainty, global private markets assets under management (AUM) grew to an all-time high of US$9.8 trillion as of July 2022, up from US$7.4 trillion the year before[iv]. Global private debt AUM totalled US$1.21 trillion as of December 2021., up 33 per cent over the year prior[v].

In this active market, ESG considerations have played an unprecedented role in driving deal activity. Both public and private markets in Australia and overseas have been influenced by significant shifts in the world of sustainable finance.

Most governments, communities, and individuals are demanding that companies prioritise ESG issues, and advance more diverse, equitable and inclusive workplaces. Many fund managers and asset owners are aware of the importance of these ESG issues and the consequences of not taking affirmative action.

These issues are important to us and our clients. We expect them to grow in importance as company disclosure and public discourse are shaped by regulatory change and consumer demand.

We recognise the strategic premium this transition offers and that can be obtained from ESG leaders and those companies undergoing ESG transformation.

Last year, over half of total private equity fundraising—the highest percentage ever—flowed to firms with formal responsible investment policies[iv].

General Partners (GPs) and Limited Partners (LPs) continued to formalise their ESG commitments and approaches, including Roc Partners, which we have outlined in this report.

At the same time, the application of ESG strategies by investment managers is coming under increased scrutiny. For example, there is growing global unease about the risks of greenwashing of financial products, in part due to a lack of clarity on labelling or any single generally accepted taxonomy in this area.

To address these systemic issues, we have joined working groups with other institutional investors, and developed frameworks for better engagement with companies and GPs.

Roc Partners is committed to disclosing ESG and Responsible Investment (RI) progress appropriately. We recognise that this is a continuous journey. It is one that we are taking seriously. During the year, we established a new full-time role within the Investment Team for a responsible investment executive to assist in further integrating and putting into effect ESG across all our investments.

Finally, the 2022 financial year (FY22) marks the first external publication[1] of our Responsible Investment Report and represents our commitment towards better transparency and disclosure. With that, I would like to take this opportunity to thank our investors, portfolio companies, GPs, colleagues, and stakeholders for their continued partnership in building sustainable long-term value for all our investments. We look forward to working with you as we expand and deepen our ESG programme over the years to come.

1 Roc Partners has been providing annual Responsible Investment reports to investors for several years.

Sincerely,

Michael Lukin,
Managing Partner

ROC PARTNERS TODAY

ROC PARTNERS

>$9.6 BILLION

Funds under management (FUM)[1]

- Manage capital for some of Australia's largest institutions and superannuation funds
- Provide investment solutions for family offices, foundations, endowments and HNW investors across the world
- $8.0 billion FUM indirect investments
- $1.6 billion FUM direct investments
- 244 GPs, 68 Roc Partners funds

25+ YEARS

Provided investors with access to private markets solutions.

400+ INVESTMENTS[2]

- Funds, Secondaries, private credit and Co-investments
- Direct private markets investments in Australia and globally
- 1,500+ portfolio companies including 14 direct portfolio companies

50+ EMPLOYEES

- Four offices
- 100+ years combined investment experience
- 28 investment professionals

ROC PARTNERS PRIVATE MARKETS SEGMENTS

PRIVATE EQUITY

Direct
Agriculture and food
Socially responsible growth capital[3]

Integrated
Fund investments, Secondary Co-investments

REAL ASSETS

Agriculture and food infrastructure

PRIVATE CREDIT

Mid-market corporate lending

ESG integration | History of strong performance | Rigorous investment process

1 As of 30 June, 2022
2 Number of investments made since inception as of March 31, 2022. Across both Macquarie Group and Roc Partners.
3 The VBGF socially responsible platform was launched in 2021 and has deployed $83,873,000 via Roc Partners.

Our approach to Responsible Investing

We approach everything we do with a long-term mindset. Our framework for responsible investing aligns to this long-term approach and has been developed to evolve over time as the market, and global priorities shift.

Our approach starts with the incorporation of material ESG considerations, both risks and opportunities, into the investment analysis and the decision-making process for potential investments and when working with portfolio companies and GPs.

In partnership and collaboration with stakeholders, we focus on the optimal path to value creation and superior financial performance, incorporating responsible investing, social and environmental outcomes, and a commitment to transparency. This gives us the capacity to influence the GP investment processes and to partner with portfolio companies to ensure long-term sustainable outcomes for their business and the communities in which they operate.

Our responsible investing framework is underpinned by initiatives and key performance indicators (KPIs) that track outcomes through formal reporting.

At Roc Partners, we are not impact investors, but we do consider impact during our investment approach.[1]

While ESG investing typically starts by asking how a business operates, we start by asking why a company exists.

We consider impact during the pre-investment screening process and have some impactful businesses in our investment portfolio. We work with these businesses to ensure their policies, processes, and systems facilitate good ESG practices.

1 Roc defines impact as trying to answer the following question "Why does the company exist? Is it trying to solve a recognised environmental or social outcome?". This is different to ESG which is asking the question "How does the business operate?"

ROC PARTNERS RESPONSIBLE INVESTING FRAMEWORK

INVESTMENT ANALYSIS AND DECISION MAKING

Responsible investing incorporates material ESG considerations to drive long-term results

Consideration of ESG risks and opportunities

- Business and industry specific factors
- Roc's material ESG factors
- Opportunity to improve ESG practices

PARTNERSHIP AND COLLABORATION

Integration

Our commitment to responsible investing and value creation is incorporated into all that we do.

Shared value

An unwavering focus on improving social and environmental outcomes alongside superior financial results.

Transparency

Continued adoption of leading frameworks and standards to measure, disclose and report progress and drive best practices.

INITIATIVES AND OUTCOMES

Partnerships and commitments

- Signatory: UN Principles of Responsible Investment (PRI)
- Members: AIC ESG Committee and Initiative Climat International (iCI)
- Partner: ID. Know Yourself

Carbon and emission initiatives

- Supporters of the Paris Agreement
- Baseline carbon assessment undertaken for Roc Partners
- Roc Partners became a carbon neutral organisation, purchasing high quality nature-based offsets
- Investigating carbon reduction initiatives to actively reduce carbon emissions and setting a net-zero goal
- Measurement of scope 3, financed emissions

ESG REPORTING FOR PRIVATE MARKETS

The ESG reporting landscape is disjointed and broad with a wide range of ESG reporting frameworks and standards in use across the market.

Many ESG frameworks were developed for public markets where information is readily available, and capital can be withdrawn from an underperformer irrespective of that company's desire to improve.

Private equity takes a more active role and can work with companies to achieve better outcomes, meaning frameworks developed for public markets are not perfectly suited to a private market context.

Where possible, Roc Partners has committed to reporting frameworks designed for the private markets industry, such as the ESG Data Convergence Initiative (EDCI), led by the Institutional Limited Partners Association (ILPA). From this report, you will see that we expect our portfolio companies (that we control or can influence) to report against the EDCI and we report against it at a Roc Partners organisation level.

We will update our approach, where relevant, as reporting frameworks tailored to the private market landscape emerge.

OUR MEASUREMENT AND REPORTING FRAMEWORK

Roc Partners uses the concept of 'materiality' to focus on relevant ESG factors that will have a measurable impact on businesses – both our own organisation and our investments.

We have identified eight material ESG factors that we are committed to considering through our investment process going forward[1]. These eight factors were selected following a formal materiality assessment process aligned with international best practice, including the Global Reporting Initiative (GRI).

Additionally, we believe that private markets are well suited for delivering real-world outcomes that may align with the United Nations' Sustainable Development Goals (UN SDGs). To that end, we have mapped our material ESG factors against the UN SDGs to help track progress and ensure alignment with internationally recognised frameworks for reporting.

1 The ESG factors that Roc Partners as an organisation prioritises are the same as those prioritised for the direct and indirect investment strategies. For indirect investments, it can be challenging to assess the underlying investments, therefore the ESG practices of the GP investing on Roc Partners behalf are considered. Roc Partners assesses the ESG maturity of the GP and its investment approach when making integrated investment decisions.

	Material Factors	Environmental (E), Social (S), Governance (G)	UN SDG	Definiation and Criteria
1.	Greenhouse gas emissions and climate risk	E	13 Climate action; 7 Affordable and clean energy	Measurement and reporting of Roc Partners' direct emissions (Scope 1 and 2[vi]), financed emissions (Scope 3), climate risk (physical and transition), energy efficiency, decarbonisation, and renewable energy usage.
2.	Environmental impact	E	14 Life below water; 15 Life on land	Water usage, sustainable farming and land use, waste, pollution and hazardous materials management, biodiversity and ecological impacts, and environmental compliance.
3.	Diversity and inclusion	S G	5 Gender equality	Culture, hiring and promotion practices that support a diverse and inclusive workforce that does not discriminate against race, gender, ethnicity, culture, religion, sexual orientation, or any other factors.
4.	Modern slavery	G	10 Reduced inequalities	Ensuring the protection of human rights and indigenous rights throughout the supply chain.
5.	Health and safety	S	8 Decent work and economic growth	Providing a safe and healthy workplace environment free from injuries, fatalities, and illness, and ensuring the physical and mental health of workforce.
6.	Circular economy and sustainable resource use	E	12 Responsible consumption and production	Maximizing resource efficiency through circular product design, using recycled and renewable materials, reducing the use of key materials, and researching substitute materials.
7.	Corporate governance and business ethics	S G	16 Peace, justice and strong institutions	Risk management, internal governance and procedures and protecting against fraud, corruption, bribery and failure to fulfill fiduciary responsibilities, including training and implementing policies and procedures to avoid conflicts of interest, bias, and negligence.
8.	Employee engagement	S	8 Decent work and economic growth	Ability to attract and retain talent by ensuring employees are engaged and valued. Actively driving and supporting the wellbeing of employees, and contributing to job growth and local employment.

Materiality

An ESG materiality assessment is a process used to identify and prioritise ESG factors that are the most critical and relevant to an organisation through stakeholder engagement. This involves looking at a variety of factors through two lenses:

1. Potential impact on an organisation and;
2. Importance to stakeholders.

The outputs of the assessment inform reporting to key stakeholders.

ESG INTEGRATION THROUGHOUT INVESTMENT STRATEGY LIFECYCLES

Different investment strategies require different approaches to ESG integration. The table below summarises our approach to integration ESG throughout the investment lifecycle for each of our investment strategies.

	Funds	Co-investments	Private Credit	Direct Investment
Opportunities for ESG influence	Active role in pre-investment due diligence (DD), understanding the manager's ESG policy, standards and reporting.	Active role in pre-investment due diligence, GP's ESG policy, standards and reporting. A more active role post-investment in the event of a company board seat.	Private debt investors, as lenders rather than owners of companies, can have limited influence over the strategic direction of a company. Therefor, assessments made prior to investment are critical.	Active role pre- and post-investment to positively influence a company's ESG performance.

The ability to influence ESG assessment increases across the private markets spectrum

Investment lifecycle activities

Identify	Use of responsible investment strategies (such as positive / negative screening) to identify investment opportunities and thematics			
	Ongoing monitoring of external environment for ESG opportunities and risks			
Assess	Educate GPs/borrowers/companies about Roc Partners ESG reporting expectations and needs			
	ESG / RI policy reviewed as part of operational DD, and review of GP's track record on ESG matters, as well as interaction with advisory / RI committees	As part of initial DD, raise specific ESG factors to the GP for their DD processes	ESG DD undertaken for all investments. Detailed ESG DD undertaken if business falls within our sensitive sectors list.	ESG DD considers Roc Partners and industry/ business specific ESG factors, covering risks and opportunities
Implement & monitor	Regular engagement with the GP on ESG related matters consistent with Roc's strategy (e.g. annual questionnaire, committee representation, reporting)		Work with management to address ESG risks and progress value creation of the ESG opportunities	
		Periodic monitoring of ESG factors identified (e.g. analysis of monthly / quarterly reports)		
Report	Periodic reporting to investors to include analysis of ESG (detail to increase for investments with more influence and greater weight)			

Roc Partners integrates ESG throughout the investment lifecycle because we believe this integration drives positive outcomes related to risk and compliance as well as upside opportunity and value creation.

RISK AND COMPLIANCE

Meet our fiduciary duty

as failing to consider ESG might be material to a fund's financial performance.

Manage downside (tail) risk and reduce regulatory and legal interventions

as ESG-related issues have the potential to cause financial or reputational damage.

Reduce costs and inefficiencies

as executing ESG effectively can help combat rising operating expenses.

OPPORTUNITY AND VALUE CREATION

Manage upside opportunity

as ESG factors can have a positive effect on financial performance.

Attract and retain talent

as the business will appeal to employees with the same ESG values.

Attract investors and achieve a lower cost of capital

by positioning the business to access sustainable financing and sustainable focused investors.

Realise an ESG premium on business value

research[v] indicates that people are willing to pay a premium to acquire a company with a positive record for ESG issues.

CASE STUDIES

/ Direct Investments

/ Funds, Secondaries and Co-investments

/ Private Credit

ROC PARTNERS

DIRECT INVESTMENTS

Roc Partners direct investments are split between direct growth equity and direct agriculture. This section outlines the ESG progress of a selection of Roc Partners' direct investment companies and illustrates our investment thesis in companies making a difference.

Roc Partners is the appointed investment manager for the Victorian Business Growth Fund (VBGF). Our team oversee the investments made from the $250 million fund, which aims to help established small to medium-sized enterprises (SMEs) access capital and create jobs to grow the Victorian economy. The VBGF is backed by Aware Super, Spirit Super and the Victorian Government.

PEARL GLOBAL

BACKGROUND

Based in Queensland, Pearl Global is a tyre recycling and circular economy company that cleanly converts end-of-life tyres (ELTs) into valuable secondary products.

KEY INITIATIVES

Reducing waste

63% of end-of-life tyres (ELTs) end up in landfill at mine sites, licenced landfills or in unknown locations through illegal dumping.

Few options address the growing stockpile of ELTs in an environmentally sustainable manner.

Pearl's process and technology have the potential to avoid waste to landfill and waste disposal via incinerating, which releases hazardous emissions into the atmosphere.

The company has the potential to contribute to Australia's circular economy goals by recycling around 29 per cent of Australia's waste tyre stream, according to a report by external consultant RPS.[1] Pearl puts these ELTs to higher value uses, which is a fundamental principle embedded in our resource recovery and circular economy ambitions as a country.

The RPS report estimated that by year five as a base case, Pearl would have removed a total of around 385,000 tonnes of waste ELTs that would otherwise be landfilled or exported and incinerated.

Embodied carbon

Recycling to reduce emissions

70% of Australia's total greenhouse-gas (GHG) emissions[vi] arise either directly or indirectly from infrastructure. Through the production of construction materials, operation of the infrastructure, and emissions from the activity that the infrastructure supports (e.g. cars on roads).

Pearl's recycling process converts ELTs into sustainable, clean energy and high-value raw materials.

These outputs include tyre derived fuel oil (TDFO), which can substitute diesel fuel, and recovered products such as carbon char, which can be used in asphalt production.

This delivers benefits including:

- allowing a lower mix temperature for the asphalt making process, resulting in less fuel burnt
- avoiding the need to use diesel from virgin fossil fuel sources with much higher embodied emissions
- reducing the amount of required bitumen and lime, both products with high embodied emissions

The process is estimated to reduce GHG emissions by around 17 kilograms of carbon dioxide equivalent (kgCO2e) per tonne of asphalt, or 46,690 tonnes of carbon dioxide equivalent (tCO2e) per year.

The product also enhances worker safety and visibility for drivers as they are more durable and require less maintenance. Economic transport benefits associated with avoided fatal accidents and reduced road maintenance are estimated to total $320 million in Present Value (PV), or $73.5 million per year by 2054.

Carbon char as a by-product derived through the energy recovery from the partial biomass content in tyres is expected to contribute to renewable energy production.

Pearl delivers sustainability benefits (addressing carbon emissions and waste) that align with some of Australia's biggest sustainability priorities set at an industry level, as well as in legislation and national strategies.

1 Pearl Global commissioned an external consultant (RPS) to undertake a technical research report, Green Roadmap for Pearl Global Benefits assessment.

Key ESG KPIs for FY22

ESG category	FY22 KPI
ILPA EDCI metrics	
Total number of FTEs in previous year	28
Total number of FTE in current year	44
Scope 1 emissions (tCO2e)	Not measured yet
Scope 2 emissions (tCO2e)	Not measured yet
Total energy consumption (GWh)	2,098.6
Renewable energy consumption (kWh)	None
Total number of board members	5
Number of women board members[viii]	0
Number of work-related injuries	4
Number of work-related fatalities	0
Days lost due to injury (days)	
LTI (since August 2021)	4
LTIFR (since August 2021)	19.9
Organic and total net new hires	16
Annual attrition	Not measured yet
Does the company conduct an employee survey?	No
Company-specific metrics	
Tyres processed	3,890 tonnes
Steel reclaimed	1,330 tonnes
Char utilised in other processes (e.g. as a component of road fill)	60 tonnes
Tyre-derived fuel oil sold	1,266 tonnes

CONVERGE INTERNATIONAL

BACKGROUND

Converge is Australia's number one workplace Employee Assistance Program (EAP) and wellbeing expert providing health and wellbeing services to Australian, New Zealand and global organisations. Counselling services cover a wide range of personal and work issues, dealing with ongoing stress, mental health and spouse/partner issues.

In three months to February 2022 there were 423,500 job vacancies in Australia, an increase of 6.7 per cent from the previous three-month period and 86 per cent higher than in February 2020, just prior to the pandemic[ix]. The pandemic has highlighted the need for work-life balance and company support for mental health and wellbeing.

KEY INITIATIVES

Improving health and wellbeing

Measured outcomes show that absenteeism and presenteeism resulting from mental health and personal issues decreased as a result of engagement with Converge, with more than 56,000 people reporting that their issue was resolved following session attendance. Based on information collected from users of the service, we estimate that this resulted in more than $190 million of productivity saved by Australian businesses over the course of a year.

Encouraging a diverse and inclusive workplace

Converge acknowledges the richness of supporting a culturally diverse workforce and appreciates the shifting cultural landscape that is reflective of our society. In recognition of this, Converge introduced a 'Floating Public Holidays' policy where employees can swap public holidays for cultural holidays. Converge is in the process of establishing a Diversity and Inclusion committee, which will operate in FY23.

Driving awareness through thought leadership

Converge is proactive in supporting individual rights and inclusion and is driving awareness of the need to abolish ignorance, harassment, and discrimination in society. The company published an article[1] about how June marks Lesbian, Gay, Bisexual, Transgender, Queer and other (LGBTQ+) Pride Month.

Another article published by Converge[2] argues that we can 'give our way to health'. When we give to a charity, oxytocin is released, which decreases cortisol (stress hormone), blood pressure and social fears, while it increases bonding experiences and empathy. When oxytocin is boosted, so are serotonin and dopamine. Serotonin is associated with good sleep, digestion, memory, learning and appetite, while dopamine is connected to motivation.

1 Pride Month — LGBTIQ+ and mental health – Converge International

2 How you can volunteer your way to health – Converge International

Key ESG KPIs for FY22

ESG category	FY22 KPI
ILPA EDCI metrics	
Total number of FTEs in previous year	228
Total number of FTE in current year	293
Scope 1 emissions (tCO2e)	Not measured yet
Scope 2 emissions (tCO2e)	Not measured yet
Total energy consumption (kWh)	Not measured yet
Renewable energy consumption (kWh)	Not measured yet
Total number of board members	7
Number of women board members[viii]	3
Number of work-related injuries	1
Number of work-related fatalities	0
Days lost due to injury	1
Organic net new hires	41
Total net new hires	64
Annual attrition	24%
Do you conduct an employee survey?	Yes
Employee survey response rate	76%
Company specific metrics	
Net Promoter Score or client satisfaction	50 NPS
Issue resolution	84% of issues resolved by the end of the sessions
Hours of EAP counselling provided	156,068
Hours of critical incident and rapid response	20,838
Hours of training	3,700
Number of pre-employment screening tests	11,140
Reduction in absenteeism	1.4 days per person using the service (on average)
Reduction in presenteeism	3 days per person using the service (on average)

FLAVORITE

BACKGROUND

As one of Australia's largest glasshouse producers, Flavorite grows several varieties of tomatoes, cucumbers, and capsicums across four sites in Victoria totalling more than 70 hectares (ha) under glass. Flavorite has also commenced growing 20ha of blueberries under protected cropping methods. Flavorite's protected cropping (through hydroponic[1] and greenhouse production) enables modified growing conditions, protection from pests and adverse weather conditions.

1 Hydroponic is a method of growing without soil.

Protected cropping has significant sustainability benefits:

These include:

- helping to mitigate the impact of extreme weather volatility, which allows for the supply of premium produce 12 months of the year
- wide range of potential locations and proximity to population hubs as crops are not planted in soil so are not reliant on arable land
- promoting photosynthesis and absorption of carbon dioxide as glasshouses use diffused glass, which disperses light more evenly

For tomato production, using glasshouses:

- requires one third of land area per unit of output compared to field grown
- yields 11 times more than field grown tomato production per square metre
- requires one fifth the water per unit of output versus field grown

Key initiatives

Enhanced sustainability in packaging

Flavorite has been working to improve the recyclability and sustainability of its packaging as it strives towards reducing the gaps in Australia's circular economy. By transitioning many of its packaging types from plastic to cardboard, the company has removed approximately 51.7 tonnes of plastic from the supply chain during FY22.

The Flavorite team developed an 'Environet' bag, made from 100 per cent sustainably sourced beech wood. The bag is suitable for loose produce. It has no plastic content and is 100 per cent biodegradable and compostable.

Flavorite has also partnered with Coles to extend the shelf life of produce without the use of plastics. The company has commenced a review of plant-based solutions such as Liquidseal and Apeel.

Partnering to support medical research

In 2022, Flavorite marks its seventh year in partnership with Maddie Riewoldt's Vision (MRV) and Coles to raise funds towards vital research into bone marrow failure syndromes, a devastating condition that affects around 160 Australian children and young adults each year. Flavorite aims to raise another $100,000 this year which will bring the total donations to $700,000.

Flavorite's Maddie's Month campaign runs exclusively in Coles stores during November, when 10 cents from every specially marked pack of Flavorite produce sold goes towards finding a cure for bone marrow failure syndromes.

Key ESG KPIs for FY22

ESG category	FY22 KPI
ILPA EDCI metrics	
Total number of FTEs in previous year	unable to source data
Total number of FTE in current year	843
Scope 1 emissions (tCO2e)	Not measured yet
Scope 2 emissions (tCO2e)	Not measured yet
Total electricity usage (kWh)	9,687,934.3
Renewable energy consumption (kWh)	817,067
Proportion of consumed energy generated by renewables	8.4% (generated from on-site solar power)
Total number of board members	5
Number of women board members[viii]	0
Number of work-related injuries (moderate, treated by a doctor)	29
Number of work-related fatalities	0
Time lost due to injury (hours	1492.3
Organic and total net new hires	unable to source data
Annual attrition for permanent employees	28.3%
Do you conduct an employee survey?	Yes
Company specific metrics	
Total water usage	Usage: 711.5ML
Recycled	220ML (30.97%)
Wasted	34ML (4.7%)
Value of charitable donations	$115,000
Green waste composted / recycled in paddocks	100%

STONE AXE (SAX)

BACKGROUND

SAX is one of the world's largest dedicated high-end beef producers, farming cross-bred and full blood Japanese Black Wagyu.

KEY INITIATIVES

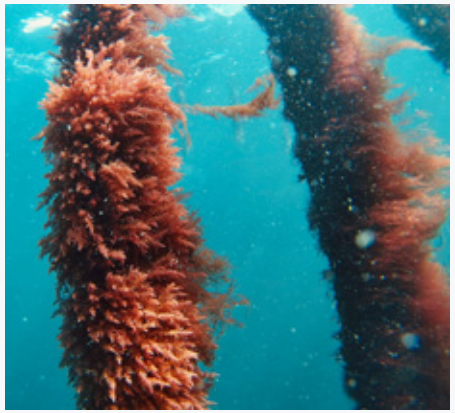
Methane reduction

SAX invested in the leading asparagopsis seaweed producer in Australia, Sea Forest. asparagopsis seaweed is an additive to the diets of beef and dairy cattle that can reduce more than 80 per cent of methane emissions produced. Cattle methane represents around 10 per cent of Australia's total GHG emissions and hence Sea Forest is well placed to make a meaningful direct impact in reducing emissions.

Sea Forest is the most advanced of a small number of asparagopsis producers in Australia and has the potential to become a world leader in this niche product. As part of the investment, SAX will trial the product at one of its cattle feedlots and will explore co-branding opportunities.

Additional highlights for FY22 include:

- entering an assessment agreement with Corporate Carbon, an Australian-based company that is developing local Carbon Farming Initiative offset projects. SAX and Corporate Carbon are determining the feasibility of a Beef Cattle Herd Management project under the Emissions Reduction Fund (ERF)
- commencing a project to further reduce reliance on energy from the grid and diesel generators by installing solar arrays on farm buildings and bores. The site earmarked for first installation is Cheviot Hills in Western Australia
- entering a licence agreement with CWP Renewables to determine the suitability of SAX-owned properties in the New England region for the installation of wind and/or solar generated electricity plants



- hiring a full-time Safety Manager (combined Human Resources and Safety Manager) and implementing SafeX, a cloud-based safety software solution. As a result of the renewed focus on safety, SAX has had no work-related lost time injuries in FY22
- submitted an expression of interest to participate in an industry working group with IntegrityAG, to determine an emission baseline for the Wagyu industry[1]. The baseline will help determine emission reduction plans and carbon sequestration potential and this will aid SAX in determining the potential for a certified Wagyu carbon neutral brand. The project is expected to start in earnest in FY23 and will involve SAX production activities across its farms and feedlot

1 The process is still being determined for funding with Meat and Livestock Australia (MLA).

2 SAX is estimated to have consumed 140,000kWh of renewable energy. This is off PV arrays driving pumps in bores, for irrigation and stock water. These pumps are not metered so it was assumed they ran for 10.5 hours in summer/spring and 5.5 hours winter/autumn.

Key ESG KPIs for FY22

ESG category	FY22 KPI
ILPA EDCI metrics	
Total number of FTEs in previous year	60
Total number of FTE in current year	75
Scope 1 emissions (tCO2e)	Not measured yet
Scope 2 emissions (tCO2e)	Not measured yet
Total energy consumption (kWh)	482,000
Renewable energy consumption (kWh)	140,000[2]
Proportion of consumed energy generated by renewables	Approximately 29%
Total number of board members	4
Number of women board members[viii]	0
Number of work-related injuries	0
Number of work-related fatalities	0
Days lost due to injury (days)	0
Organic net new hires	15
Total net new hires	1
Annual attrition	8%
Do you conduct an employee survey?	No
Company specific metrics	
Gender diversity	54% males and 46% females
Proportion of cattle feedlotted receiving prophylactic antibiotics	0%
Proportion of Stone Axe feedlotted cattle during the reporting period that were managed in National Feedlot Accreditation Scheme (NFAS) feedlots (or equivalent voluntary accreditation)	100%

STONE AXE
ORIGINAL AUSTRALIAN FULL BLOOD WAGYU

AUSTRALIA'S OYSTER COAST (AOC)

BACKGROUND

Australia's largest producer, processor and marketer of Sydney Rock oysters, AOC own 185.3ha of oyster leases across nine estuaries in NSW and operates two processing facilities in Batemans Bay and Kingsgrove, NSW. AOC sells oysters to wholesale distributors and high-end restaurants under two brands: Appellation; and Australia's Oyster Coast.

KEY INITIATIVES

Tar removal project

For many years, tar pits and tar sticks[1] were the mainstay of the oyster industry's culture practices, used to increase the durability of cultivation infrastructure in the harsh estuarine environment, protecting it from wood boring marine organisms. Timber trays and lease marker posts were also tar covered to prolong their life, similar to oiling a timber deck to preserve it.

However, using tar in oyster production creates the potential for hydrocarbon contaminants to enter the estuarine ecosystem.

AOC is committed to removing tar pits and phasing out tar treated infrastructure by implementing more sustainable farming methods. The company has prioritised removing tar sticks and converting to floating bags, introducing recycled plastic trays, using recycled plastic sleeved timber posts, and favouring low-impact long-lines systems.

Converting to these recycled plastic products reduces ongoing maintenance requirements and associated costs, and more importantly eliminates potential hydrocarbon contaminants entering the estuarine ecosystem.

One of AOC's historical tar pits located on timber frames over water. This tar pit has been completely removed in line with EPA approved waste management removal guidelines.

AOC farms no longer cultivate any oysters on tar sticks, with all farms having transitioned to floating bags and other sustainable cultivation infrastructure. One farm at Wallis Lake has some tarred trays still in use, although they are no longer recoated. These trays will be replaced with recycled plastic trays over the next three financial years, meaning AOC will have no tarred infrastructure in use by 2025.

Decommissioning tar pits

While AOC has never had 'operational' tar pits, it has inherited three historical pits from previous farm owners at Merimbula Lake, Bermagui River and Hastings River. During the year, AOC successfully decommissioned these tar pits and is in discussions to safely dispose of the tar at licenced Environmental Protection Agency (EPA) approved waste management facilities.

AOC is committed to assisting and supporting other oyster farmers to safely decommission and dispose of tar from culture practices.

1 Tar pits had been historically used in oyster farming. Liquid tar was used to coat in-water oyster farming infrastructure e.g. timber trays were dipped into tar pit routinely. Tar pits were used to hold the liquid tar, allowing sticks, trays etc. to be dipped/submerged in tar to coat them. Tar sticks (sticks covered with liquid tar) were traditionally put into the estuary to catch spat ((juvenile oysters). The spat covered tar sticks could then be relocated to other oyster leases suitable to be grown to larger food grade size.

2 Annual attrition data available for management staff only.

Key ESG KPIs for FY22

ESG category	FY22 KPI
ILPA EDCI metrics	
Total number of FTEs in previous year	52.2
Total number of FTE in current year	76.8
Scope 1 emissions (tCO2e)	Not measured yet
Scope 2 emissions (tCO2e)	Not measured yet
Total energy consumption (kWh)	119 (at the Batemans Bay processing facility)
Renewable energy consumption (kWh)	40.7 (at the Batemans Bay processing facility)
Total number of board members	6
Number of women board members[viii]	0
Number of work-related injuries	16
Number of work-related fatalities	0
Days lost due to injury (days)	Not measured yet
Organic and total net new hires	8
Annual attrition	10%[2]
Do you conduct an employee survey?	Yes
Company specific metrics	
Number of jobs added in regional and rural NSW	2
Number of entry-level jobs created	1
Area of water sustainably managed during the reporting period (number of ha) with specific consideration to reduced use of toxic products/pesticides/fertilisers	169

MURRAY RIVER LAND (MRL)

BACKGROUND

MRL is the farming aggregation of about 10,000ha of irrigated properties operated by Ulupna Pastoral Co as a cattle feeding and cropping enterprise. The MRL deal creates significant value by transforming approximately 50 dairy properties into a single 10,000ha enterprise of irrigated cropping area, which will be enhanced to reach its highest and best use. Low-efficiency irrigation technology will be replaced with new technologies, such as subsurface irrigation infrastructure, optimising water delivery.

ULUPNA
PASTORAL CO

Optimising resource use on the Murray

KEY INITIATIVES

Irrigation will be supported by shallow ground water which is the predominant local water source. Shallow ground water has a slow flow rate and as such has historically been considered unsuitable and unreliable for scale irrigation. The aggregation will convert this shallow water into a resource that can be used to enable irrigation. This is achieved by:

- blending the water with other more reliable water such as channel water and deep bore water
- developing up to 10 gigalitres of dams that will hold the water, thereby allowing the slow flow shallow ground water to be pumped continuously over the year and to be blended with the other water.

The aggregation adds certainty and value to existing unreliable and undervalued water.

The use of microbial fertiliser

- the use of microbial fertilisers will allow MRL to use less synthetic fertiliser which in turn results in less emissions from their production and fugitive emissions from their use. MRL plans on taking the manure from the feeding areas, composting it and using it as a form of fertiliser. This circular exercise will also reduce the use of artificial fertiliser

MRL leadership and people:

- the company hired an external CEO, who was appointed for their deep sustainability expertise and reputation as a leader in implementing precision agriculture in Australia

- management incentives are linked to ESG outcomes
- extensive standard operating procedures have been developed to optimise employee welfare and safety. The Board has completed a WHS assessment to ensure best practice WHS activities are adhered to

Other ESG initiatives underway:

- MRL is using a subsurface drip which does more to conserve water in the production of food and can help reduce the need for fertiliser
- MRL management are planning on implementing the application of cutting-edge telemetry and variable application technology of irrigation water and nutrients to achieve best practice water use and nutrient use efficiency
- work is being done to trial new feeding paddocks which is a significant animal welfare exercise to improve nutrition, disease and hazard/injury management.

Key ESG KPIs for FY22

ESG category	FY22 KPI
ILPA EDCI metrics	
Total number of FTEs in previous year	N/A
Total number of FTE in current year	26
Scope 1 Emissions (tCO2e)	Not measured yet
Scope 2 Emissions (tCO2e)	Not measured yet
Total energy consumption (kWh)	Not measured yet
Renewable energy consumption (kWh)	N/A
Total number of board members	3
Number of women board members[viii]	0
Number of work-related injuries	1
Number of work-related fatalities	0
Days lost due to injury (days)	0
Organic net new hires	N/A
Total net new hires	N/A
Annual attrition	N/A
Do you conduct an employee survey?	No

HIVE & WELLNESS (H&W)

BACKGROUND

H&W manufactures, packages and distributes honey products primarily through its brands Capilano, Barnes Naturals and Wescobee.

The company is committed to sustainability, notably through its focus on circularity of packaging, solar power, and collaborations with research partners.

KEY INITIATIVES

Circularity of packaging

H&W is a continuing signatory to the Australian Packaging Covenant Organisation (APCO) and has an ongoing partnership with REDcycle to make the Easy Pour Pouch recyclable in Australia. The company is moving from PVC to PET sleeves with 30 per cent recycled content and is rolling out Australian Recycling Logos (ARLs) on pack for all new packaging development and transitioning existing labels. It is working to eliminate single use and problematic materials from its packaging, including materials containing carbon black.

Solar power

H&W has installed solar power at its packaging facility factories in Perth, Western Australia and Maryborough, Victoria. This has offset 34 per cent of the combined two sites' carbon-based energy usage in FY22. It is now investigating the possibility of solar installation at its final packaging facility in Richlands, Queensland.

Industry collaborations, support and research efforts

H&W supports a range of Australian universities, government research organisations and industry bodies on projects aimed at reducing pests and disease, increasing pollination security, and improving genetics in breeding bees. The company works closely with certified organic beekeepers who practice sustainable farming practices as part of Australian Certified Organic Standard (ACO) certification and supports young and upcoming beekeepers through funding to the Keeping Future Program.

In 2022, H&W initiated the "Buy a Bee" campaign in partnership with Rural Aid and the Australian Honey Bee Industry Council (AHBIC) to help support beekeepers impacted by the arrival of the Varroa mite in Australia.

The company also became a major industry partner to the Australian Research Council Healing Country research project over a term of five years to support future Indigenous business leaders.

Key ESG KPIs for FY22

ESG category	FY22 KPI
ILPA EDCI metrics	
Total number of FTEs in previous year	139
Total number of FTE in current year	128.3
Scope 1 Emissions (tCO2e)	Baseline assessment pending[1]
Scope 2 Emissions (tCO2e)	Baseline assessment pending[1]
Total energy consumption (kWh)	3,316,524
Renewable energy consumption (kWh)	148,220
Total number of board members	5
Number of women board members[viii]	1[2]
Number of work-related injuries	3
Number of work-related fatalities	0
Days lost due to injury (days)	Not measured yet
Organic and total net new hires	130
Annual attrition	48%
Do you conduct an employee survey?	Yes
Employee survey response rate	85%

1 H&W are in the process of measuring their carbon emissions with a third party service provider (Trace).

2 There was one female director up until March 2022, now there are none.

FUNDS, SECONDARIES, AND CO-INVESTMENTS

To ensure our high standards are maintained through our indirect investments, Roc Partners has developed a methodology for assessing ESG risks and opportunities at the GP level for indirect investments.

The output of this assessment determines how effectively we can encourage an ESG approach at the GP level post investment.

The assessment methodology comprises two elements:

- **ESG exposure assessment**: Determines how effectively a GP integrates ESG across their investment lifecycle activities (identify, assess, implement, monitor and report). Roc will determine how embedded ESG is across: policies, processes, implementation and reporting.
- **Influence assessment**: Determines how effectively Roc Partners can influence the GP based on some financial measures and others.

Roc Partners has developed an annual ESG questionnaire that is distributed to our existing and potential GPs.[1] The purpose of the survey is to determine the extent to which our GPs are integrating ESG in their investment process and their ESG maturity level. The survey covers general ESG, measurement, reporting, governance, climate risk, and modern slavery.

The outputs of this survey enable us to identify best practices that can be applied more broadly through our programs and take steps to address any areas for improvement.

1 Currently, we share this questionnaire with our largest GPs by investment. We are committed to sending this questionnaire out to a greater number of GPs over time.

CO-INVESTMENT ALONGSIDE A GP

A co-investment alongside **Capital Today** into a single company (**HAI Robotics**)

Capital Today was one of the earliest adopters of an ESG Policy in the Private Equity/Venture Capital (PE/VC) industry in China, with a detailed ESG policy and robust ESG integration processes. The GP takes an active governance approach with companies, aiming to obtain a board seat where possible.

Hai Robotics is a leading autonomous case-handling robotics provider in China. The business is used for warehouse purposes and minimises the need for large and inefficient machines.

The business reduces repetitive and dangerous human tasks (such as heavy lifting), thereby improving the health and safety of the workplace. The company is well positioned to grow owing to China's declining work force, rising labour costs, increasing e-commerce fulfillment needs and improving tech-led efficiency.

COVID-19 is likely to fuel demand for this sector as robots can effectively help enterprises meet the social distancing and other pandemic-related protocols as robotics reduce the need for human contact.

FUND INVESTMENT

A primary investment in a fund managed by **Lyfe Capital**

An example of Lyfe's investments is **Aspen Neuroscience**, a private biotechnology company developing autologous cell therapies. Aspen's lead product is currently undergoing investigational new drug (IND)-enabling studies for the treatment of sporadic Parkinson's disease[1]. This disease affects the central nervous system that affects movement, often including tremors.

LYFE Capital has a comprehensive ESG framework and has implemented UN PRI guided procedures in their daily operations, due diligence and post-investment management. The GP has updated their ESG policy by adopting the UN Six Principles for Responsible Investment. They endeavour to "add value to life" by supporting innovation in healthcare which they believe can change the course of human life.

1 Parkinson's Disease is the second most common neurodegenerative disease, affecting greater than 10 million people worldwide, with 60,000 people newly diagnosed every year. Even with the current standard of care therapy, patients eventually develop debilitating motor complications due to loss of dopamine neurons in the brain; approximately 50 per cent are lost even before diagnosis. Cell replacement therapy of dopamine neurons has the potential to release dopamine and reconstruct neural networks.

SECONDARY INVESTMENT

A secondary investment into a continuation fund managed by **Centerbridge** in relation to National Mentor Holdings (**Sevita**)

Centerbridge takes a strong ESG integration position with its portfolio companies by assuming positions at the board level. The firm is a signatory to UN PRI, a founding signatory to ILPA's Diversity in Action Initiative and has committed to collecting and reporting on select ESG performance data by joining the ESG Data Convergence Project.

It is exploring ways to leverage new developments in ESG assessment and reporting, such as ESG-linked margin ratchets in term loans and ESG preparedness for IPOs. It is enhancing the 2022 portfolio ESG performance assessment to include ESG KPIs aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Sevita is the leading provider of home and community-based specialty health care in the USA, with 45,000 employees serving over 55,000 individuals.

Sevita serves people with intellectual and developmental disabilities, autism, and complex care needs, as well as people recovering from brain injury, children in foster care and other individuals who may require care across a lifetime. Sevita can serve these individuals within their home environment, focusing on rehabilitation/behavioural therapy as opposed to drug prescription and clinical care in an institutional setting. This approach provides better clinical outcomes and is better value for governments and health care departments.

SECONDARY INVESTMENT

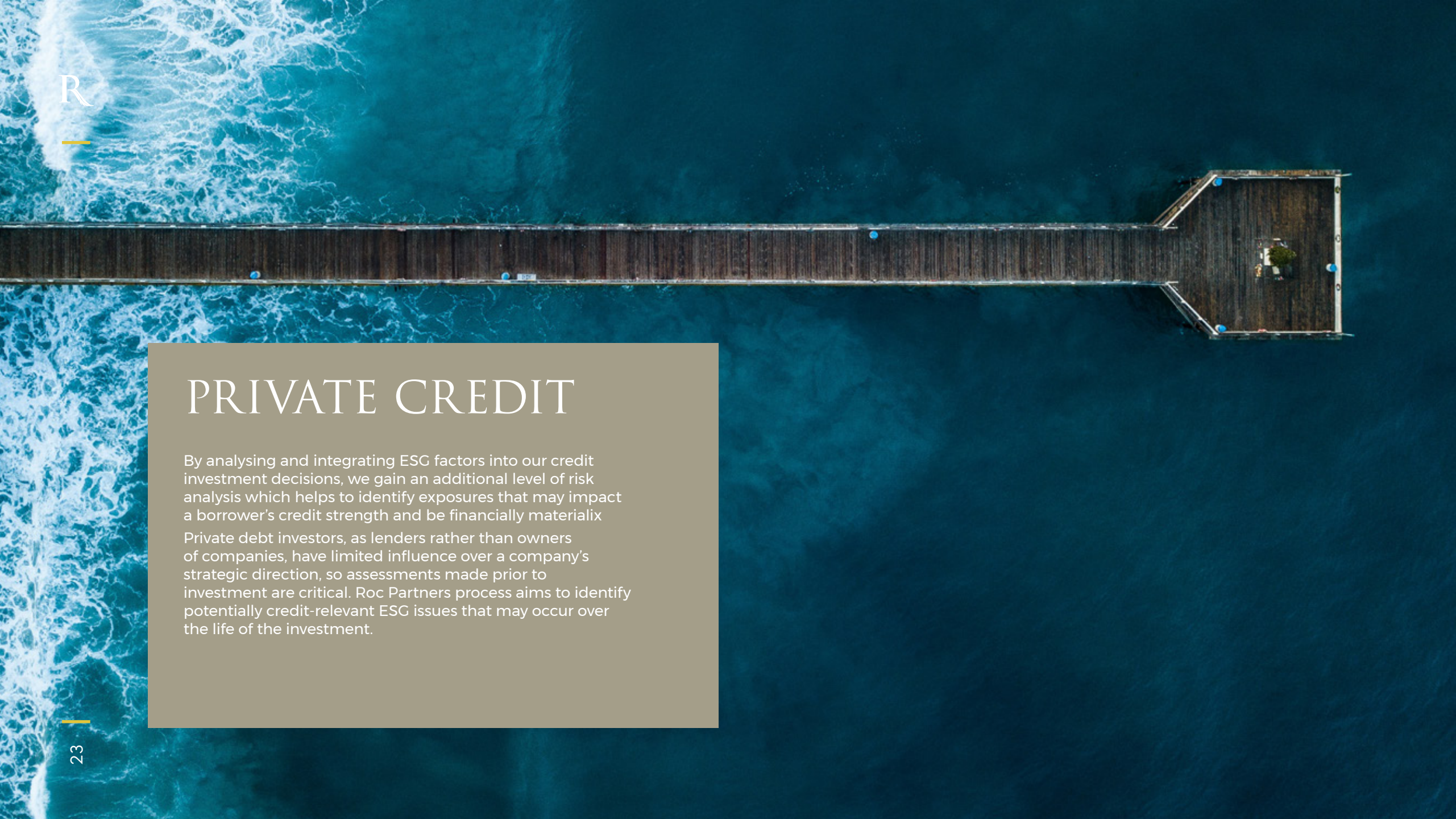
A secondary investment into a continuation fund managed **Crescent Capital Partners** to acquire **National Dental Care** (NDC)

Crescent Capital Partners has a Responsible Investment Policy, a Human Rights Policy and is a signatory to the UN PRI.

NDC is Australia's fourth largest corporate dental group with 69 practices across Australia. The group has strong gender diversity, with 80 per cent of total staff, 42 per cent of dentists and approximately 35 per cent of the leadership team being women. NDC has pay equity by role throughout the business, supported by formal policies and business procedures.

NDC has a strong Net Promoter Score (NPS) which indicates a high level of employee engagement and satisfaction. The group's NPS has been continuously improving since 2018.

The group has installed rooftop solar on one of its dental practices, with two more in train.



PRIVATE CREDIT

By analysing and integrating ESG factors into our credit investment decisions, we gain an additional level of risk analysis which helps to identify exposures that may impact a borrower's credit strength and be financially materialix

Private debt investors, as lenders rather than owners of companies, have limited influence over a company's strategic direction, so assessments made prior to investment are critical. Roc Partners process aims to identify potentially credit-relevant ESG issues that may occur over the life of the investment.

ONCALL GROUP AUSTRALIA AND SACARE

Roc Partners private credit fund participated in the increased debt facility for ONCALL Group Australia to acquire SACARE.

BACKGROUND

ONCALL is a leading provider of professional support personnel for families, young people and people with disabilities in Victoria. The company has the largest casual disability workforce in Victoria, with a total of more than 1,700 staff across 3,000 sites.

ONCALL has acquired SACARE in South Australia, a recognised National Disability Insurance Scheme (NDIS) provider service and leading provider of disability support services, including specialist disability accommodation, independent living, and rehabilitation in South Australia.

SACARE has an established history of working with clients and finding solutions to enable people to live empowered lives in their own homes. The company is at the forefront of innovation to enable clients' self-sufficiency and autonomy in their own homes.

SACARE has developed a model with lifestyle coordinators to ensure clients undertake meaningful activities and engaging programs with members of the community. The company's strong employee base makes it a priority to connect with patients on a friendship level. Clients have shared stories as to how they feel they develop close bonds and friendships with their carers.

SACARE hosts and sponsors the 'Ready Set Connect' event. This unique networking session allows individuals, families. and businesses in the disability industry to connect, share experiences and support each other.

ROC PARTNERS ESG JOURNEY

ROC PARTNERS

At Roc Partners, we encourage our portfolio companies and GPs to follow responsible investing principles and we recognise that as an organisation we must hold ourselves to the same level of accountability.

We view successful ESG and responsible investing as being embedded within our organisation – both as a responsible investor and steward. As such, we continue to seek opportunities to incorporate ESG and sustainability principles across our organisation, and strive to influence the entities and stakeholders with whom we undertake business.

OUR PARTNERS

Viridios Capital helped us source and fund the projects. Viridios is an Australian-based carbon finance origination and sales firm that operates across primary and secondary voluntary carbon markets to facilitate investment flows and investor returns.

Pathzero helps us measure our emissions. We used the Pathzero technology platform to measure and report on our organisation emissions generated at all our office locations.

We recognise that our financed emissions are also a material part of our carbon footprint. Measuring this emissions category is voluntary under the GHG protocol (category 15), however we are committed to understanding and managing our financed emissions. Our long-term goal is to ensure that all our new direct portfolio companies use Pathzero Navigator (or similar) to measure their emissions to allow Roc Partners to accurately measure and report on financed emissions.

Our commitment to Carbon Neutrality

We aim to be certified as a Carbon Neutral business through Climate Active for FY22 and are currently undertaking this process. In line with our commitment, we have funded four carbon offset projects.

KARLANTIJPA NORTH SAVANNA BURNING PROJECT

Carbon abatement through Savanna burning, Australia

This carbon abatement project was developed by the traditional owners of Karlantijpa North Aboriginal Land Trust with the support of the Central Land Council (CLC).

The project involves strategic and planned burning of savanna areas in the low rainfall zone during the early dry season to reduce the risk of late dry season wild fires.

Without fire management, the savannas in northern Australia burn predominantly in the late dry season, resulting in large, hot and intense fires that produce more greenhouse gas emissions. These hot fires in the late year have degraded the lancewood and other woodland species.

Income from the carbon credits are used to fund burning operations, including payments for traditional owners to do the work.

The project supports senior traditional owners in teaching younger generations about the country. Strengthening the connection to country also ensures that language is maintained amongst the traditional owners and is more widely recognised by other stakeholders. The local Mudbarra language is spoken by an estimated 96 people.

Each of these projects is nature-based and therefore aligned with our values, given our large agriculture portfolio. Each is also aligned with the UN Sustainable Development Goals (SDGs) and a carbon standard (Verra and Emissions Reduction Fund (ERF)).

916.81t CO2e

Total Emissions Offset in 2022

Pictured: Todman Dixon (left) and Kevin Bishop (right). Traditional owners of Karlantijpa North Aboriginal Land Trust.

SOUTHERN CARDAMOM REDD+ PROJECT

Avoiding deforestation, Cambodia

This project aims to protect critical habitat for significant populations of threatened species, including Asian elephant, Asiatic black bear, sun bear, large spotted civet, clouded leopard and dhole, as well as the critically endangered Siamese crocodile and southern river terrapin. The landscape has also been identified by the Royal Government of Cambodia as an opportunity for tiger reintroduction.

RIMBA RAYA BIODIVERSITY RESERVE

Protecting tropical peat swamp forest, Indonesia

Nearly the size of Singapore, this project is an initiative by InfiniteEARTH in conjunction with their non-government organisation partner, Orangutan Foundation International. It aims to reduce Indonesia's emissions by preserving some 64,881ha of high conservation value tropical peat swamp forest.

Rimba Raya is rich in biodiversity, including the endangered Bornean orangutan, proboscis monkeys and more than 92 other endangered, threatened and vulnerable species known to inhabit the Project Zone.

The Rimba Raya project was one of the first projects accredited under the Sustainable Development Verified Impact Standard (SD VISta) and was the first project to achieve all 17 SDGs.

TUMRING REDUCING EMISSIONS FROM DEFORESTATION AND FOREST DEGRADATION (REDD+) PROJECT

Avoiding deforestation, Cambodia

Lying on the southwestern edge of Prey Long Wildlife Sanctuary (PLWS), this project covers a land mass of 67,791ha. It contains the largest remaining area of lowland evergreen forest in Cambodia and forms part of the Indo-Burma Hotspot – one of the world's top 34 biodiversity hotspots.

The project aims to help reduce long-term greenhouse gas emission from the forestry sector and enhance the livelihood of the forest-dependent communities in the project area.

Current initiatives

Roc Partners undertook the following ESG initiatives in FY22.

Initiative	Paris Agreement	Climate Active	United Nations (UN) Principles of Responsible Investment (PRI)	Industry collaboration through the Australian Investment Council (AIC)	Initiative Climat International (iC International)
Details	We support the goals of the Paris Agreement. The Paris Agreement is a legally binding international treaty on climate change. Its goal is to limit global warming to well below 2 degrees Celsius, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. As part of our approach to environmental sustainability, we work with our investee companies and our GPs to measure and reduce their greenhouse gas emissions, with a commitment to develop net zero goals.	We aim to achieve Carbon Neutral Status for our organisation (Sydney, Melbourne, Hong Kong, Shanghai) through Climate Active for FY22.	Signatory of the UN PRI and the first Transparency Report will be released in 2023.	We are members of the AIC. One of our Investment Directors, Anna Ellis, is a Board member of the AIC. Samantha Bayes, Senior Associate was selected with five other individuals in the private markets industry to help establish the ESG Committee for the AIC. The purpose of the Committee will be to increase collaboration and uplift industry practice on ESG integration.	We are members of the iC International whose aim is mobilise the global private equity industry to play its part in tackling climate change by leveraging tried-and-tested methodologies to analyse and mitigate carbon emissions and exposure to climate-related financial risks in portfolios. Roc Partners is a member of the Asia Pacific chapter and an active working group member.

Refer to end note viii to read some of the current and future initiatives in relation to gender diversity.

Initiative

ESG Data Convergence Initiative (EDCI) led by Institutional Limited Partners Association (ILPA)

Details

We have committed to the EDCI with other leading global GPs and LPs that have partnered to align on a standardised set of ESG metrics and mechanism for comparative reporting through the EDCI. The initiative streamlines the private investment industry's historically fragmented approach to collecting and reporting ESG data in order to create a critical mass of meaningful, performance-based, comparable ESG data from private companies.

The Convergence Project metrics include greenhouse gas emissions, renewable energy, board diversity, work-related injuries, net new hires, and employee engagement.

ESG category	FY22 KPI
ILPA EDCI metrics	
Total number of FTEs in previous year	48
Total number of FTE in current year	54
Scope 1 Emissions (tCO2e)	0
Scope 2 Emissions (tCO2e)	22.8
Scope 3 Emissions (tCO2e)[1]	935.9
Total energy consumption (GWh)	0
Renewable energy consumption (kWh)	5166.53 (Melbourne office uses GreenPower)
Total number of board members	4
Number of women board members[2] [viii]	1
Number of work-related injuries	1
Number of work-related fatalities	0
Days lost due to injury (days)	0
Organic and total Net New Hires	16
Annual attrition	18.8%
Do you conduct an employee survey?	Yes
Employee survey response rate	94%

1 Our Scope 3 emissions exclude financed emissions. We are working with Pathzero to calculate this.

2 Rachel Ding is a board member on the Roc Partners HK Ltd board.

ID. Know Yourself

Roc Partners partners with ID. Know Yourself, a culturally focused and Aboriginal-led mentoring program for Aboriginal and Torres Strait children and young people in the Out of Home Care (OOHC) and Juvenile Justice system.

Founded by Isaiah Dawe in 2018, ID. Know Yourself is focused on breaking the cycle of inter-generational trauma and disadvantage by preparing children and young people in OOHC and Juvenile Justice for life after care and providing them with the opportunity to connect with their culture in a meaningful way.

The team at Roc Partners is committed to supporting Isaiah Dawe and the ID. Know Yourself team in their mission to break the cycle in OOHC where Aboriginal children are over-represented. Roc Partners is working closely with the founder and CEO to establish a long-term sponsorship model and to ensure that Roc Partners' contribution has a lasting impact.

Operational Due Diligence (ODD)

The "G" in ESG is crucial to our operational due diligence efforts and to our mission to identify and mitigate operational risks before we commit our client's capital to an investment opportunity. Roc Partners ODD was undertaken by EY in FY22 and included ESG integration as a component of the review. The key finding from the report was that there was an opportunity for Roc Partners to improve its reporting disclosure of ESG. We have noted this as a key opportunity, and have created this standalone ESG report as well as implementing some of the other initiatives flagged in this report (such as EDCI).

Future initiatives

We have prioritised a number of ESG initiatives for FY23 and beyond. We will continue to monitor the changing external environment to ensure alignment with our ESG framework and market changes.

Initiative	Taskforce on Climate-related Financial Disclosures (TCFD)	Taskforce on Nature-related Financial Disclosures (TNFD)	Net Zero goal
Details	Roc Partners is a **public supporter** of the TCFD. Roc Partners is in the process of establishing a framework that will enable us to report against the TCFD recommendations, aligned with our UN PRI reporting obligations.	Roc Partners is part of the TNFD Forum. We will investigate how we can appropriately deliver a risk management and disclosure framework to report and act on evolving nature-related risks, with the ultimate aim of supporting a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes	Roc Partners is working to establish a baseline for carbon emissions for the organisation, direct assets and its indirect investments (using technology tools such as Pathzero, as discussed earlier in the report). When this baseline has been established, Roc Partners will investigate setting a Net Zero goal through one of these initiatives: • The Science Based Targets initiative (SBTi) • UN-Convened Net-Zero Asset Owner Alliance • The Net Zero Investment Framework

Initiative

Industry participation in climate-related forums

Details

Roc Partners will participate in climate change-related forums or special interest groups such as:

- The **Investor Group on Climate Change** (IGCC), a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments
- The **Institutional Investors Group on Climate Change** (IIGCC), the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future, and
- The **Net Zero Asset Managers Initiative**, an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.

Sustainable Finance options

Roc Partners is exploring Sustainable Financing opportunities including:

- Traditional "Use of Proceeds" Loans and Bonds; and
- Sustainability-Linked Loans (SLL) and Bonds.

Roc Partners is exploring these mechanisms at two levels:

- Roc Partners organisation – where a SLL could be used to fund new investment opportunities whereby Roc would be required to meet pre-defined sustainability ratings and targets.
- Roc Partners investments and portfolio companies – which could use sustainable finance options. In this case, Roc Partners would continue to support portfolio companies to educate them on these financing options and the importance of having a robust sustainability strategy supported by baseline metrics and targets to access this financing.

End notes

i. Responsible Investment Association of Australasia report: From values to riches. Available: https://responsibleinvestment.org/wp-content/uploads/2022/03/From-Values-to-Riches-2022_RIAA.pdf

ii. UN PRI signatories. Available: https://www.unpri.org/about-us/about-the-pri#:~:text=With%207%2C000%20corporate%20signatories%20in,largest%20voluntary%20corporate%20sustainability%20initiative.

iii. The Australian Red Meat Industry's Carbon Neutral by 2030 Roadmap. Meat and Livestock Australia. Available: https://www.mla.com.au/globalassets/mlacorporate/research-and-development/program-areas/environment-andsustainability/2689-mla-cn30-roadmap_d3.pdf

iv. McKinsey and Company Private markets rally to new heights. McKinsey Global Private Markets Review 2022. Available: https://www.mckinsey.com/~/media/mckinsey/industries/private%20equity%20and%20principal%20investors/our%20insights/mckinseys%20private%20markets%20annual%20review/2022/mckinseys-private-markets-annual-reviewprivate-markets-rally-to-new-heights-vf.Pdf

v. Preqin 2022 Preqin Global Private Debt Report .Available: https://www.preqin.com/insights/global-reports/2022-preqinglobal-private-debt-report

vi. GHG emissions Greenhouse Gas Protocol. Available: https://ghgprotocol.org/.

Scope 1 emissions: Green House Gas (GHG) emissions that a company makes directly – for example, while running its boilers and vehicles. Roc Partners has no Scope 1emissions.

Scope 2 emissions: GHG indirect emissions from the generation of energy purchased from a utility provider. This includes all GHG emissions released into the atmosphere from the consumption of purchased electricity, steam, heating, and cooling.

Scope 3 emissions: GHG emissions that the organisation is indirectly responsible for up and down its value chain – for example, from buying products from its suppliers, and from its products when customers use them.

vii. Australia's plan to reach our net zero target by 2050. Available: ttps://www.minister.industry.gov.au/ministers/taylor/mediareleases/australias-plan-reach-our-netzero-target-2050

viii. Gender equality
The Australian Investment Council (AIC) agrees that boosting diversity and inclusion within Australia's private capital investment industry will be fundamental for the sector's success and future growth. [reference: Women in Private Capital Report – a compelling case for diversity. Available: https://www.aic.co/AIC/Articles/Blog/2020/10-October/Women-in-Private-Capital-Report-a-compelling-case-for-diversity]

Financial services overall lacks a representation of women in leadership and within Private Equity the representation is one of the lowest. Findings in the latest AIC report show that while women in private capital currently have an attrition rate which is almost double that of men and that 33% of firms in the private capital industry do not have any women in their investment teams..

Similarly, women in the Australian agriculture sector are underrepresented and the networking and industry groups focussed on women remain a relatively new feature of the industry's landscape. Data from 2020 shows that women make up 34 per cent of employees in the agricultural sector. [reference: Women's Work, ANZ. Available: https://www.anz.com.au/content/dam/anzcomau/documents/pdf/infocus-oct-2020-women-in-agri.pdf]

Roc Partners is committed to increasing the representation of women, not only within Roc Partners, but also in our portfolio companies. We acknowledge that we have work to do to address this and this is embedded into our long-term thinking, and ongoing investment into talent pipelines. Below is a summary of some of our FY22 initiatives:

- Employees will undertake the AIC's new inclusion training program for the private capital industry
- Continued collaboration with the AIC to implement some of their Gender Diversity & Inclusion Roadmap Recommendations [reference: Gender Diversity & Inclusion Roadmap Recommendations. Available: https://aic.co/AIC/AIC/Our-Industry/Diversity.aspx]
- Undertaken a targeted recruitment exercise to increase the representation of women within our investment team.
- Introduced an inclusive recruitment practice that ensures a diverse gender split on the interviewing panel.
- Established a Women in Agriculture scholarship to financially support one female per year through their tertiary education in Agriculture.
- Developing an internship program for university students .

ix. ABS. Job Vacancies, Australia. Available: https://www.abs.gov.au/statistics/labour/jobs/job-vacancies-australia/feb-2022

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