

# Responsible Investing

ANNUAL REPORT 2023



Roc Partners

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THIS REPORT IS FOR THE 2023  
FINANCIAL YEAR PERIOD:  
1 JULY 2022 - 30 JUNE 2023

# Building enduring value



**AT ROC PARTNERS**, we never lose sight of the significance of the investment decisions we make or the influence we have on the portfolio companies and general partners (GPs) we partner with.

With a proven track record of over 25 years of successful private markets investments, we have a strong conviction that responsible investing is a cornerstone for building enduring value.

In our ever evolving and complex world, it is increasingly apparent that, to create long-term sustainable value for all stakeholders, investors and businesses must consider, assess, and manage external risks.

Through the integration of responsible investing across our investment lifecycle and business operations, we seek to generate outstanding financial returns, mitigate risk, assess opportunities and foster positive social and environmental outcomes.

We recognise that to address the world's significant risks and challenges and deliver social and environmental benefits globally, various stakeholders, including capital providers, companies, government bodies, unions, and local communities, will need to collaborate.

IN OUR EVER  
EVOLVING  
AND COMPLEX  
WORLD, IT IS  
INCREASINGLY  
APPARENT  
THAT, TO  
CREATE  
LONG-TERM  
SUSTAINABLE  
VALUE FOR ALL  
STAKEHOLDERS,  
INVESTORS AND  
BUSINESSES  
MUST  
CONSIDER,  
ASSESS,  
AND MANAGE  
EXTERNAL  
RISKS.

To support these efforts, there is a substantial need for improved environmental, social and governance (ESG) reporting. However, meeting reporting requirements remains a challenge due to the ad hoc, inconsistent, and relatively undeveloped reporting capabilities in private markets today.

As companies face increasing pressure from investors, regulatory change and public discourse, we anticipate the importance placed on ESG performance and reporting will continue to grow. Roc Partners is committed to disclosing ESG and responsible investment (RI) progress appropriately, viewing this as an ongoing journey that we take seriously.

At Roc Partners, we hold ourselves accountable for shaping tomorrow, and our approach to RI is strongly aligned to realising a more sustainable future.

In the 2023 financial year (FY23), we appointed a second full-time role in the investment team for a Responsible Investment Associate<sup>1</sup> to further integrate ESG across our investments. In our ongoing commitment to strengthen our business, we formed a Roc Partners advisory board composed of experts in Australian economics, sustainability, and politics.

We have allocated significant capital to support the transition to a decarbonised economy and have made strides in measuring emissions across our portfolio.<sup>2</sup>

More broadly, Roc Partners continues to focus on investing in businesses that have made progress in their ESG journey with strong tailwinds, as well as businesses that have ESG ambitions but lack expertise, resources, and capital. By deeply integrating ESG into our due diligence and onboarding process, we have enabled newer portfolio companies to meet our RI expectations earlier in our ownership period.

MORE  
BROADLY,  
ROC PARTNERS  
CONTINUES  
TO FOCUS ON  
INVESTING IN  
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AS WELL AS  
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THAT HAVE ESG  
AMBITIONS  
BUT LACK  
EXPERTISE,  
RESOURCES,  
AND CAPITAL.

We extend our gratitude to our investors, portfolio companies, GPs, colleagues, and stakeholders for their continued partnership in building sustainable long-term value for our investments. We look forward to working with you as we expand and deepen our ESG program over the years ahead.



Michael Lukin,  
Group Managing Partner



#### EMERGING GLOBAL RISKS

The “cost-of-living crisis” is the most severe global risk we are likely to face over the next two years, followed by “natural disasters and extreme weather events” and “geoeconomic confrontation”, according to The World Economic Forum Global Risks Report 2023.<sup>3</sup>

Looking 10 years ahead, the greatest global risks are environmental in nature – relating to climate change, biodiversity loss, and ecosystem collapse.<sup>4</sup> Cybercrime and large-scale involuntary migration are two new risks that are emerging to affect the world on a global scale.<sup>5</sup>

Global conflict and war continue to be persistent themes that have a profound impact on the world’s geopolitical landscape and human security.

As a global investor, Roc Partners will continue to monitor and educate itself on emerging risks and the impact they may have on investments.

<sup>1</sup> Roc Partners now has two full-time ESG resources within the Investment team.

<sup>2</sup> Investments include Viridios Capital, Carbon Friendly, Pacific Metals Group and the establishment of Silva Capital.

<sup>3</sup> World Economic Forum (2023, 11 January), Global Risks Report 2023 (<https://www.weforum.org/reports/global-risks-report-2023/digest>)

<sup>4</sup> World Economic Forum (2023, 11 January), Global Risks Report 2023 (<https://www.weforum.org/reports/global-risks-report-2023/digest>)

<sup>5</sup> World Economic Forum (2023, 11 January), Global Risks Report 2023 (<https://www.weforum.org/reports/global-risks-report-2023/digest>)

# Roc Partners today

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# FY23 ESG highlights

## ROC PARTNERS PEOPLE

We appointed an associate to our ESG team in FY23, to continue integrating ESG into every stage of our investment lifecycle. Our ESG team now has two full-time members.

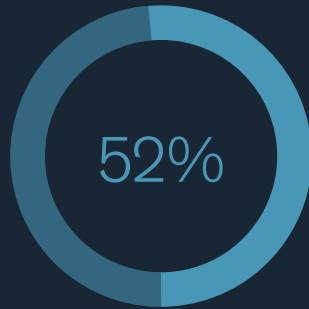
We also appointed a Vice President of Deal Origination, to take responsibility for originating and managing relationships aligned with Roc Partners' Responsible Investment Policy.

## ROC PARTNERS ADVISORY BOARD

ESG expert, Fiona Reynolds, was appointed to the Roc Partners advisory board during FY23. Fiona is the former CEO of the Principles of Responsible Investment (PRI) and is chair of the UN Global Compact Australia and ESG advisory board for Qualitas.

## CERTIFIED CARBON NEUTRAL

Roc Partners was certified by Climate Active as a carbon neutral business for FY22 in November 2022. Roc Partners is in the process of achieving carbon neutral certification with Climate Active again in FY23.



WORKFORCE

Women make up 52% of Roc Partners' workforce.

45%

CARBON EMISSIONS

Our direct portfolio<sup>6</sup> has completed a baseline carbon assessment for scope 1 and 2 emissions, including third-party verification.

64%

RENEWABLE ENERGY

Our direct portfolio companies use renewable energy to supplement their total electricity usage.

100%

ANNUAL ESG REPORTING

Engaged 100% of our direct portfolio to report on ESG performance.



18%

BASELINE CARBON ASSESSMENT

A further 18% of our direct portfolio have engaged with, or are currently undertaking, a baseline carbon assessment with an external consultant.



45%

RENEWABLE ENERGY

Our direct portfolio companies generate renewable energy to supplement their total electricity usage.

100%

ESG DUE DILIGENCE

All direct portfolio companies acquired<sup>7</sup> in FY23 included ESG due diligence.

<sup>6</sup> Roc Partners defines our direct portfolio companies as those organisations in which Roc Partners has meaningful control and/or influence as an investment manager.  
<sup>7</sup> Refers to new portfolio companies in FY23 only. Excludes bolt on acquisitions and other investments related to existing portfolio companies.

Roc Partners is a specialist private markets investment manager.

We seek to deliver successful outcomes for our investors, our companies, our team, and community, through growth that is positive, sustainable and always forward looking.



A\$8+BN

FUNDS UNDER MANAGEMENT (FUM)<sup>8</sup>

Manage capital for some of Australia's largest institutions and superannuation funds. Investment solutions for family offices, foundations, endowments and high-net-worth investors across the world.

600+

INVESTMENTS<sup>9</sup>

Funds, secondaries, co-investments and direct private markets investments in Australia and globally.

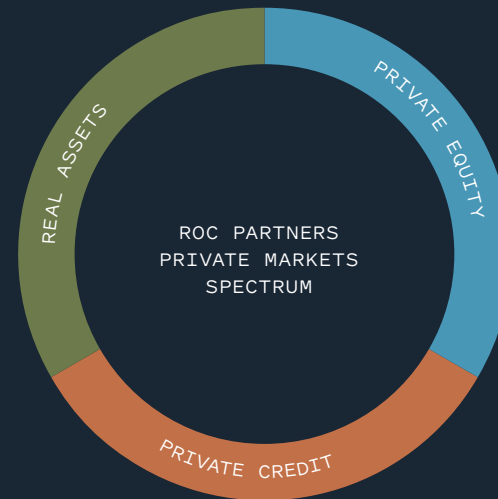
65+

EMPLOYEES

Four offices  
200+ years combined investment experience.

25+

Years providing investors with access to alternative investment solutions predominantly in Asia-Pacific.<sup>10</sup>



MULTI-STRATEGY

(FUND INVESTMENTS, CO-INVESTMENTS, SECONDARY)

GROWTH EQUITY

FOOD AND AGRICULTURE

MID-MARKET CORPORATE LENDING

AGRICULTURAL INFRASTRUCTURE

<sup>8</sup> 30 September 2023

<sup>9</sup> 30 September 2023

<sup>10</sup> Roc Partners was established in 2014 following a management buy out from Macquarie Group by its senior executives

# Our approach to responsible investing

**AS AN INVESTOR** that prioritises RI, we recognise our stakeholders' interest in our RI approach. This section of the report answers common questions received from our stakeholders.

## WHAT IS ROC PARTNERS RESPONSIBLE INVESTMENT FRAMEWORK?

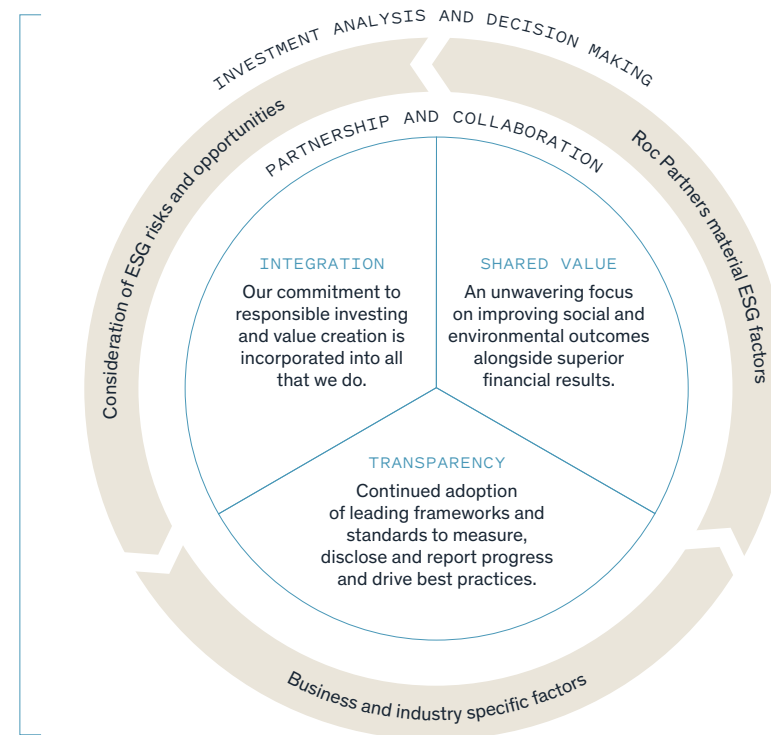
Embedding RI practices aligns with our commitment to creating sustainable long-term value for our investors, portfolio companies, and stakeholders. By considering ESG factors in our investment decisions, we aim to:

- **Identify opportunities** that generate positive financial returns underpinned by strong existing or potential ESG value and businesses that have ESG ambitions but lack expertise, resources and capital, and
- **Mitigate risks** associated with environmental, social and governance issues.

This approach enables us to build resilient businesses that can thrive in a rapidly changing world.

WE INVEST RESPONSIBLY AND PARTNER WITH STAKEHOLDERS TO ACHIEVE SUSTAINABLE AND MEASUREABLE OUTCOMES.<sup>11</sup>

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



<sup>11</sup> This is demonstrated throughout this report. ESG is integrated across all our investment strategies and across the Roc Partners organisation level.



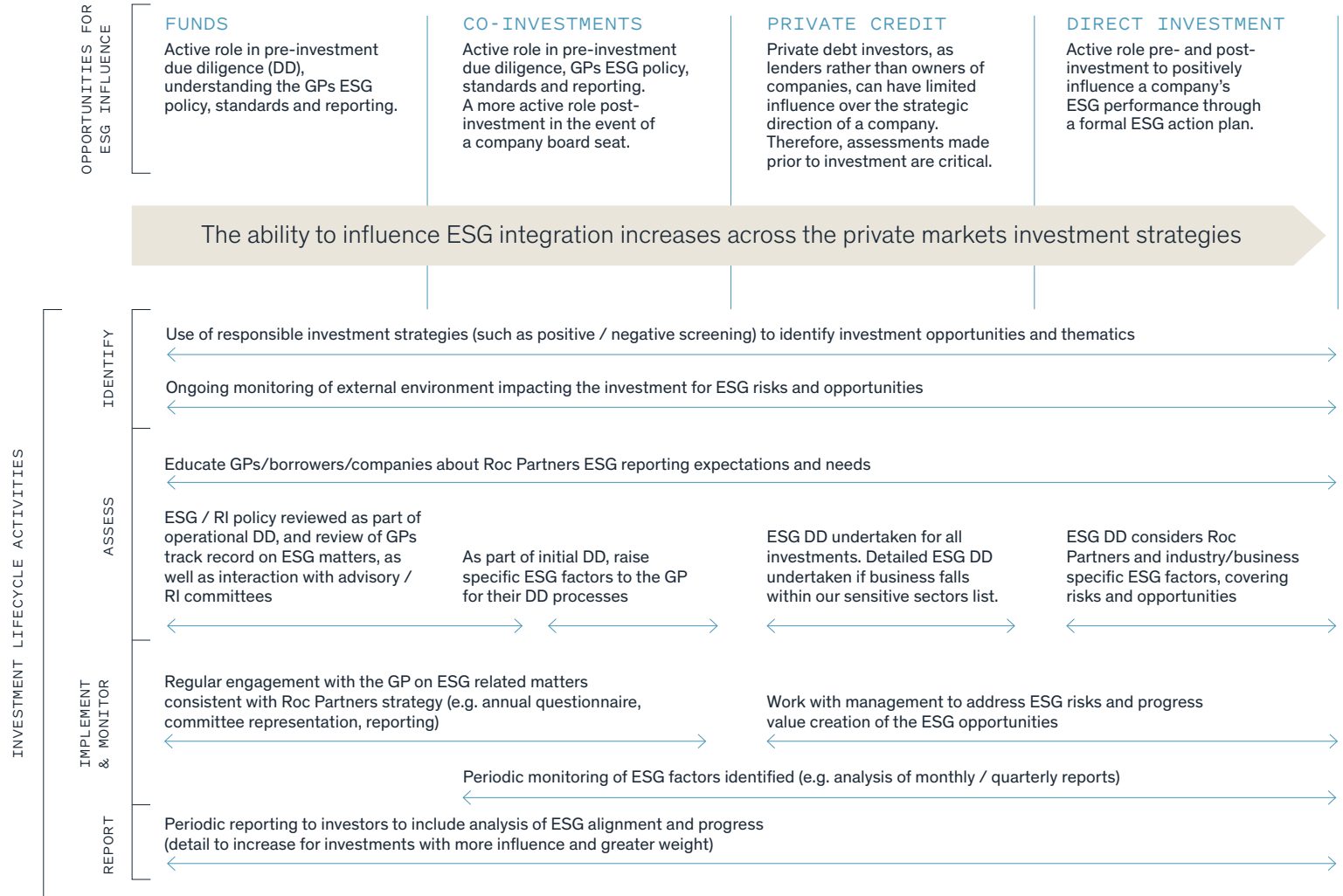
HOW DOES ROC PARTNERS INTEGRATE ESG THROUGHOUT THE INVESTMENT PROCESS ACROSS INVESTMENT STRATEGIES?

We believe ESG should be fully integrated into investment decision making – not a siloed or complementary support service. As such, our two full-time ESG associates are key members of our investment team.

Different investment strategies require different approaches to ESG integration. The table on the right summarises how we ensure ESG is embedded throughout the investment lifecycle for each of our investment strategies.

Our intention is to partner with portfolio companies to help them undergo ESG transformation through the formal ESG strategy and develop capabilities to build strong ESG culture, performance, and leadership.

We prioritise our stewardship efforts over our direct investment portfolio companies, where we have the greatest influence and control.



For these investment strategies, we use tools such as direct engagement and stewardship, leveraging board seats, and direct oversight of portfolio companies. For direct investments, ESG integration is integral to the investment lifecycle as both an investment activity and operational value add.

For our multi-strategy (funds, secondaries and co-investments) and private credit investments, we will consider relevant stewardship activities based on our level of influence and control. Roc Partners' stewardship activities are limited to negotiation with and monitoring of the stewardship actions of intermediaries in the investment chain, such as the GPs managing assets for the multi-strategy investment strategy, or borrowers in relation to private credit.

#### DOES ROC PARTNERS MAINTAIN A RESPONSIBLE INVESTMENT POLICY?

Yes. Our Responsible Investment Policy outlines our RI approach, and how we consider ESG risks and opportunities as part of the investment process. Roc Partners reviews this policy regularly as part of our commitment to continuously improving our RI approach.

#### WHAT ARE THE ESG ROLES AND RESPONSIBILITIES AT ROC PARTNERS?

Roc Partners operationalises ESG throughout the organisation so that our investment team and all of Roc Partners' other teams have a strong understanding of ESG principles and their importance.

To effectively integrate RI into our investment process, we have assigned roles within our organisation with specific ESG responsibilities, including:

##### ESG team

Our ESG team is comprised of two full-time ESG subject matter experts who work in tandem with the investment team and operations team. They provide specialist insights to embed ESG throughout Roc Partners' investment strategies and establish organisational level ESG strategy, in consultation with the organisation's leadership, to drive ESG performance within the firm.

##### Investment team

This team considers ESG in all aspects of the deal lifecycle and is responsible for implementing Roc Partners' RI approach and ESG action plans developed as part of the asset management process.

##### Roc Partners board

The board has ultimate accountability for the review, approval, and successful implementation of Roc Partners' RI Policy and broader RI approach. The board has delegated decision-making responsibilities for RI to the investment committee (IC) and the audit risk and compliance committee (ARCC) (ARCC).

##### Investment committee (IC)

The IC is responsible for reviewing the ESG assessment undertaken by the deal team for all investment strategies, including negative and positive screens, and the ESG due diligence. For direct investments, this will include a review of the material ESG factors<sup>12</sup> assessed for the prospective portfolio company.

##### Operations team

Supporting the ESG team, the operations team assists with implementing the ESG initiatives at the Roc Partners organisation level and helps the ESG team with data requests to report on ESG progress and performance of both the Roc Partners organisation and investment strategies.

##### Compliance team

Working closely with the ESG team, the compliance team continuously assesses Roc Partners' ESG risks through a formal governance, risk management and compliance (GRC) process.

<sup>12</sup> ESG material factors are defined as those ESG considerations that are most critical and relevant to an organisation, based on international standards and frameworks (such as SASB) and professional judgment.

WHAT ESG REPORTING DOES ROC PARTNERS MAINTAIN AND IS THIS ALIGNED WITH INTERNATIONAL STANDARDS AND GUIDELINES?

The ESG reporting landscape is disjointed and broad with a wide range of ESG reporting frameworks and standards in use across the market. Roc Partners is committed to reporting frameworks designed for the private markets industry, where available. We will update our approach, where relevant, as reporting frameworks tailored to the private market landscape emerge.

The ESG Data Convergence Initiative (EDCI)<sup>13</sup>, led by the Institutional Limited Partners Association (ILPA) is one of the reporting frameworks we follow. We expect our portfolio companies (that we directly control or can influence) to report against the EDCI metrics and other company-specific impact metrics to monitor ESG performance and drive improvement year-on-year. We will continue to encourage the GPs that we regularly engage with to adopt this same reporting approach. We also report against the EDCI framework at a Roc Partners organisation level.

Where possible, Roc Partners provides these ESG metrics to our investors upon request. We are committed to increasing the robustness of our ESG reporting process to ensure reliable and transparent ESG reporting in the future to our investors.

Our aim is to publicly report on ESG metrics over time. As businesses and GPs across the market grapple with the challenges of establishing robust ESG reporting systems, we are partnering with our GPs and portfolio companies to develop reporting systems that ensure meaningful and comparable data. As such, we have elected not to publicly report ESG metrics at this stage. We are partnering with our GPs and portfolio companies to improve their reporting systems and processes, and undertake a verification process to ensure completeness and accuracy.

AS BUSINESSES AND GPs ACROSS THE MARKET GRAPPLE WITH THE CHALLENGES OF ESTABLISHING ROBUST ESG REPORTING SYSTEMS, WE ARE PARTNERING WITH OUR GPs AND PORTFOLIO COMPANIES TO DEVELOP REPORTING SYSTEMS THAT ENSURE MEANINGFUL AND COMPARABLE DATA.

For our direct investment strategy, Roc Partners' ESG team works closely with deal team and portfolio companies to ensure reported ESG metrics are used to drive performance improvement within the business. The ESG reporting process should not be seen as a "check the box" exercise, particularly where we have influence and control. We recognise developing sufficient reporting capabilities to ensure data is fulsome and representative of actual performance is an important step in driving improvement.

Roc Partners has been a signatory to the UN Principles for Responsible Investment (PRI) since 2021 and will complete our first transparency report in 2023. As a new signatory, Roc Partners has opted to complete a voluntary report in 2023 and will complete a public transparency report in 2024 aligned with the requirements of the PRI, which is published on the PRI website and data portal.

In FY23, Roc Partners prioritised ensuring our measurement of financed emissions within our direct investment portfolio aligned with the Partnership for Carbon Accounting Financials (PCAF) Standard. PCAF aligns with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. This reporting process includes collecting actual emissions data, where available, and completing an estimation process facilitated by Pathzero where actual data is not available.

For further details on Roc Partners' approach to measuring financed emissions, refer to the section "Our approach to financed emissions" on page 33 on this report.

<sup>13</sup> For further information about the ESG Data Convergence Initiative refer to: <https://www.esgdc.org/>

HOW DOES ROC PARTNERS FOSTER CONTINUOUS IMPROVEMENT IN ITS RI/ESG APPROACH?

We are committed to continuous improvement right across our organisation and investment strategies. In FY23, we enhanced our RI/ESG approach through the following initiatives:

**ESG-related training and development**

ESG risk, regulation and stakeholder expectation are constantly evolving. Roc Partners is committed to continuous learning and improvement to ensure our ESG analysis and integration reflects the current regulatory environment. Training is either conducted by our in-house ESG team or by external advisors. In the past 18 months, ESG training and development has focused on:

- Climate risk management and reporting
- Carbon and carbon markets
- National Greenhouse and Energy Reporting Act 2007 (NGER)
- Modern slavery
- Privacy and cyber security

European Union (EU) Sustainability reporting requirements aligned with the Sustainable Finance Disclosures Regulation (SFDR).

Our team actively participates in industry events focused on RI, and frequently attends conferences, panel discussions, round tables, insights series and networking events to build and share knowledge with peers.

**Embedding climate risk into decision making**

Roc Partners is constantly exploring how we can more effectively and consistently integrate climate risk into our investment decision-making processes. We regularly engage with third-party service providers to understand relevant tools and capabilities available to ensure we can conduct robust climate risk assessments.

In FY23, we engaged a third-party service provider to give guidance on how to embed climate risk considerations within our direct investment approach. This resulted in the development of a climate impact assessment tool that considers the potential climate exposure of portfolio assets in 1.5-degree aligned and a business as usual (>3-degree aligned) climate scenario.

Each of our assets and locations is exposed to its own complex and nuanced set of climate risks. Where our in-house climate impact assessment tool indicates a high level of climate risk exposure, we will consider engaging external consultants to advise on climate risk and relevant mitigation and/or adaptation during our ESG due diligence.

**Addressing modern slavery**

Through our work with portfolio companies, we are building awareness and capabilities to identify, address and manage modern slavery risk on an ongoing basis.



We have established a four-step modern slavery program which is being piloted with our direct portfolio companies. This program involves an on-site workshop, with Roc Partners' ESG team acting as facilitators for management teams to:

1. Develop a clear understanding of modern slavery risk through an education workshop.
2. Complete a risk identification and assessment exercise.
3. Establish a formalised approach to modern slavery risk management.
4. Development of a modern slavery policy and/or statement.

# Case studies

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# Direct investments

Roc Partners' direct investments target two key strategies: food and agriculture; and growth equity. This section highlights a selection of Roc Partners' direct investment companies and illustrates our investment thesis to drive ESG performance.

As part of our growth equity strategy, Roc Partners was appointed as the investment manager for the Victorian Business Growth Fund (VBGF). Our team oversees 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.

DIRECT INVESTMENTS  
FOOD AND AGRICULTURE

# Australia's Oyster Coast (AOC)

BACKGROUND

Australia's Oyster Coast is Australia's largest producer, processor and marketer of Sydney Rock Oysters. AOC has 191 hectares (ha) of oyster leases across 11 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 the Appellation and Australia's Oyster Coast brands.



ORGANISATIONAL IMPACT

Oyster production is one of the lowest greenhouse gas emission food sources per 100g protein and the lowest amongst land animals, farm fish and crustaceans<sup>14</sup>. AOC takes pride in being custodians of oysters and stewards of the environments in which it farms. The team is committed to improving the health of the ecosystems in which AOC operates to ensure a quality product and to seek to lead the industry in the sustainable and innovative production of oysters.

KEY INITIATIVES

**Erosion prevention through coir logs**  
Erosion poses a significant threat to coastal ecosystems, and oyster farms are no exception. With rising sea levels and increasing storm events, protecting these valuable habitats becomes crucial. Protecting oyster farms from erosion is essential for maintaining the health and sustainability of coastal ecosystems and the long-term sustainability of oyster farming operations.

AOC has started the installation of coir logs on its farms as a cost-effective, eco-friendly, and efficient approach to erosion prevention. Coir logs, often referred to as coconut fibre logs, are erosion control devices made from the fibrous outer husk of coconuts. They provide a lightweight, flexible, and biodegradable solution to erosion control. By mimicking natural riparian conditions, coir logs effectively stabilise slopes, control sediment runoff, and promote vegetation growth, which not only combats erosion but also supports the growth of oyster populations.

Environmental management and oyster production are inextricably linked, and AOC's erosion prevention project is one example of the team's commitment to maintaining the delicate balance between oyster cultivation and preservation of the marine and coastal environment.<sup>15</sup>

<sup>14</sup> More information on Carbon Neutral Certification for Oyster Farmers is available at: [https://www.nswoysters.com.au/uploads/5/7/9/9/57997149/carbon\\_neutral\\_certification\\_for\\_oyster\\_farmers.pdf](https://www.nswoysters.com.au/uploads/5/7/9/9/57997149/carbon_neutral_certification_for_oyster_farmers.pdf)

<sup>15</sup> For further information on AOC's approach to erosion control and broader sustainability initiatives, please visit Sustainability at Australia's Oyster Coast: <https://www.australiasoystercoast.com/sustainability>



DIRECT INVESTMENTS  
FOOD AND AGRICULTURE

# Five Fifty5 Super Foods (555 Super Foods)

BACKGROUND

Five Fifty5 Super Foods grows speciality and intellectual property (IP) varieties of stone fruits and pears. The company operates ~55ha orchard near Shepparton, in the temperate region of Victoria.



ORGANISATIONAL IMPACT

555 Super Foods contributes to the reliability of food production and food security in Australia. Beyond this 555 Super Foods’ mission is to produce fruit which is highly nutritious and flavoursome. The business has invested in years of trialling varied regenerative farming practices in collaboration with horticulturalists, agronomists, nutritionists and environmentalists, with the ambition to deliver high-nutrient fruits that are farmed in a way that protects and sustains the land on which it is grown.

KEY INITIATIVES

Greenhouse gas emissions  
carbon assessment

In FY23, 555 Super Foods engaged Carbon Friendly to assess the GHG emission reductions and removal enhancements of fruit production in FY21 compared to the base year of FY19. The assessment was undertaken using a “cradle-to-farm gate” system boundary and based on primary inventory data of farm inputs and outputs used for the production system.

555 Super Foods aims to improve the environmental outcomes of the orchard and surrounding ecosystem by reducing its carbon footprint and enhancing the soil organic carbon (SOC) sequestration in its soils. The emissions intensity at 555 Super Foods decreased by 50% in FY21 compared to the baseline in FY19. Notable emissions reductions were attributed to reduced usage of fertiliser, electricity, and chemicals, as well as an enhancement in SOC, which removed 2,112kg of carbon dioxide equivalent (CO2e) per tonne of fruit.

This assessment confirmed the production system at 555 Super Foods is carbon net-zero, with GHG emission reductions and removals in accordance with Carbon Friendly Standard V1.4.

↓ 50%

DECREASED CARBON EMISSIONS

THE EMISSIONS INTENSITY  
AT 555 SUPER FOODS  
DECREASED BY 50% IN FY21  
COMPARED TO THE BASELINE  
IN FY19.





DIRECT INVESTMENTS  
FOOD AND AGRICULTURE

# Flavorite

BACKGROUND

Flavorite is Australia's largest glasshouse producer of fresh fruit and vegetables. The business spans four farms throughout regional Victoria, with over 70ha of produce under glass. Flavorite's glasshouse growing approach sets the benchmark for sustainable growing systems and enables the producer to control all aspects of the growing environment.



ORGANISATIONAL IMPACT

Flavorite's modified growing conditions offer a range of significant sustainability benefits<sup>16</sup>. These include:

- Reduced spoilage and waste produce – as the controlled environment, protected from adverse weather events, creates optimal growing conditions
- Year-round supply of premium produce – by mitigating the impact of extreme weather and seasonal volatility
- Increased access to potential farming locations and proximity to population hubs – as crops are not planted in a field and are not reliant on arable land
- Integrated pest management (IPM) – the use of different natural insect predators to control pests resulting in zero or low pesticide use
- Water capture and conservation – including use of UV water sterilisation process to recycle runoff water and fertilisers that would have otherwise been lost during irrigation
- Improved nutrient and water retention – through the use of alternative growing mediums, such as Rockwool<sup>17</sup>, which provide roots with a more balanced growing environment and greater stability.

At a product level, sustainability benefits of glasshouse production become even more compelling. For example, tomato production in glasshouse:

- 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

Carbon emissions and energy reduction

Flavorite's glasshouses are heated during the winter months to maintain an optimal growing temperature. Flavorite heats water using natural gas and the heated water is then pumped through a network of pipes in the glasshouse that radiate heat. Importantly, the waste carbon dioxide generated from the natural gas during this heating process is captured and offered back into the glasshouse for the plants to absorb through photosynthesis resulting in greater production. The circularity of the system serves as an example of the sustainable yet complex nature of glasshouse production to futureproof farming operations in a decarbonising economy.

In FY23, Flavorite completed a company-wide greenhouse gas emissions review to establish its carbon baseline and agree on key actions toward reducing its carbon footprint. In addition to this work, Flavorite has commenced a company-wide energy audit to review alternate energy sources and develop an organisation-wide emissions reduction plan. The plan will provide recommendations and initiatives to assist Flavorite in reducing energy waste, utilise further renewable energy and optimise and optimising existing processes to create a new energy baseload. This work will provide Flavorite with a clear, implementable, and cost-effective roadmap to support the business in reducing energy costs and carbon intensity while also improving operational resilience.

Packaging and plastic reduction

As a signatory to the Australian Packaging Covenant Organisation (APCO), Flavorite is committed to using recyclable and renewable materials to reduce packaging waste and contribute to a circular economy. The business prioritises the use and development of more sustainable packaging materials, including packaging made from recycled inputs that are highly recyclable or reusable.

The team continues to explore and trial new sustainable packaging solutions, including packaging manufactured using plant-based materials. Flavorite has been working on the design of a first-of-its-kind punnet that is made from 100% recycled materials and is 100% recyclable. If this punnet is successful, it will be used to replace the current plastic punnets.

<sup>16</sup> For more, please refer to Flavorite Sustainability Report FY22: [https://www.flavorite.com.au/\\_files/ugd/dbb458\\_e0aa0bae22c645e3acbec10e881b03bd.pdf](https://www.flavorite.com.au/_files/ugd/dbb458_e0aa0bae22c645e3acbec10e881b03bd.pdf)  
<sup>17</sup> Rockwool is made from molten rock spun into cotton candy-like fibres and then compressed into cubes.  
<sup>18</sup> Flavorite Sustainability Report FY22. Available: [https://www.flavorite.com.au/\\_files/ugd/dbb458\\_e0aa0bae22c645e3acbec10e881b03bd.pdf](https://www.flavorite.com.au/_files/ugd/dbb458_e0aa0bae22c645e3acbec10e881b03bd.pdf)

IN FY23<sup>18</sup>:

98.7%

of Flavorite packaging is reusable or kerbside recyclable when combined

1.3%

of Flavorite's packaging range consists of soft plastics and goes to landfill

93%

of packaging materials are manufactured in Australia.



DIRECT INVESTMENTS  
FOOD AND AGRICULTURE

# Kelly Tillage

## BACKGROUND

Kelly Tillage is the world leader and innovator in the design and manufacture of shallow tillage technology that improves farm soil health.

**KELLY**

## ORGANISATIONAL IMPACT

Unlike traditional tillage methods, Kelly Tillage provides a unique product that delivers a far lighter impact on the soil while simultaneously providing the opportunity to increase soil carbon through residue management. The product also helps to improve moisture retention and reduce the dependency on herbicides through mechanical weed control.

## KEY INITIATIVES

**Addressing modern slavery**

Evolving modern slavery regulation in Australia prompted Kelly Tillage to review and formalise an approach to modern slavery risk management. Kelly Tillage hosted a two-day collaborative workshop, facilitated by the Roc Partners ESG team, to provide the business with the tools to identify, manage and address modern slavery risk.

The business will use these tools in FY24 to complete a comprehensive modern slavery risk assessment and identify key initiatives to respond to modern slavery risks. The ESG manager and global procurement manager are also focused on developing a road map to implement the modern slavery approach in the business. This is an ongoing and iterative project and will be supported by Roc Partners over the coming months and financial year.



DIRECT INVESTMENTS  
FOOD AND AGRICULTURE

# Lachlan River Almonds (LRA)

BACKGROUND

LRA grows almonds in the Riverina region of NSW on two farms, Euroley and Moora.



ORGANISATIONAL IMPACT

Irrigation upgrades on LRA farms have significantly improved operations, increasing nut quality and size. LRA contributes to the reliability of food production and food security in Australia and is a plant-based protein that is considered a nutrient-rich and energy-dense source of food.

KEY INITIATIVES

Reduced herbicide use on the Euroley Orchard

LRA has successfully reduced herbicide use by employing a strategic approach of spraying beds only, resulting in significant savings of up to 50% on certain applications. By limiting herbicide applications to specific beds, LRA minimises chemical runoff into water systems, safeguarding aquatic ecosystems and water quality, which helps to preserve biodiversity and overall ecosystem health.

Mechanical weed removal in Euroley Orchard's inter-rows further reduces the dependence on chemical herbicides, minimising soil and air pollution. This preserves beneficial soil organisms, fostering a more sustainable and resilient agricultural environment.

LRA use pre-emergent herbicides to prevent weed growth, reducing the need for repeated herbicide applications<sup>19</sup>. This proactive approach not only saves resources and time but also minimises the overall environmental impact of weed management on the farm.

Irrigation management tools

The introduction of Phytech and Mait Soil moisture probes on LRA farms has provided valuable insights into soil moisture levels, which can help to optimise water usage. Phytech's advanced plant-based monitoring system allows LRA to gain real-time data on plant water needs and stress levels. This information allows LRA to implement precise irrigation and reducing water wastage. Similarly, Mait Soil moisture probes provide critical information about soil moisture distribution, helping LRA tailor irrigation schedules to accurately match specific soil conditions, improving water use efficiency.

Carbon assessment on the Euroley Orchard

LRA engaged Carbon Friendly to undertake a baseline carbon assessment to identify areas for improvement and explore the feasibility of a carbon project specifically tailored to the orchard. Such a project would involve measures to sequester carbon dioxide, potentially through tree planting, soil carbon sequestration, and enhanced land management practices.

<sup>19</sup> Pre-emergent herbicides work by forming a layer in the soil that a germinating weed has to grow through. The pre-emergent barrier interrupts the growth process to prevent the seed from progressing through the germination stage.



DIRECT INVESTMENTS  
FOOD AND AGRICULTURE

# Stone Axe Pastoral Company (SAX)

BACKGROUND

SAX is one of the world's largest dedicated high-end beef producers, and one of the world's largest vertically integrated wagyu beef enterprises farming Full Blood and Cross Bred Japanese Black Wagyu. The business operates across four hand-selected, resource-rich regions on Australia's east and west coasts.



AWARD WINNING BRANDS  
AND PREMIUM PRODUCTS



ORGANISATIONAL IMPACT

Stone Axe maintains exceptional animal handling, fosters a workforce that supports rural communities and plays a crucial role in enhancing food security by providing a consistent source of protein.

KEY INITIATIVES

**Methane reduction and Industry collaboration**

In FY22, SAX invested in the leading asparagopsis seaweed producer in Australia, Sea Forest. Asparagopsis is a species of seaweed that has the potential to reduce the methane output of cattle when added to their feed ration. In FY23, in partnership with Sea Forest, SAX commenced one of the largest commercial trials of feeding asparagopsis in the ration of feedlot cattle in Australia. The initial trial covered 200 head of cattle at Semini Custom Feeds in the Margaret River Region, with results assessed against a comparable control group of 200 cattle. The trial is ongoing and seeks to determine if there are any significant changes to the productivity of the cattle or the quality of beef produced after feeding the supplement for a full feeding cycle (circa 365 days)<sup>20</sup>.

SAX is also planning to trial cattle on a controlled backgrounding ration, with the ambition to reduce methane emissions by feeding the supplement to cattle for a longer period of time. This style of trial has not yet been performed by Sea Forest.

<sup>20</sup> Metrics observed across the trial include liveweight entry and exit, average daily gain, cost of gain, days on feed, and average marbling score.



ROC PARTNERS  
STRATEGIC PARTNERSHIP

# Carbon Friendly<sup>21</sup>



As a leading agriculture investor, we recognise the vital role of the agriculture industry in combatting climate change. As such, Roc Partners has partnered with Carbon Friendly, an innovative organisation with a mission to support farmers and agricultural businesses to become part of the solution to the global climate crisis.

Carbon Friendly completes detailed emissions assessments which include a comprehensive analysis of the company's scope 1, 2, and 3 emissions. Carbon Friendly considers all carbon sinks, including soil carbon and carbon stored in above-ground biomass such as native vegetation and orchards. By factoring these elements into its assessments, Carbon Friendly provides a full picture of an operation's net emissions status. **This recognition is pivotal in demonstrating that agriculture can indeed have a positive impact on the environment and enables products to be marketed as sustainably produced.**

Carbon Friendly's unique, whole-of-chain approach and insetting solutions give farmers an in-depth understanding of their on-farm GHG emissions, as well as the net impact of their product's entire value chain from farm-to-retail. This data-driven approach enables each portfolio company to make informed decisions, empowering them to enhance their positive contributions to the environment. The farm-to-retail assessment allows organisations to demonstrate alignment with their customers' (including major retailers) scope 3 and supply chain emissions commitments.

<sup>21</sup> Roc Partners has an interest in Carbon Friendly through a Simple Agreement for Future Equity (SAFE) note that was provided in FY23.



To date, Carbon Friendly has successfully completed GHG emissions assessments for Lachlan River Almonds and 555 Super Foods.

For Lachlan River Almonds orchards, the assessment revealed a net negative emissions value, which indicates the farm acts as a net sequester of carbon, removing more carbon dioxide from the atmosphere than it emits.

For 555 Super Foods, the assessment revealed the emissions intensity of stone fruit and pomme production at the orchards decreased by 50% in FY21 compared to the baseline in FY19.

Carbon Friendly is actively engaged with several other of our agriculture portfolio companies to initiate baseline GHG emissions assessments.



DIRECT INVESTMENTS  
GROWTH EQUITY

# Australian Pet Treats Company (APT Co)

BACKGROUND

Australian Pet Treats Company specialises in premium and natural pet treats under two major brands Bow Wow and WAG. The company sells its treats online and through major supermarkets and specialty retailers.



ORGANISATIONAL IMPACT

APT Co uses a sustainable “head-to-toe” model, using 100% of the animal in its pet food products, including parts of the animal that may have otherwise gone to landfill.

KEY INITIATIVES

Packaging and plastic reduction

All of the Bow Wow brand’s cartons, labels and shrink film are now made from 100% recyclable materials and the remainder of Bow Wow’s packaging is in the process of successfully transitioning to 100% recyclable materials. All of Bow Wow’s bags will transition to polypropylene by the end of FY24 and this will affect an estimated three million units each year.

WAG is entering into a plastic offset partnership with Waste Revolution, an Australian-based organisation whose flagship impact partner is Plastic Forests. Plastic Forests transforms soft and flexible plastic into 100% recycled products like fence posts and garden stakes. Recycled plastic posts are donated to BlazeAid, an Australian charity supporting farmers affected by natural disasters. WAG estimates this will offset approximately 70,000 units/bags yearly as part of the association.

# 100%

OF THE ANIMAL

APT CO USES A SUSTAINABLE “HEAD-TO-TOE” MODEL, USING THE WHOLE OF THE ANIMAL IN ITS PET FOOD PRODUCTS.



DIRECT INVESTMENTS  
GROWTH EQUITY

# Converge

BACKGROUND

Converge is a leading Australian workplace Employee Assistance Program (EAP) providing mental health and wellbeing services to more than 1.5 million employees of 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.



IMAGE RIGHT: GARY WALKER

ORGANISATIONAL IMPACT

Given the increasing difficulty in accessing both public and private mental health support, Converge's services provide employees and their families with access to short-term support services that assist in resolving personal problems that may be negatively impacting their day-to-day life and workplace performance. Converge can estimate the impact of its services on absenteeism and presenteeism rates through client satisfaction surveys.

Converge estimates that in FY23, it contributed to an average reduction of absenteeism<sup>22</sup> and presenteeism<sup>23</sup> of 1.72 and 0.41 days respectively, per employee per month.

In the past year, Converge provided EAP counselling to 82,000 individuals. This equates to a reduction of approximately 175,000 unproductive workdays per month (or 2.1 million workdays per year) in the Australian workforce, creating workforce savings of around to \$430 million (based on 82,000 individuals earning an average annual salary of \$75,000).

IN FY23:

## 82K

individuals at Converge were provided counselling.

## 175K

reduced unproductive work days per month in the Australian workforce.

KEY INITIATIVES

Reconciliation Action Plan

In FY23, Converge engaged with an external First Nations Consultant to develop a Reconciliation Action Plan (RAP) in collaboration with Converge's RAP working group. Converge's Innovative RAP has been officially endorsed by Reconciliation Australia. The RAP guides Converge in how to support its internal and external partners to create opportunities to progress and enhance national reconciliation.

Converge's initiatives to advance reconciliation include:

- Increasing partnerships and relationships with Aboriginal stakeholders and organisations such as the Lowitja Institute and Indigenous Allied Health Australia
- Targeting recruitment and provision of opportunities for Aboriginal and Torres Strait Islander people
- Engaging with First Nations businesses through joint partnerships to support service development and delivery
- Developing articles in support of reconciliation, including National Reconciliation Week and National NAIDOC week,<sup>24</sup> outlining the importance of fostering understanding, respect, and reconciliation between Indigenous and non-Indigenous Australians.

<sup>22</sup> Absenteeism is a habitual pattern of absence from a duty or obligation without good reason.

<sup>23</sup> Presenteeism refers to the lost productivity that occurs when employees are not fully functioning in the workplace because of an illness, injury, or other condition.

<sup>24</sup> Converge International: National Reconciliation Week: Be a voice for Generations. Available: <https://convergeinternational.com.au/resources/national-reconciliation-week-be-a-voice-for-generations/>



DIRECT INVESTMENTS  
GROWTH EQUITY

# Pacific Metal Group (PMG)

**BACKGROUND**

PMG is the combination of three Victoria-based businesses operating in the metal recycling and resource recovery industry. The business services local and regional councils, manufacturing, construction, demolition, and agriculture suppliers, and sells product both locally and internationally to the steel industry.



**ORGANISATIONAL IMPACT**

Steel is playing a crucial role in the energy transition (wind turbines, electric vehicles, and electricity networks). Using recycled steel decreases the embodied carbon of final products relative to using virgin steel. It also minimises excess emissions associated with mining, processing, and transporting raw materials. Most significantly, steel has excellent circular economy credentials as it can be recycled in perpetuity and preserve its value, durability and strength.

**KEY INITIATIVES**

Roc Partners acquired an interest in PMG in FY22 and will begin implementing the ESG Action Plan in FY24. We have assisted PMG in a tender process to conduct an emissions baseline assessment and have selected an external consultant to undertake the following scope of work in FY24:

- Calculate PMG's scope 1, 2, and 3 GHG emissions to identify material emissions sources and emissions reduction opportunities
- Prepare a roadmap to introduce an emissions reduction target against a baseline year
- Explore what a net-zero roadmap might look like and opportunities to develop science-based emissions-aligned reduction targets.





DIRECT INVESTMENTS  
GROWTH EQUITY

# Viridios Group

BACKGROUND

Viridios Group is a global carbon market consulting, origination, capital markets and asset management business focused on carbon markets, with a unique carbon credit SaaS pricing, valuation and project data platform. Its mission is to mobilise positive action towards net-zero and improve transparency in carbon markets to ensure the effective allocation of capital in carbon reduction projects.



ORGANISATIONAL IMPACT

As a participant in carbon markets, Viridios facilitates the trading of carbon credits, which represent a specific amount of GHG emissions reduced, sequestered, or avoided. Typically, each carbon credit is equivalent to one metric tonne of carbon dioxide (CO2). By financing carbon projects, Viridios encourages businesses and nations to invest in sustainable practices and reduce their emissions, while also enabling those who are unable to meet their emission targets to buy credits from those who have achieved additional reductions.

KEY INITIATIVES

**Carbon neutrality**  
Viridios engaged third party service providers to measure its carbon footprint for FY22. Viridios retired carbon credits to become carbon neutral for the period in line with Climate Active guidelines. Retirements were from three nature-based REDD+ Projects<sup>25</sup> that aim to bring social and biodiversity benefits to various communities in Africa, Asia, and South America.

Viridios has committed to reducing the emissions of its business operations by 50% by 2030, from the 2022 baseline. Emissions will be annually measured and offset.

**Targeted hiring and role designation for ESG and human resources**

In FY23, Viridios established and filled two ESG-focused roles: Head of ESG (hybrid role with Head of Compliance); and Global Head of Human Resources.

The Head of ESG has focused on developing an ESG strategy for the group, prioritising initiatives related to governance, risk and compliance, carbon reduction and modern slavery risk management.

Concurrently, the Global Head of Human Resources has been working to build out the human resources function and has implemented human resources management software, which will be used to conduct employee engagement surveys in FY24. Viridios will also be deploying a formalised Key Performance Indicator (KPI) and performance review process during FY24.

<sup>25</sup> REDD is an abbreviation of "reducing emissions from deforestation and forest degradation in developing countries". The "+" stands for additional forest-related activities that protect the climate, including sustainable forest management and the conservation and enhancement of forest carbon stocks.



# Multi-strategy investment portfolio (funds, secondaries and co-investments)



At Roc Partners, we have a comprehensive approach to integrating ESG into investment strategies in which we have a controlling interest, such as direct investments.

For investment strategies where we have less control or influence, such as our multi-strategy and private credit investment strategies, we focus our efforts on industry collaboration and stewardship with the aim of uplifting private markets industry progress on ESG integration.

(See the Roc Partners Organisation section for more details.)

Over time, we will consider including ESG requirements where feasible into new commitment agreements as ESG maturity and reporting requirements continue to increase.

Roc Partners' multi-strategy investment program consists of investments made in funds, secondaries, and co-investments. These are considered "indirect investments", as Roc Partners invests with other investment managers (our GPs) and does not control the underlying companies.

To ensure Roc Partners' indirect investments align with our responsible investment approach, we have developed a methodology for assessing ESG risks and opportunities at the GP level.

The output of this assessment determines how effectively we can encourage and influence an ESG approach at the GP level post-investment. The assessment methodology comprises two elements:

## 1. ESG exposure assessment:

Determines how effectively a GP integrates ESG across their investment lifecycle activities. This includes identifying and assessing ESG risks and opportunities, implementing ESG initiatives, and monitoring and reporting on ESG performance. Roc Partners will assess how well ESG is embedded into each GP's and underlying asset's policies, processes, implementation, and reporting.

## 2. Influence assessment:

Determines how effectively Roc Partners can influence the GP based on a variety of factors, including nature of the relationship, advisory committee representation and percentage interest in the fund.

In FY23, Roc Partners was involved in a variety of multi-strategy investments that contributed to education, healthcare and water quality across secondaries, co-investments, and funds.

## SECONDARY INVESTMENT

**UP Education** is a secondary investment into a single-asset continuation fund managed by **Pacific Equity Partners (PEP)**.

### OVERVIEW OF THE GP

PEP has been a signatory to the UN PRI since 2012 and maintains a responsible investment/ESG policy. PEP has a full-time dedicated ESG resource who leads a sustainability committee with its senior managing directors and is also a board member of the Asian chapter of Initiative Climat International and an active contributor to the broader ESG community within private equity.

### INVESTMENT OVERVIEW

UP Education is a leading multi-sector education group delivering vocational education and training, higher education, university partnerships, and online education across Australasia. It has 50+ campuses in 15 locations across New Zealand and Australia.

UP Education has six university partnerships that prepare international students to transition successfully into English speaking universities.

UP Education's private colleges equip learners with the skills to work in a wide range of industries, including construction, IT, health, early childhood education, aged care, pharmacy, hospitality, and business management

Roc Partners' ESG due diligence process identified UP Education as having above-average educational outcomes, while prioritising student welfare and safety, with a strong student support network and excellent support for vulnerable students. UP Education has strong academic governance thanks to its executive management team, group academic board and board of directors. The business undertakes a quarterly risk review and has instituted an annual ESG review. It also has a range of community initiatives focused on addressing child poverty, food insecurity, mental health and access to education for people whose employment has been affected by the impact of COVID-19.

## SECONDARY INVESTMENT

**ASG Eye Hospitals (ASG)** is a secondary investment into a single-asset continuation fund managed by **Foundation Holdings**.

### OVERVIEW OF THE GP

Foundation Holdings is a GP focused on investments in India. Foundation's strategic interest in the healthcare and education sectors is aligned with UN Sustainable Development Goals (SDG) 3 (Good Health and Wellbeing) and SDG 4 (Quality Education) and is underpinned by a commitment to delivering strong social impacts and improved quality of life. According to the GP, Foundation Holdings seeks to ensure that its investee companies pursue sound ESG management practices and reviews its portfolio companies' ESG matters from the perspective of globally accepted responsible investment frameworks.

### INVESTMENT OVERVIEW

ASG is India's largest eye hospital network, providing state-of-the-art ophthalmology services in cataract, retina, glaucoma, cornea, squints, and refractive errors.

Its mission is to provide the best quality healthcare treatment and solutions to every individual, irrespective of their awareness, knowledge, and financial status. ASG applies this philosophy more generally through charity efforts and offers free consultations to deserving patients.

ASG recently acquired an additional 97 hospitals in South India, bringing its total number of hospitals to 147 across 21 states in India. The company employs over 2,000 staff and more than 420 doctors.

The healthcare provider's "wellbeing for all" policy also applies to its workforce, and it takes a proactive approach to ensuring a safe and equal opportunity workspace, as well as adopting a doctor-focused model. ASG has developed an 18 to 24 month fellowship program to create a robust pipeline of young and high-quality doctors with hands-on surgical training combined with critical soft skills, including communication and counselling.

ASG has a Corporate Social Responsibility (CSR) policy, which highlights "giving back to society" as one of its core values. Aligned with this value, ASG has committed to give back 1% of its people's time, 1% of products, and 1% of profits to society, with an objective to improve the communities in which the business operates.



## CO-INVESTMENT ALONGSIDE A GP

**Takagi** is a co-investment made into a single company through a fund managed by **NSSK**.

### OVERVIEW OF THE GP

NSSK has an ESG policy that is applied to its entire investment portfolio and is a signatory to the UN PRI. NSSK has an ESG committee comprised of members from all parts of the firm, chaired by its Chief Executive Officer. Once a month, the ESG committee deliberates on ESG strategy for NSSK and its portfolio companies.

### INVESTMENT OVERVIEW

Takagi is Japan's largest faucet integrated water purifier and filter cartridge manufacturer and seller for household use. Takagi is headquartered in Kitakyushu (West Japan) and manufactures its products in its own facilities in Japan.

The household filtration system effectively removes a wide range of contaminants from water, including sediment, chlorine, chloramines, heavy metals (such as lead, mercury, and arsenic), volatile organic compounds, pesticides, and more. This process reduces the risk of waterborne illnesses and potential health issues.

Takagi is ISO 9001 certified. ISO 9001 is the international standard that specifies requirements for a quality management system that ensures products and services meet customer and regulatory requirements.

Takagi outsources part of its assembly operations at its main plant to a social welfare organisation to help support physically challenged people and provide them with employment and technical training.



# Private credit

The Roc Private Credit Fund targets investments in stable, non-cyclical industries as well as sectors with strong ESG credentials.

The Fund has made several investments that support the childcare industry. Childcare plays an important role in Australian society by supporting children's development and allowing parents and guardians to return to work or undertake other activities. High-quality early childhood education and care provides children with important opportunities for learning and development and supports their transition to school. Early childhood education and care can help children make friends, develop independence, and learn new routines<sup>26</sup>.

In FY23, the Roc Private Credit Fund supported two childcare providers: Guardian Education & Childcare; and Affinity Education.

<sup>26</sup> NSW Department of Education, (2023, 25 July), "Benefits of early childhood education". (<https://education.nsw.gov.au/early-childhood-education/information-for-parents-and-carers/every-child-benefits>).

PRIVATE CREDIT

# Guardian Childcare & Education and Affinity Education



BACKGROUND

Guardian is one of Australia's leading childcare operators with over 145 centres and Affinity Education is Australia's second largest for-profit provider of early education, with more than 200 childcare centres, nurseries, kindergartens, preschools and out-of-school-hours care locations.

For both the Guardian and Affinity credit transactions, the education provider's ESG credentials were assessed as part of our investment evaluation process. Roc Partners engaged with both the respective private equity firms that operate these childcare businesses and assessed how ESG is integrated into each business, what ESG initiatives are underway, and how ESG risks are managed.

Key ESG factors assessed included childcare health and safety, labour relations, staff wellbeing and career development, quality of service, and alignment with the National Quality Standards and Governance.

# ESG journey

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# At Roc Partners, we encourage and actively support our portfolio companies and GPs to adopt and embed ESG and responsible investing principles.

We recognise the importance of demonstrating leadership in the space and holding ourselves to the same level of accountability as our assets and investment partners.

We view successful ESG and responsible investing as the meaningful integration of ESG into all aspects of our organisation – both as a responsible investor, steward and corporate citizen. 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

Where we have not been able to reduce our absolute emissions, Roc Partners has partnered with **Viridios Capital**<sup>27</sup> to source and fund three carbon offset projects to offset our Roc Partners organisation emissions. We purchase a combination of certified Australian carbon credit units and international voluntary carbon credits through VERRA to offset our emissions. Given our significant investment in the agriculture industry, Roc Partners has selected nature-based projects to continue supporting carbon projects aligned with sustainable land management. Each project is also aligned with the UN SDGs and a carbon standard (Verra and Emissions Reduction Fund).



<sup>27</sup> Viridios Capital is a portfolio company of Roc Partners. See more information about Viridios on page 23.



# Our commitment to carbon neutrality

ROC PARTNERS has committed to being certified as carbon neutral for our business operations through Climate Active on an annual basis. This certification includes all scope 1, scope 2, and scope 3 emissions associated with our global business operations, including Sydney, Melbourne, Hong Kong, and Shanghai.

To measure our emissions, Roc Partners uses Pathzero Clarity. The Clarity tool is a technology platform that helps us measure emissions across our operations. It highlights areas of

carbon intensity within our organisation and provides actionable emissions reduction initiatives to assist in developing a decarbonisation pathway.

In FY22, Roc Partners was certified carbon neutral by **Climate Active**<sup>28</sup>. Roc Partners total emissions offset in FY23 is 1,123t CO2e. Roc Partners is currently carbon neutral<sup>29</sup> for FY23 and we aim to be certified Climate Active before the end of December 2023.

# 1,123t

CO2E

ROC PARTNERS  
TOTAL EMISSIONS  
OFFSET IN FY23.

<sup>28</sup> The Roc Partners Climate Active Public Disclosure Statement is available here: <https://www.climateactive.org.au/buy-climate-active/certified-members/roc-partners>

<sup>29</sup> Roc Partners emissions boundary for carbon neutral certification does not include financed emissions. We recognise that our financed emissions are 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. Please refer to "Our Approach to Financed Emissions" in this document for further information.



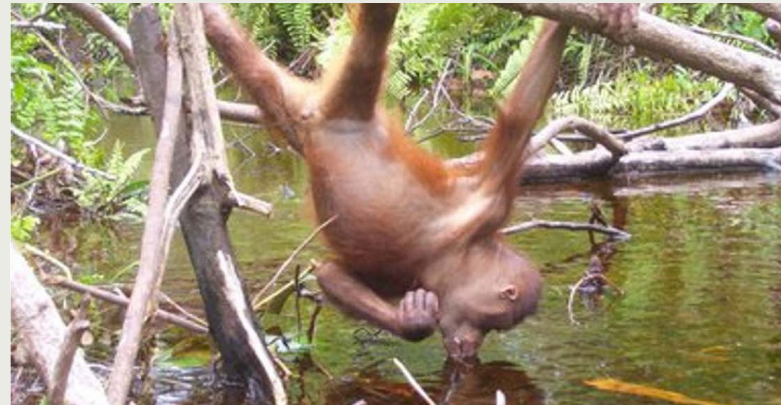
AUSTRALIA RAAK NGUUNGE SAVANNA BURNING PROJECT

Carbon abatement through Savanna Burning, Queensland, Australia

Raak Nguunge means “burning season” in the Kuuk Thaayorre language, and the success of the project is thanks to strong collaboration between the Pormpuraaw Aboriginal Shire Council and the Pormpuraaw Land and Sea Management Rangers.

This project involves strategic and planned burning of savanna areas in high and low rainfall zones during the early dry season to reduce the risk of late dry season wildfires.

This savanna burning project works with local rangers to undertake strategic aerial and on-ground burning in the tropical winter. By preventing larger late-season wildfires, emissions are reduced when compared against the historical average.



RIMBA RAYA BIODIVERSITY RESERVE

Protecting tropical peat swamp forest, Indonesia<sup>30</sup>

As a project that is nearly equal in land size to Singapore, the Rimba Raya Biodiversity Reserve is an initiative by InfiniteEARTH in conjunction with its non-government organisation partner, Orangutan Foundation International.

The project 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.

# Our approach to financed emissions

**THE TERM** financed emissions refers to the greenhouse gas emissions associated with the activities of companies in which a financial institution invests or lends. Financed emissions are part of an organisation's scope 3 emissions and are defined by the Greenhouse Gas Protocol as Category 15.

At Roc Partners, financed emissions are the emissions generated by our portfolio companies, multi-strategy investments and debtors within our private credit strategy.

## WHY DOES ROC PARTNERS MEASURE FINANCED EMISSIONS?

Measuring financed emissions was a key priority for Roc Partners in FY23. Initially, we focused on our direct investment portfolio and a pilot fund within our multi-strategy investments (see details below).

By measuring our financed emissions, Roc Partners seeks to:

- Identify carbon risks and opportunities in our portfolio
- More effectively manage climate-related risks<sup>31</sup>
- Ensure alignment with our investor expectations (from our limited partners (LPs))
- Demonstrate leadership for our portfolio companies and GPs
- Be well prepared to respond to emerging regulatory climate-related reporting requirements.

Measuring financed emissions in the direct investment portfolio In FY23, Roc Partners prioritised establishing carbon baselines and emissions assessments within our direct investment portfolio to collect actual emissions data. We engaged with portfolio company management teams and partnered with third party service providers to measure carbon emissions within an appropriate and representative baseline year. Roc Partners then worked with each business to discuss potential options to reduce their greenhouse gas emissions and investigate the feasibility of setting a net-zero emissions goal.

In FY23, we were successful in conducting carbon baseline assessments for 45% of our direct investment portfolio. An additional 18% of our direct investment portfolio have engaged with or are currently undertaking a baseline carbon assessment with an external consultant.

IN FY23,  
WE WERE  
SUCCESSFUL  
IN CONDUCTING  
CARBON  
BASELINE  
ASSESSMENTS  
FOR 45% OF  
OUR DIRECT  
INVESTMENT  
PORTFOLIO.  
AN ADDITIONAL  
18% OF OUR  
DIRECT  
INVESTMENT  
PORTFOLIO  
HAVE ENGAGED  
WITH OR ARE  
CURRENTLY  
UNDERTAKING  
A BASELINE  
CARBON  
ASSESSMENT  
WITH AN  
EXTERNAL  
CONSULTANT .

When a portfolio company has not yet measured its carbon emissions, Roc Partners has partnered with Pathzero and uses the Navigator tool to estimate the business' emissions based on financial metrics.

Using the Navigator tool, Roc Partners can enter a combination of financial and or actual carbon emissions data to calculate financed emissions. The platform, powered by proxy data and industry averages, has allowed us to accelerate our financed emissions reporting using financial information. Our ambition is to increasingly replace these estimates with actual emissions data, where possible.

Importantly, this calculation is aligned with the Partnership for Carbon Accounting Financials (PCAF) Standard, which is emerging as the universal financed emissions methodology for financial institutions. PCAF has developed a five-step data quality scale, per asset class, enabling Roc Partners to report a quality score from one to five and provide clearer insights to our stakeholders on the quality of our financed emissions data (particularly where estimates are required).

<sup>31</sup> Climate risk is now recognised as being part of an agent's fiduciary duty, with specific guidance notes being issued by Australian regulators (Australian Prudential Regulation Authority, Australian Securities and Investments Commission, and the Reserve Bank of Australia).

## HOW WILL ROC PARTNERS APPROACH EMISSIONS REPORTING IN FY24?

In FY24, Roc Partners will continue to prioritise engagement with portfolio companies to undertake an actual emissions assessment to replace estimates. Where portfolio companies have completed a carbon assessment, we will encourage and support annual emissions reporting to facilitate year-on-year performance reporting. As many of our portfolio companies are still developing the capabilities required to measure and report emissions performance year-on-year, Roc Partners will continue to estimate emissions using the Pathzero Navigator tool to drive emissions reduction efforts within the portfolio.

Measuring financed emissions in the multi-strategy investment portfolio For Roc Partners' multi-strategy investments, we selected a large Australian-domiciled fund, which utilises Australian GPs, to pilot financed emissions measurement and drive engagement with investment managers. Pathzero's Navigator tool provided Roc Partners with an initial PCAF compliant estimate of our financed emissions facilitating a risk-based approach to reducing financed emissions.

At a high level, the purpose of this exercise was to determine which companies within the fund are likely to have the highest carbon emissions, with the intention to focus our engagement efforts with these GPs and establish a partnership to develop solutions and drive performance improvement.

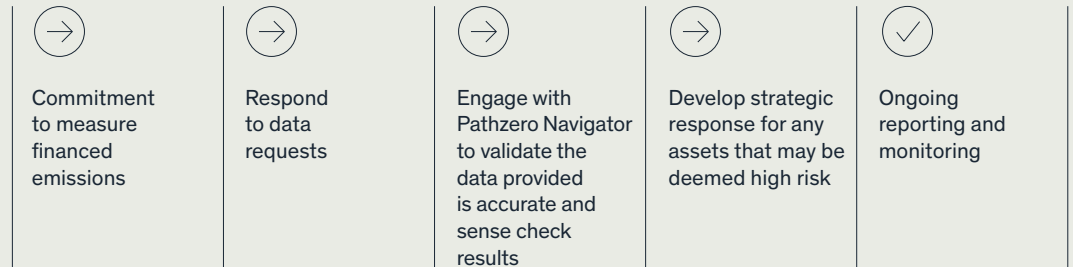
As part of this process, Roc Partners engaged with each of the fund's GPs to review the outputs of the exercise and have targeted discussions to understand each manager's approach to managing carbon emissions for the assets in the relevant underlying fund, as well as each GP's broader approach to managing climate risk. Where a GP has a less mature ESG approach or lacks in-house expertise to understand carbon accounting, Roc Partners works more closely with the GP to provide guidance, expertise, and support.

The feasibility of our approach is also dependent on Roc Partners' ability to influence the GP, the size of our investment, and the nature of their strategy, among other considerations.

As part of the multi-strategy financed emissions pilot, Roc Partners completed the following engagement activities:

- Held meetings and continued dialogue with Pathzero and the 12 GPs that submitted financed emissions data to Roc Partners
- Analysed financed emissions results and invited the 12 GPs to review, challenge and update the data
- Requested the 12 GPs adopt the Pathzero Navigator tool (initially free of charge) to manage and maintain the data provided, which feeds directly into Roc Partners' analysis
- Offered complimentary use of the Navigator tool to the 12 GPs, which allowed them to input data from other (non-Roc Partners) assets and trial the tool to measure and manage their own financed emissions.

ROC PARTNERS EXPECTATIONS OF GPS AS PART OF PILOT PROGRAM:



# Industry collaboration

ROC PARTNERS VALUES INDUSTRY COLLABORATION AS IT FOSTERS INNOVATION AND KNOWLEDGE SHARING. WE SUPPORT THE FOLLOWING ASSOCIATIONS AND COLLABORATION INITIATIVES

## United Nations Principles of Responsible Investment (UN PRI)

Roc Partners is a signatory to the UN PRI since 2021. The UN PRI portal was closed in 2022 due to updates made to the reporting framework. Roc Partners first voluntary reporting year is 2023 and we submitted our first transparency report in September 2023.

Signatory of:



## Australian Investment Council (AIC)

As a member of the AIC, Roc Partners is well represented by our Investment Director Anna Ellis, as a board member of the AIC; and Senior ESG Associate Samantha Bayes, who is a founding member and co-chair of the ESG advisory committee<sup>32</sup>. The committee provides advice to the AIC, its CEO and board, with the intention of developing and sharing guidance, education, and resources to members to advance the understanding, consideration, and adoption of ESG strategies in the private capital industry. This resource guide is available for members on the [AIC website](#).



## Climate Active

Roc Partners was accredited as carbon neutral by Climate Active in 2022<sup>33</sup> and is currently undergoing the certification process for 2023. See the section on “Our commitment to carbon neutrality” on page 31.



## Initiative Climate International (iC International)

The aim of iC International is to mobilise the global private equity industry to play its part in tackling climate change by using 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.



## AUSTRALIAN INVESTMENT COUNCIL ESG RESOURCE GUIDE

In FY23, the AIC ESG committee working group developed an ESG Resource Guide<sup>34</sup>. The guide can be used by GPs at various stages of ESG maturity to help advance the understanding, consideration and adoption of ESG strategies in the Australian private capital industry. Where it is practical and when we believe we have influence, we encourage our GPs to download this guide from the [AIC website](#).

The guide is divided into two parts:

1. Embedding ESG into operations and investment process – This part of the guide takes a chronological approach to building ESG capabilities in an organisation. The intention is that the user can first determine where they are on their ESG maturity journey and then review the guide aligned to their current level of performance. As a foundation, the guide seeks to ensure that ESG is well integrated across the organisation, the investment process and within portfolio companies, irrespective of the business's ESG maturity. Specific ESG topics that are material to the individual business can then be integrated in further detail.
2. Management aspects of ESG – The second part of the guide explores ESG topics, including: climate change management; GHG emissions management; environmental management and natural capital; resource and circular economy; diversity, equity, and inclusion; employee health and safety; cyber security and data privacy; modern slavery; and board and corporate governance.

<sup>32</sup> The other ESG committee members are: Mike Zimmerman, Main Sequence (Co-Chair); Lucy Cooper, Crescent Capital; Nicola Macgregor, Adamantem Capital; Navleen Prasad, AIC; Mark Spicer, KPMG; Kate Webster, Aware Super; Steve Okun, APAC Advisors; Rayna Toman, ABGF and Robyn Tolhurst, AIC (Secretariat).

<sup>33</sup> Our Roc Partners Climate Active FY22 Public Disclosure Statement is available here: <https://www.climateactive.org.au/buy-climate-active/certified-members/roc-partners>

<sup>34</sup> The guide is available to members only (<https://aic.co/AIC/AIC/Our-Industry/ESG/ESG.aspx?hkey=13ec1664-5796-4f45-997d-755fe58d77e1>)

## Philanthropic partnership

**SINCE FY22**, Roc Partners has partnered with ID. Know Yourself, a culturally focused and Aboriginal-led mentoring program for Aboriginal and Torres Strait Islander 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 overrepresented. 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.



## Cyber governance

**ROC PARTNERS** has identified cyber security as a key business risk as well as an ESG opportunity. Supported by the Cyber Security Officer (reporting to the Chief Operating Officer) and compliance committee, Roc Partners has developed an information security framework (ISF) designed to safeguard corporate information, systems, and cyber assets. Our ISF draws on multi-jurisdictional standards, best practice and is interwoven into our risk management program and privacy policies and procedures.

Each year, Roc Partners undergoes cyber security reviews with Ernst & Young (as part of the Australian Institute of Superannuation Trustees (AIST) Operational Due Diligence Audit) and engages leading cyber security firms to perform simulated cyber attacks on our network and applications. We also perform annual cyber disaster recovery drills to confirm our data and operations are recoverable within recovery time frames.

We use a variety of security hardware and software services to address the ever-evolving cyber threat landscape, including next-generation machine learning threat detection, company-wide cyber threat identification, testing, training, and advanced endpoint security applications on all Roc Partners-managed devices.

With Roc Partners' carbon footprint in mind, we recently migrated to a cloud service environment. The advantages of a cloud-based environment are twofold: firstly, it allows us to enhance our cyber security capabilities and reduce our IT infrastructure footprint – leading to lower server-based carbon emissions. Secondly, the new environment further mitigates the risk of malicious actors benefiting from Roc Partners' investment and client data, and/or causing business disruptions. The added network resilience reduces energy wastage during adverse cyber events.

In recent years, the increasing frequency and sophistication of cyber-attacks have heightened the importance of cyber security as an ESG concern. Roc Partners acknowledges the correlation of cyber security and ESG being incorporated into our broader sustainability strategies and initiatives. By taking responsibility in addressing new and evolving cyber security threats, we do our part in better sustaining the broader digital ecosystem, our investment IP, stakeholders' investor data, and cyber assets.



# Roc Partners advisory board

**OUR ADVISORY BOARD** is made up of a team of experts in economics, ESG, and politics. Its role is to provide access to valuable knowledge, insights and expertise to enhance Roc Partners' investment team decisions and the strategic direction of our business. Board members' provide an additional layer of governance and independent oversight, contributing to Roc Partners overall governance framework and promoting transparency, accountability, and responsible decision-making.

The four advisory board members are<sup>35</sup>:

- Fiona Reynolds
- The Honorable Nick Sherry
- The Honorable Don Harwin
- Richard Price

Fiona Reynolds was selected specifically for her expertise in responsible investment and ESG. Fiona is an independent director and advisory board member working across the corporate and investment sectors on ESG and sustainability issues. She has 25 years' experience in the financial services, superannuation, and pension sector where she was CEO of the Australian Institute of Superannuation Trustees (AIST) and Principles for Responsible Investment (PRI). She is chair of the UN Global Compact Australia and ESG advisory board for Qualitas, as well as being a board member for Frontier Advisors and an advisory board member of Quinbrook Infrastructure Partners, Affirmative Investment Management, Roc Partners and BASF.

<sup>35</sup> Refer to Roc Partners website to view the biographies of all of Roc Partners advisory board. <https://rocp.com/about-us/advisory-board/>

FROM LEFT TO RIGHT; RICHARD PRICE, NICK SHERRY, FIONA REYNOLDS, DON HARWIN.



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