



# Loftus Peak Stewardship Report

## FINANCIAL YEAR TO JUNE 2025

### Summary

The financial year ending 30 June 2025 was the third year of proxy voting for Loftus Peak in accordance with the Loftus Peak Proxy Voting Policy. Highlights included:

- Increased engagement levels
- Re-entered a holding following a resolution to engagement
- Navigated ESG matters arising in proxy voting ballots related to the emergence of anti- diversity equity and inclusion (DEI) ballots

### Direct Engagement

Throughout the financial year ending 30 June 2025, Loftus Peak directly engaged with eight companies held in portfolio, including seven new engagements and four follow ups. This was an increase from five new engagements and two follow ups in the prior year.

This increase reflected the Loftus Peak Investment Risk Committee responding to heightened ESG risks for portfolio investments as identified by Sustainalytics, or noted for engagement by the Committee.

The newly engaged companies were:

- **Broadcom** (AVGO.US) [also followed up]
- **Micron Technology** (MU.US)
- **ON Semiconductor** (ON.US) [also followed up]
- **Qualcomm** (QCOM.US)
- **Taiwan Semiconductor Manufacturing Company** (2330.TT)
- **Walmart** (WMT.US) [also followed up]

In addition, **BYD** (1211.HK), one of last year's engagements, was followed up.

Two engagements during the financial year are highlighted on the next page.



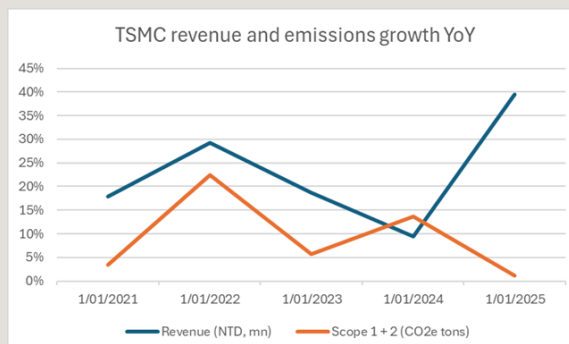
Taiwan Semiconductor Manufacturing Company (TSMC) has been a core position in the portfolios we manage for several years. The company has often been the single largest contributor to Loftus Peak's carbon intensity, sometimes being responsible for as much as half of the carbon intensity metric. The company periodically increases process nodes, making their chips smaller and more energy intensive to manufacture. Over time this could increase the carbon intensity of the company.

In addition, water usage is becoming a more important environmental risk and Loftus Peak believes semiconductor manufacturers will face mounting scrutiny for their water usage. TSMC's 2030 goal is to reach >60% replacement rate of water resources with reclaimed water.

This is a commendable goal. However, it is silent on the outlook of water usage relative to the size and volume of the semiconductor wafers being produced (i.e. the company could replace >60% of its water but still use more water due to increased volumes). As the company continues to scale operations, we wanted to better understand the trajectory of their energy usage and water usage.

## Outcome

TSMC responded promptly. The company noted that despite carbon emissions continuing to grow year over year, they were growing at a diminishing rate relative to revenue (i.e. carbon intensity was falling over time). This corroborates third party carbon emissions data:



Source: Company Filings and Sustainalytics

TSMC reaffirmed its goals and metrics from its 2023 sustainability report. These include 60% renewable energy usage by 2030 (up from an initial 25% goal), 3,900 GWh cumulatively saved from 2016-2023 and an estimated 4 kWh saved on power usage by customers for every 1 kWh energy consumed by TSMC.

The company also reasserted its 2030 goal for recycled water usage but was not able to outline its water usage relative to the size and volume of the semiconductor wafers being produced. This can form the basis for future engagement, especially considering TSMC's expansion into water scarce geographies like Arizona.

Nevertheless, the company's clarity on its energy usage means that TSMC is not under consideration for an ESG discount.



Loftus Peak exited BYD in August 2023 after it failed to pass Loftus Peak's negative screen for tobacco production. BYD subsidiary BYD Electronics, which carries a tobacco licence in China, has a joint venture with a vape manufacturer for the supply of the electronic core of the vape device. While the amount of revenue associated with this activity could not be determined, it was judged that revenue was likely to be greater than zero.

Loftus Peak engaged at the time of the exit and followed up with subsequent engagement.

## Outcome

Loftus Peak did not receive a formal response from BYD. However, in May 2024, the European Securities and Markets Authority (ESMA) announced new guidelines for ESG labeled funds to come into effect in May 2025. Included in these guidelines was the exclusion of investments in companies involved in tobacco production.

The Asian Corporate Governance Association (ACGA), which had been in dialogue with BYD since 2023, relayed the looming consequences of the ESMA guidelines. Specifically, that European ESG funds, some of which held BYD at a large weight, would be forced to divest. Subsequently BYD confirmed its plan to exit its tobacco business to the ACGA which announced this outcome in March 2025.

Because of this, BYD no longer failed Loftus Peak's negative screens. This was also corroborated by third party data providers. With BYD once again within the investable universe as well as providing exposure to electric vehicles at compelling valuations, Loftus Peak re-entered the stock.

## Proxy Voting

During the financial year ending 30 June 2025, Loftus Peak cast a total of 365 ballots across 33 company meetings, accounting for all possible resolutions. In 15 of these meetings, at least one vote did not agree with management. 33 votes (representing ~9% of total votes cast) were against management.

Illustration 1: Loftus Peak Voting Record Summary

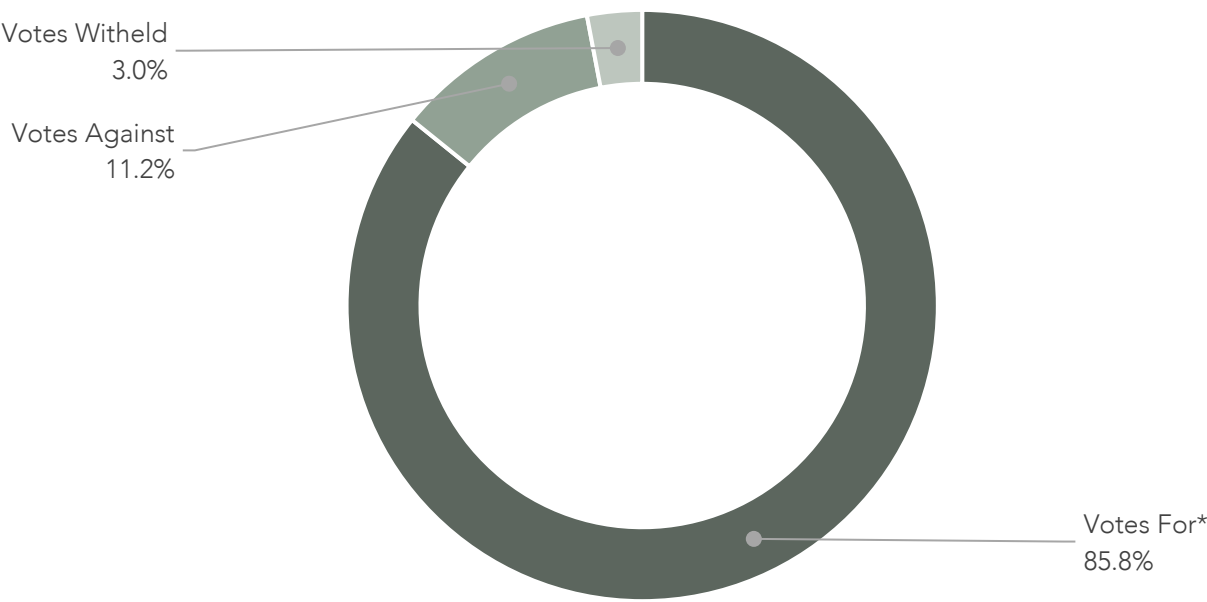
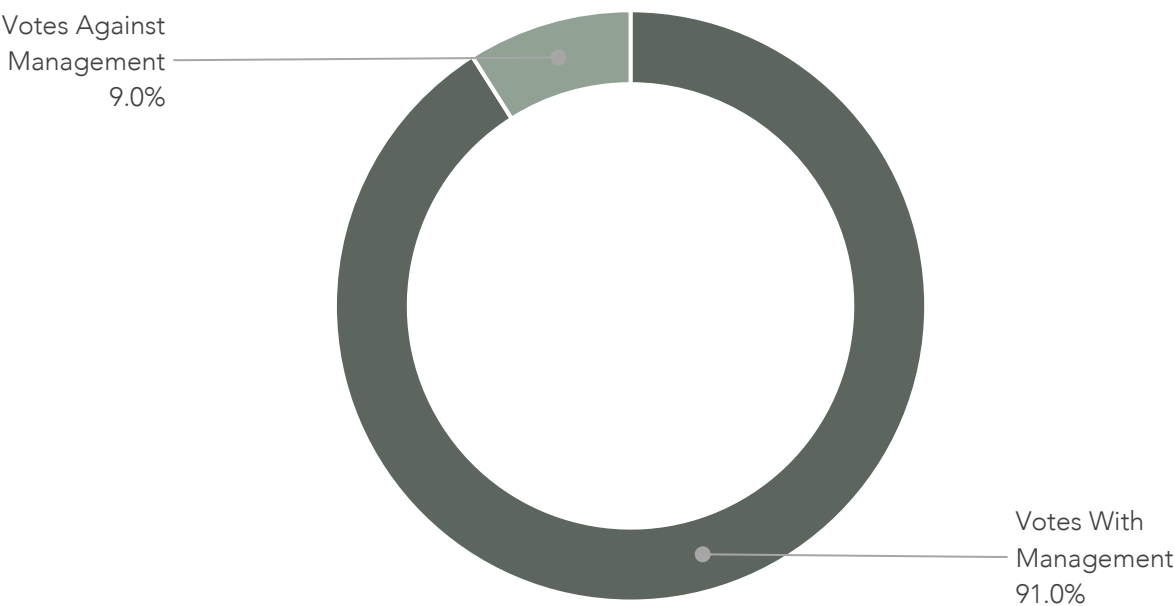


Illustration 2: Resolutions Voted Against Management or Against Instruction



## Voting Rationale around DEI

Generally, the Loftus Peak Proxy Voting Policy generates similar voting outcomes to the recommendations from ISS. This is a function of the majority of ballots relating to routine matters such as the election of boards. Shareholder activism tends to move with trends. Last year there was a strong shareholder focus on artificial intelligence (AI) related ballots. This year the focus had shifted towards focusing on Diversity Equality Inclusion (DEI).

### Aligned with ISS & Management

# NETFLIX

## Netflix

*Report on Discrimination Risks of Affirmative Action Initiatives*

### - VOTE AGAINST -

The proponent of the proposal argues that Netflix has affirmative action initiatives that are discriminatory and that subject the company to potential lawsuits. As a result, they requested that Netflix issue a report on risks related to affirmative action initiatives.

The company board argues that it has well-established compliance programs, policies, and practices that make the proposal unnecessary. It claims that the company is an equal opportunity employer that does not discriminate in recruiting, hiring, training, or promoting.

ISS argues that Netflix provides thorough workforce metric disclosures. The company engages in targeted hiring events, bias reduction initiatives, and employee training. However, there is no indication that the company employs hiring quotas or mandates specific demographic outcomes in its recruiting practices. Furthermore, ISS does not note any controversies related to discrimination against employees or employee groups due to Netflix's employee diversity and inclusion initiatives.

Given the apparent lack of controversies and material absence of hiring practices that could be considered legally controversial, Loftus Peak voted AGAINST the proposal.

### Against Management & ISS



## Nvidia

*Enhance Workforce Data Reporting*

### - VOTE FOR -

From 2018 through 2021, Nvidia published workforce data (gender, race, etc...) in line with the EEO-1 (a mandatory survey designed by the U.S. Equal Employment Opportunity Commission). The proponent of the proposal requested that Nvidia report on its workforce in accordance with gender and race in job categories defined by the Equal Employment Opportunity Commission (EEOC).

Nvidia's board opposed the proposal on the grounds that it already discloses extensive workforce and diversity data and that the categories used by the EEOC is not suited to the NVIDIA workforce; potentially being uninformative and potentially confusing. ISS opposed the proposal, citing the same reasons as Nvidia as well as noting that, "Recent legal, political, and regulatory trends with respect to DEI programs have raised concerns among companies that disclosing related information that is beyond what is legally mandated may have the potential to put them at risk of adverse consequences."

Given the company previously disclosed the information and the collection of EEOC data is mandatory, there is no excessive burden being placed on the company. Even if the categories are not ideal for Nvidia's specific workforce, it is nevertheless useful for investors to have a standardised point of comparison. In terms of the ISS concern around DEI reporting making Nvidia a target for adverse consequences, voting in a tactical way to avoid potential (presumably political) backlash is not congruent with the Loftus Peak Proxy Voting Policy. Therefore, given the proponent's proposal requests additional and valuable information at minimal burden to the company, a vote FOR was warranted.

Voting Rationale around DEI (cont.)

Against Management & ISS



JOHN DEERE

John Deere

Report on a Civil Rights Audit

- VOTE FOR -

The proponent of the proposal requested that John Deere should commission and oversee a civil rights audit, conducted consistent with the Civil Rights Audit Standards, analyzing the bias and discrimination risks of Deere’s policies, practices, products, and services. This would provide Deere’s management and its shareholders the information and analysis they need to evaluate the company’s recent actions and their impact on legal and business risks, as well as the company’s progress in meeting its DEI and other business objectives.

Over the last decade, John Deere has shown a commitment to DEI initiatives through various board initiatives. These practices came under scrutiny in 2024 from conservative groups and the company ultimately rolled back several of its DEI initiatives. Consequently Deere “agreed to pay \$1.1 million in back pay and interest to nearly 300 Black and Hispanic job applicants... as part of a settlement with the U.S. Department of Labor, which alleged systemic hiring discrimination.”

Additionally, the National Black Farmers Association has called for a boycott of Deere in response to its DEI rollbacks.

The board argues that it is an equal opportunity employer. Irrespective of the reality of this aspiration, the company’s shifting policy both towards original DEI policies and the subsequent pivot are eliciting negative responses. In this scenario, shareholders would benefit from having better data on which to determine if the DEI initiatives are appropriate in the first place. The board also argues that such an audit would be costly and lengthy. However, given the company’s relative strength in existing workforce data disclosure (for example, Deere published its EEO-1 data in its most recent Business Impact Report), it seems that some of the data is already in place to provide some level of audit or oversight in order to inform company policy going forward. As a result, a vote FOR was warranted.

Voting Summary Reports

2024

Q1 Report [\(click to view pdf\)](#)

Q2 Report [\(click to view pdf\)](#)

Q3 Report [\(click to view pdf\)](#)

Q4 Report [\(click to view pdf\)](#)

2025

Q1 Report [\(click to view pdf\)](#)

Q2 Report [\(click to view pdf\)](#)

# LOFTUS PEAK STEWARDSHIP REPORT

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The investment manager applies ESG principles as part of its broader investment philosophy. However, this Fund is not classified as an ESG product, and ESG criteria may not be applied to all investments. Investors should refer to the PDS for details on the Fund's strategy.

The PDS and TMD for the Funds can be obtained by calling +61 2 9163 3333 or visiting our website [loftuspeak.com.au](http://loftuspeak.com.au). A TMD describes who this financial product is likely to be appropriate for (i.e., the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the TMD for this financial product may need to be reviewed.

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