



# ESG ANNUAL REVIEW FY23



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# PALISADE'S ESG COMMITMENT

We are pleased to present Palisade's FY23 ESG annual review, which outlines our progress and achievements in the areas of environmental, social and governance (ESG) over the past financial year.

Palisade is committed to embedding ESG considerations throughout the investment management lifecycle. This begins with preliminary ESG assessments of new investment opportunities and continues through detailed due diligence. Beyond acquisition, ESG forms an integral part of our long-term active investment management. Every member of the Palisade team is responsible for ESG, which is included in individual performance reviews.

The 2023 financial year was the third year of reporting using Palisade's ESG framework, which has been rolled out to 100% of our portfolio companies. Our custom Modern Slavery Risk Assessments and TCFD-aligned Climate Change Impact Assessments have also been completed for over 90% of the portfolio.

Palisade was again awarded a 5-star rating as part of the United Nations Principles for Responsible Investment reporting framework for the most recent reporting period.

Palisade is proud of the progress we have made. We also recognise that there is still much work to be done. To that end, we have set objectives aligned with our ESG Priority Areas for the coming year, and we look forward to sharing our progress next year.

Thank you for your continued support.

Roger Lloyd, CEO



# EMBEDDING ESG WITHIN OUR BUSINESS

Updated ESG annual asset report framework to increase consistency of reporting, amended to 30 June year-end

Increased coverage of framework across portfolio to 100%, including PPP assets

Engaged external consultant for review of emissions reporting processes

Past 12 months



Third year of reporting using Palisade's ESG framework, rolled out to 100% of portfolio companies



95% of assets have completed a Modern Slavery Statement or Risk Assessment



Over 90% of assets completed a TCFD-aligned<sup>1</sup> Climate Change Impact Assessment



2023 UNPRI 5 star assessment result<sup>2</sup>

<sup>1</sup> In June 2023, the ISSB issued the IFRS Sustainability Disclosure Standards IFRS S1 and IFRS S2. The Standards integrate the TCFD Recommendations, which are globally accepted as being the benchmark for climate-related financial disclosures. The Australian government is in the process of implementing mandatory climate disclosures based on the International Sustainability Standards Board (ISSB)'s climate standard, IFRS S2. We support the Australian Accounting Standards Board (AASB)'s development of a new Australian Sustainability Reporting Standard, and in time, this template will be amended to reflect this extension of the TCFD recommendations.

<sup>2</sup> Policy Governance and Strategy, Direct Infrastructure. 4 stars in Confidence building measures





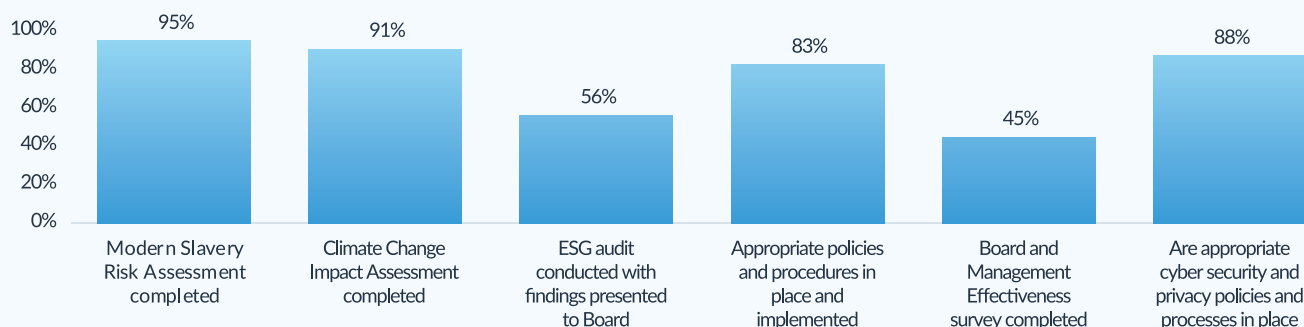
# ESG PRIORITY AREAS 2023



## GOOD GOVERNANCE

- ✓ Continued roll out of ESG framework across all assets and opportunities
  - ✓ 100% of new opportunities reviewed with ESG due diligence toolkit
  - ✓ Coverage of ESG reporting framework now increased to 100%
  - ✓ 95% of assets have completed Modern Slavery Risk Assessment
  - ✓ Over 90% of assets have completed Climate Change Impact Assessment
- ✓ Significant improvement in achievement of governance-related goals across portfolio, with significant uplift noted post reporting period
- ✓ Improvements to ESG Annual Asset Report templates and external expert engaged on emissions reporting consistency, and targets across portfolio
- ✓ Palisade ESG Committee to be expanded to include Pinnacle's dedicated ESG resource, Kaitlin Priestley (Sustainability Manager)

% of portfolio companies in compliance within accepted timeframe



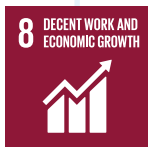
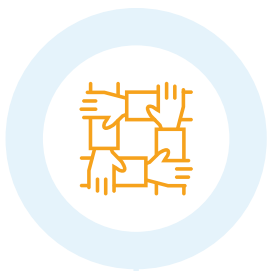
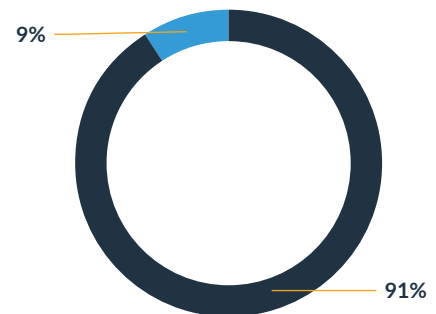


## CLIMATE ACTION

- ✓ We have continued to prioritise measuring and understanding of our carbon footprint, with over 90% of portfolio companies reporting their Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions for FY23
- ✓ Majority of portfolio companies have carbon reduction initiatives in place
- ✓ Over two-thirds of portfolio companies have emissions targets in place, with an average target of ~9% reduction in FY24 levels relative to FY23 levels for those with targets

### Climate Change Impact Assessment

-Over 90% of assets completed a Climate Change Impact Assessment



## SUPPORTING COMMUNITIES

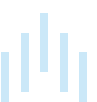
- ✓ Most of Palisade's portfolio companies are located in regional areas, and have a focus on giving back to communities in which we operate
- ✓ Portfolio companies support a range of local organisations, such as:
  - ✓ ADG: established an Indigenous Advisory Committee which educates and advises management on view of Traditional Owners, community leaders and stakeholders. Also has a National Indigenous Training Academy which offers traineeship & apprenticeship programs to support Indigenous youth
  - ✓ PIMS Community Grants Program: over 70 applications received, 34 organisations approved for grant funding, and \$200,000 provided in community grants and sponsorships to PIMS-managed assets



**\$900k+**  
Dollars  
contributed



**~1,000**  
Hours contributed by  
staff for volunteering







**We  
EXIST**

to **EMPOWER YOUNG PEOPLE** with the confidence and skills to **GET THROUGH TOUGH TIMES** and look out for each other.

**We  
WORK**

to create **STIGMA FREE COMMUNITIES** that **CHAMPION** young people's mental health and **WELLBEING**.

**We  
BELIEVE**

that **EVERY STORY MATTERS.**

## Case Study | Batyr

Batyr provides unique and engaging programs designed to reduce the stigma surrounding mental health and empower young people to reach out for support. The programs connect young people with other young people, to share their stories and experiences with mental ill health.

Palisade, together with the PNI Foundation, has been supporting batyr since 2017 (7 years). Since 2017:

- 76 school programs have been funded with a reach of over 9200 young people
- 4 Regional Being Herd workshops have been run, allowing young people to learn how to shape difficult experiences into an empowering story
- 6 Lived Experience Speakers have been trained

The support has generated significant engagement and impact within the Central West communities of Orange, Bathurst, Dubbo, Cowra and Parkes. Because of the consistent funding, multi-year partnerships with these schools have been formed.

The rural communities of Lake Cargelligo, Taree and Muswellbrook have also been assisted.

Palisade's funding in FY24 will deliver eight batyr@ school face-to-face programs in the Central West across Orange, Parkes, Cowra, Trundle and Peak Hill.

*"It was nice knowing I'm not alone even if it may feel that way a lot. Overall it was good and engaging!"*

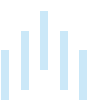
- Year 9, Parkes High School

*"I will allow myself to acknowledge my own and other people's struggles and listen and talk more"*

- Year 10, Parkes High School

The specific programs included Look Out For Your Mates, Stressed Out and the batyr Standard Program. The programs reached almost 350 young people, were very well received and the students were highly engaged. Funding for regional programs is especially critical due to lack of local mental health services, resources and support.

The training will run with up to 10 young people in the Richmond Valley region as part of their Mental Health Change Makers project. This has seen the addition of a 6th module that takes young people through content directly linked to advocacy skills.





## ENVIRONMENTAL SUSTAINABILITY



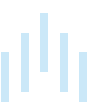
- ✓ Palisade has focused on resource consumption improvements across portfolio companies as well as looking at opportunities to support biodiversity outcomes in underutilised areas of our assets
- ✓ Highlights include:
  - ✓ ADG: 3 new solar installations at Darwin Airport
  - ✓ SCA: airfield LED lighting upgrade reduced energy consumption by 50%
  - ✓ GHWF: two gearboxes were replaced using an innovative crane – reducing the number of truck movements relative to using a conventional crane, reducing emissions, ground disturbances, and the potential for wildlife strikes



## FOSTERING DIVERSITY



- ✓ Palisade continues to monitor diversity metrics and encourages portfolio companies to adopt measures to improve diversity
- ✓ This includes reporting gender balance at different organisational levels and promoting initiatives to support a more diverse workforce
  - ✓ ~90% of portfolio companies have a Diversity Policy in place and allow for flexible working arrangements for all employees where practicable (compared to ~50% in previous year)
  - ✓ Majority of portfolio companies have actively sought to ensure that there is appropriate gender balance in recruitment processes
- ✓ Palisade's scholarship program to support gender diversity in traditionally male or female dominated sectors, supported by its portfolio companies, continued with 8 scholarships in place , with funding of \$48,000 provided.





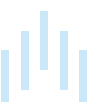


# OUR FOOTPRINT

Palisade's portfolio is truly diversified and includes investment providing a wide range of essential services and facilities. Many of these assets do not have a significant Scope 1 or 2 carbon footprint, such as renewable energy assets.

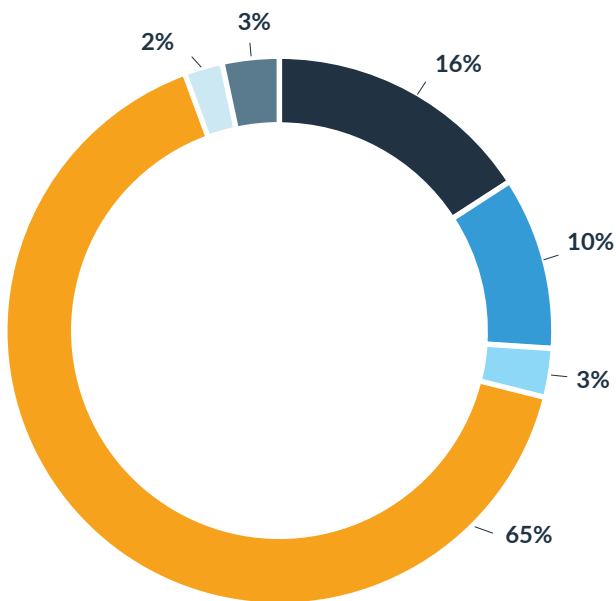
By far the most significant Scope 1 and 2 emitter in the portfolio is Quantem, the leading independent provider of bulk liquid storage terminals across Australia & New Zealand. Quantem has a detailed decarbonisation plan in place.

Merredin Energy is an 82MW diesel peaking power station located in WA. This asset operates only in times when the WA energy market is stretched. It was not utilised heavily in the reporting period, so it generated very few emissions. It is expected that gross emissions in the next reporting year will be materially higher, with net emissions reduced through the use of offsets.

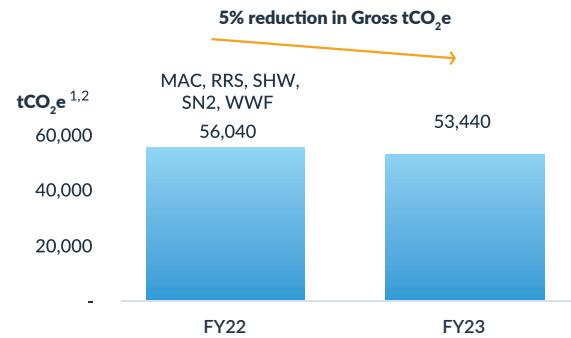


# CARBON FOOTPRINT

## Gross GHG Emissions By Sector (Scope 1 & 2) – Palisade Portfolio, 100% Ownership<sup>1,2</sup>



- Airports (3 assets - Airport Development Group, Coffs Harbour Airport, Sunshine Coast Airport)
- Renewables (7 assets - Granville Harbour Wind Farm, Hallett Wind Farm, Macarthur Wind Farm, Ross River Solar Farm, Stockyard Hill Wind Farm, Snowtown II Wind Farm, Waterloo Wind Farm)
- Ports (1 asset - Port of Portland)
- Bulk Liquids (1 asset - Quantem)
- Other Energy (3 assets - Tasmanian Gas Pipeline, North Queensland Gas Pipeline, Merredin Energy)
- Other (2 assets - Regional Livestock Exchanges, Gold Coast Car Parks)



## Carbon Footprint Targets

- Majority of portfolio companies have carbon reduction initiatives in place
- Over two-thirds of portfolio companies have emissions targets in place, with an average target of ~9% reduction in FY24 levels relative to FY23 levels
- Sunshine Coast Airport and Merredin Energy purchased offsets to achieve carbon neutrality

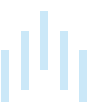


ADG is undertaking significant environmental initiatives, including:

- Investing in renewable energy generation, including 3 new solar installations at Darwin Airport. This led to 84% of total energy demand being covered by onsite renewable energy, relative to 67% last year
- Reusing and recycling of construction materials for roadway upgrades, resulting in significant sustainability outcomes and cost efficiencies

<sup>1</sup> Palisade has used information provided by each asset to construct this chart, with consistency with NGRS encouraged where applicable. Figure does not include Palisade's PPP assets - given the contractual nature of the assets.

<sup>2</sup> Limited assets had not yet provided emissions data by the reporting date, and these have been assumed to be the same as FY22 levels (including ADG, SHWF, HWF).



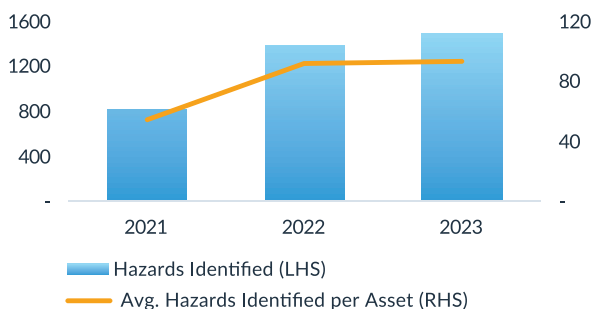


# SAFETY INITIATIVES

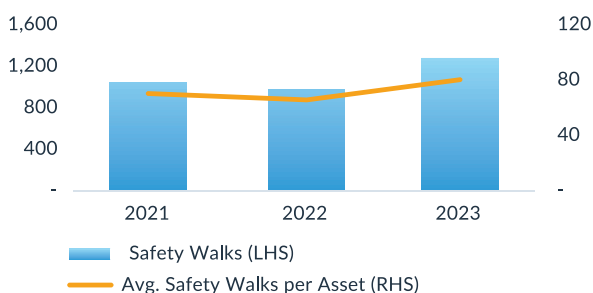
Safety walks and hazards are key leading indicators as they provide a measure of proactive actions being taken to avoid incidents. Safety walks seek to identify hazards that may have been missed in the course of normal business, whereas hazards are things that could lead to an incident if not addressed. A high number of hazards identified and safety walks provides an indication of good safety awareness and culture on site.

LTIs and MTIs are considered lagging indicators as they represent incidents that have occurred with mitigations being applied after the fact. Palisades focus is on prevention of incidents and therefore on leading indicators. Learnings from incidents when they occur are shared within the site teams and (where appropriate) across the portfolio to minimise the risk of re-occurrence.

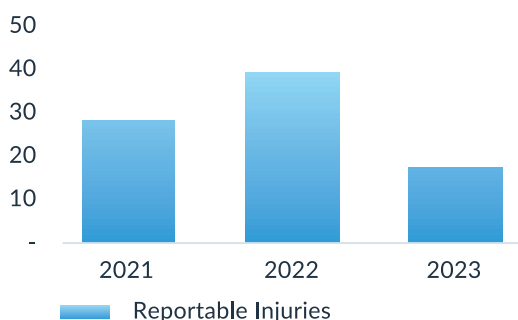
## Hazards Identified



## Safety Walks



## Reportable Injuries



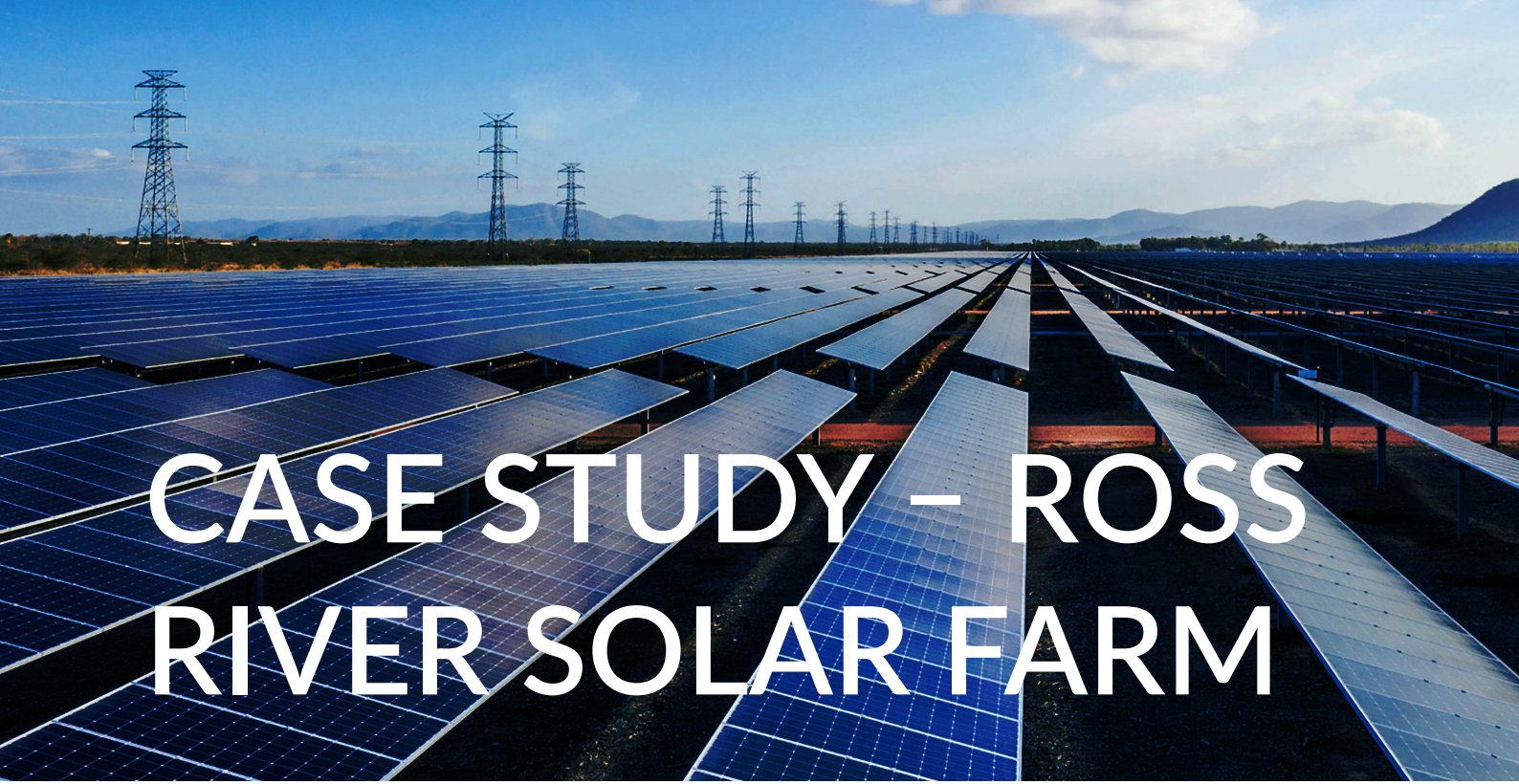
## Portfolio Highlights



- 12 BetterWays initiatives were implemented in FY23, including improved safety signage, digitisation/automation of various manual processes and improvements in a number of safe work practices
- Zinfra received the PIMS annual BetterWays award for the initiative to donate unused expired bandages from first aid kits to animal rescue services to support their work while also reducing waste



- 7 BetterWays safety initiatives were submitted for FY23, including safety improvements related to inspection of high voltage terminations and development of portable back-up power supplies to improve the efficiency of some maintenance activities



# CASE STUDY – ROSS RIVER SOLAR FARM

## Background

- Ross River Solar Farm (RRSF) is a 202 hectare solar farm with 148 megawatts of solar photovoltaic (PV) modules. The solar farm has to proactively manage the vegetation at site to minimise risks associated with fire and wildfire, and also to ensure that the PV modules are not shaded.
- The current vegetation management under the large-scale PV infrastructure consists of spraying grass suppressants and herbicides under the panels and slashing grasses between the rows.

## Objectives for future management

1. To maintain or improve productivity and lifespan of the panels
2. To decrease bushfire risk at the site
3. To improve sustainability on the site and the surrounding environment
4. To provide affordable land management and site maintenance
5. To become industry leaders in best practice for land management on solar farms
6. To identify novel solutions to increase the productivity of the land

## Study undertaken

- Palisade engaged CQ University to undertake a high-level options analysis with reducing maintenance, reducing the risk of fire and reducing shading of the PV panels being the primary objectives of an improved vegetation management plan.
- The study presented 4 solutions of which it was decided one would be implemented. This included the introduction of native shrubs to support apiarists, provide pollination services for local agriculture and potentially lead to the sale of cut flowers.
- In FY24, RRSF plan is to cover a section of the facility approx. 10 hectares with flowering native ground cover plants to displace the weeds which are currently growing naturally.







# ENERGETICS ENGAGEMENT

Palisade has recently engaged Energetics to conduct a review of the existing emissions and reporting processes and outcomes and provide recommendations. The engagement focuses on the following areas:

## Stages

## Key Steps Undertaken by Energetics

1

### Review Asset Reporting Process

Reviewed our emissions reporting template and made recommendations around gaps and improvements

2

### Review Asset Emissions Reporting Outcomes

Review data received from ~50% of portfolio (including all major emitters) for reasonableness and key gaps, with level of review largely determined by materiality of emissions to the portfolio. Feedback provided to assets.

3

### Review Market Practice in Reporting

Summary of peer and industry practices for emissions reporting, and recommendations made for key metrics to be reported

4

### Guidance on Key Issues

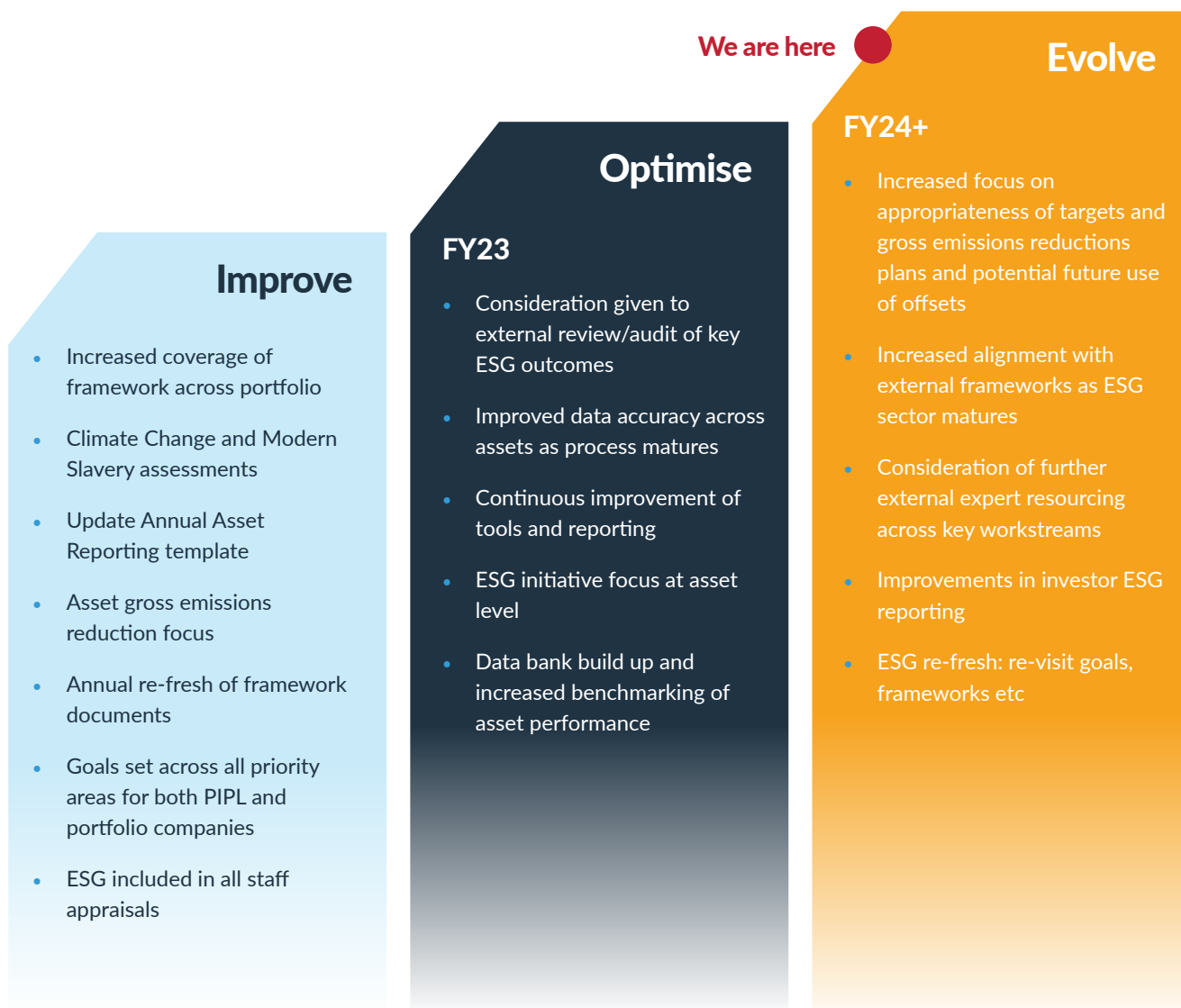
Review approach to carbon footprint and target messaging, approach for PPP assets, and the treatment of Scope 3 emissions and develop options for Palisade

Review implications from guidance and frameworks for Palisade's portfolio

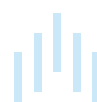


# EVOLUTION

Continued evolution of Palisade's approach to ESG in coming years



Ongoing team training, annual reporting and benchmarking, update of framework materials and annual goal setting







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