



# Responsible Investment Report 2025



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### Managing Director's Introduction

It is my pleasure to present Chester Asset Management's inaugural Responsible Investment Report. This milestone publication reflects not only our commitment to responsible investment, but also the tangible progress we have made in embedding environmental, social, and governance (**ESG**) principles and practices across our investment process in 2025.

This year marked a significant step forward for Chester as we became a signatory to the United Nations Principles for Responsible Investment (**PRI**), affirming our commitment to continuously improving our responsible investment practices. Building on this foundation, we redeveloped our Responsible Investment Policy and ESG Guidelines. Our updated frameworks articulate Chester's pragmatic, materiality-driven, approach to ESG integration and stewardship, and reinforce our commitment to transparency and accountability.

We also formalised our approach to proxy voting through the publication of a dedicated policy, ensuring that our voting practices are consistent, transparent, and focused on good governance. In line with our commitment to responsible ownership, we exercised our voting rights at 100% of eligible meetings, supporting management on 94.6% of proposals and taking a principled stand on governance and remuneration by voting against 5.4%.

This year, we published our first Executive Remuneration Research Report, highlighting the widening gap between executive and average worker pay. Through this research and our ongoing company engagements—on issues ranging from executive pay (Metcash, Develop Global) to modern slavery (Ansell) and climate transition (AGL Energy)—we have advocated for greater transparency, stronger performance alignment, and improved disclosure across our investee universe.

Our inaugural Modern Slavery Statement demonstrates our continued focus on robust due diligence and targeted engagement, particularly in high-risk sectors and supply chains. We have further integrated modern slavery risk assessment into our investment process, reinforcing our commitment to upholding human rights and ethical standards.

As we look ahead, we remain steadfast in our mission to deliver strong, sustainable risk-adjusted returns for our clients while considering materially important ESG factors. I am proud of the progress we have made and grateful for the trust our clients place in us. Together, we will continue to advance responsible investment.

## 1. Key ESG Market Developments

2025 saw continued regulatory momentum in Australia, with the implementation of ISSB-aligned climate disclosure requirements and a heightened focus on supply chain transparency, modern slavery, and governance standards. Asset managers are under increasing scrutiny to demonstrate authentic ESG integration, with regulators and asset owners demanding both transparency and measurable impact.

## 2. Chester's ESG Focus in 2025/6

Chester Asset Management advanced its responsible investment agenda through a series of key initiatives:

- **PRI Signatory:** Became a signatory to the UN Principles for Responsible Investment, highlighting Chester's commitment to global ESG standards.
- **Redevelopment of Responsible Investment Policy and ESG Guidelines:** Our updated policy articulates Chester's materiality-based, pragmatic approach to ESG, stewardship, and climate risk, and affirms our commitment to the UN Principles for Responsible Investment (PRI).
- **Publication of a Proxy Voting Policy:** Formalised guidelines to ensure consistent, transparent, and accountable voting practices, with an emphasis on good governance, remuneration alignment, and board diversity.
- **Executive Remuneration Report:** Chester published research highlighting the widening gap between executive and average worker pay, advocating for greater transparency, performance alignment, and shareholder engagement on remuneration matters.
- **Targeted Engagements:** Engaged with companies on executive pay (Metcash, Develop Global), modern slavery (Ansell), and climate transition (AGL Energy), seeking improved disclosure, policy enhancements, and alignment with best practices.
- **Inaugural Modern Slavery Statement:** Enhanced due diligence and engagement with investee companies, focusing on high-risk sectors and supply chains, and integrating modern slavery risk assessment into the investment process.
- **Proxy Voting Activity:** Exercised voting rights on 100% of eligible meetings, supporting management on 94.6% of proposals and voting against 5.4%—primarily on governance and remuneration issues.

### 3. ESG Integration at Chester

Chester integrates ESG at all stages of the investment process, from due diligence to portfolio construction and review. Chester's proprietary ESG Quality Scorecard assesses material issues including:

- Governance, board independence, and diversity
- Environment and clean energy transition risk
- Labour practices and modern slavery

ESG analysis is informed by direct company engagement, public disclosures, third-party research, and ongoing monitoring of regulatory and market developments.

Refer to Chester's Responsible Investment and ESG Considerations Policy for further detail

### 4. Investee Company Engagement

Chester actively engages with investee companies as a cornerstone of our investment process. Our approach extends beyond traditional investment analysis: we proactively engage with companies on strategy development, operational performance, and a broad range of ESG matters.

We believe that engagement not only protects but also enhances long-term value creation for our clients. This is anchored in our belief that sustainable business practices—spanning sound governance, environmental stewardship, and positive social impact—are integral to a company's enduring success. Chester regularly interacts with senior management and boards to express our views, influence strategy, and encourage adoption of best practices across these critical dimensions.

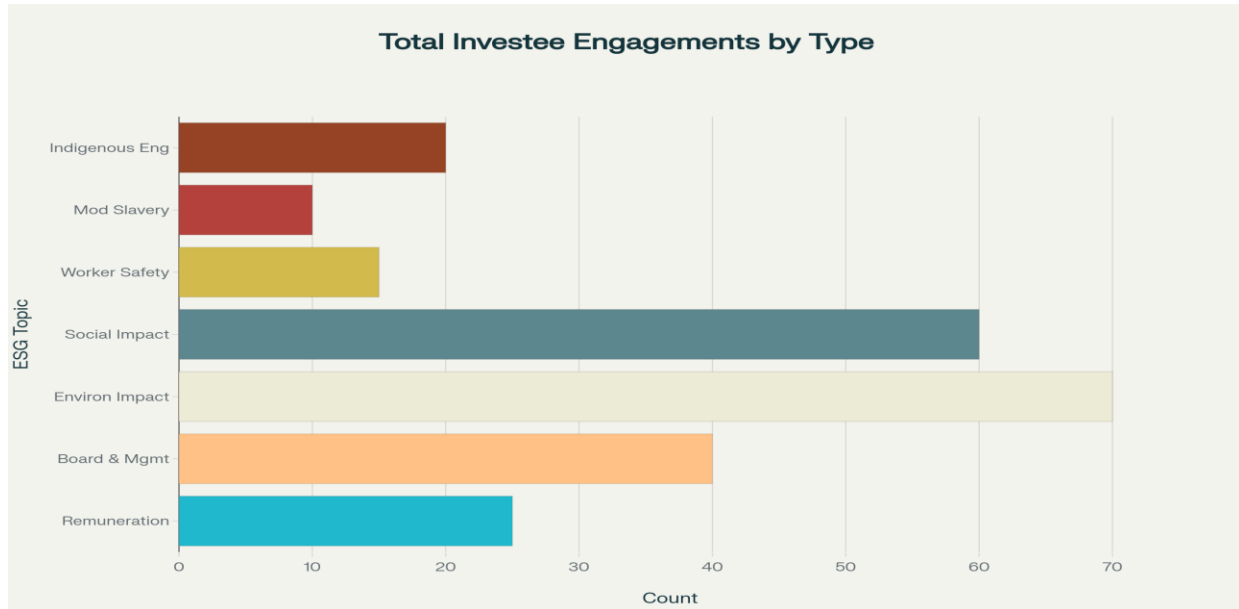
Our ESG engagements typically focus on the following areas:

- Remuneration
- Board and management performance
- Environmental impact, including climate risk, pollution control, and resource management
- Social impact, such as Worker safety, Indigenous engagement and cultural heritage, modern slavery and labour practices

## Responsible Investment & ESG Activities Report 2025

In practice, Chester's engagement strategy combines direct dialogue, collaborative efforts, and diligent proxy voting. If a company's culture or direction fundamentally misaligns with our principles, we may reconsider our investment position to uphold fiduciary responsibility to our clients<sup>[1]</sup>.

The chart below illustrates the breadth of our engagement activities across ESG priorities:



A summary of key ESG focused engagements undertaken by Chester over the past twelve months is provided in the table below. A case study of our ongoing engagement with Ansell on modern slavery follows.

Company	Theme	Engagement Focus
Mineral Resources (MIN.AX)	Governance	Board and leadership changes, Governance Reforms, Financial Penalties
Metcash (MTS.AX)	Remuneration	Engaged on clarity and alignment of short-term incentive structures; voted on CEO performance rights <sup>[6]</sup>
Develop (DVP.AX)	Governance	Sought improvements in board independence and remuneration committee structure
Ansell (ANN.AX)	Modern Slavery	Encouraged enhanced supply chain audits and transparency in high-risk regions – see break-out case study using Chester Modern Slavery analysis
AGL Energy (AGL.AX)	Energy Transition	Engaged on transition approach, timeline of decarbonisation initiatives, coal fired power plant closures and renewable investment pipeline

## Ansell Modern Slavery Case Study

Chester has developed a bespoke Modern Slavery Assessment Checklist for companies in its investment universe. The key areas considered are outlined below:

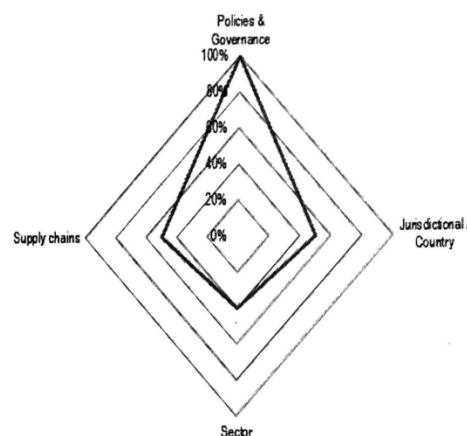
Chester Modern Slavery Assessment Checklist	
<b>Policies &amp; Governance</b> <ol style="list-style-type: none"> <li>Does the company have a Modern Slavery policy?</li> <li>Is this publicly available?</li> <li>Has the company signed up for International Frameworks [e.g., UN Guiding principles on Business &amp; Human Rights]?</li> </ol>	<b>Sector Risks</b> <ol style="list-style-type: none"> <li>Does the company operate in any of the following sectors defined as high risk?</li> <li>Does the sector make up more than 50% of revenue?</li> <li>Does the company rely on high-risk input materials (e.g. cotton, palm oil, cobalt)?</li> <li>Are there industry initiatives or certifications addressing labour practices (e.g. Fair Trade)?</li> <li>Is the company part of industry-wide initiatives to address labour exploitation (e.g. Responsible Business Alliance)?</li> </ol>
<b>Jurisdictional Risk</b> <ol style="list-style-type: none"> <li>Does the company have operations in any of the following high-risk countries?</li> <li>Does this country make up more than 50% of revenue?</li> <li>Does the company have a proactive risk assessment for operations in this geography?</li> <li>Does the company have policies to mitigate risks in jurisdictions with weak laws?</li> <li>Are there external factors (e.g. political instability, corruption, poverty) exacerbating risks?</li> <li>Has the company been linked to forced labour in these regions?</li> </ol>	<b>Supply Chain Risks</b> <ol style="list-style-type: none"> <li>Does the company disclose its supply chain structure (e.g. suppliers, locations and processes)?</li> <li>Is the supply chain disclosure detailed?</li> <li>Is the supply chain materially exposed to high-risk regions?</li> <li>Does the company use high risk materials in its supply chain (e.g. cobalt, palm oil, cotton)?</li> </ol>

Our assessment of Ansell showed that while the policies, governance and reporting is of a high standard, there are country, sector and supply chain risks for Ansell which we consider higher risk than most.

Chester has engaged extensively with Ansell to understand how the company is managing the risk.

We have sought to understand how:

- Ansell manages supplier audits
- Whether Ansell customers will continue to support Ansell products if costs rise as an outcome of implementing supplier changes given modern slaver risks
- Potential tariffs imposed on products from higher risk countries such as China would have on Ansell's supply and pricing decisions.



## **Outcome of Engagement**

Chester is pleased with the evolution of Ansell's disclosure of its risk and strategy as outlined in its Modern Slavery Reporting.

Chester will continue its ongoing engagement with the company as a long term portfolio holding.

### 5. Executive Compensation Research

As part of our commitment to responsible investment, Chester undertook research into executive compensation. The report provides a framework for assessing executive remuneration, focusing on how CEO pay aligns with average worker wages, housing affordability, and the broader implications for corporate governance and shareholder engagement.

#### Key Findings

We observed a dramatic growth in CEO pay relative to workers. In the US, CEO compensation has soared from 21 times the average worker's salary in 1965 to 290 times in 2023, peaking at 389 times in 2021. In Australia, CEOs of the top 100 companies now earn 40–100 times the average worker's salary, with those in the next 100 earning 20–30 times—well above the historical benchmark of 20–50 times.

Our analysis also highlights stark disparities in housing affordability. For the average worker in Melbourne, the median house price is 12.3 times the median salary, while for ASX100 CEOs, it is just 2.6 times. In Sydney, CEOs have roughly four times the house price purchasing power of the average worker. According to Demographia International, a house price-to-income ratio below 3 is affordable—an advantage only CEOs enjoy.

We examined the evolving structure of executive pay, noting the shift in the US from stock options to vested stock awards since 2004, while in Australia, stricter tax treatment has curbed the use of options except in smaller and mining companies. The CEO-to-worker pay ratio remains lower in Australia than in the US, though this is partly due to the smaller size of Australian firms.

A key concern is the asymmetry in risk and reward. CEOs often receive high base salaries and can benefit from incentive schemes and severance packages even when company performance lags, insulating them from the risks faced by shareholders. We believe this undermines the intended alignment between executive rewards and long-term value creation.

Our report questions whether shareholders are doing enough to influence executive pay. We see a need for more active engagement to ensure compensation structures truly support sustainable, long-term performance.

#### Conclusions and Recommendations

1. We call for greater transparency in executive compensation, especially in today's challenging economic environment.
2. We recommend capping CEO base salaries as a multiple of average worker pay to reduce societal tension and promote fairness.
3. Incentive structures must be rebalanced so rewards are genuinely tied to long-term performance and sustainability.
4. Finally, we urge shareholders to take a more active role in scrutinizing and influencing executive pay decisions, to restore confidence in capital markets and address the widening gap between executives and average workers.



## 6. Proxy Voting Activity

### Summary

For the year ended 31 March 2025, Chester, participated in 41 meetings representing 100% of investee company meetings held and voted on 282 proposals. Most votes were cast in support of management resolutions (94.6%), with 5.4% of votes cast against at 3 of the 41 company meetings.

### Voting Approach

Chester's approach, as reflected in our Proxy voting policy is to:

- Assess each resolution on its individual merits, considering both ISS recommendations and internal analysis.
- Engage with companies to encourage better disclosure and alignment of incentives with long-term shareholder value.
- Use votes against management as an escalation tool where engagement has not resulted in the desired improvements

### Key Votes against Management

Chester's votes against management were concentrated on remuneration and governance issues, with rationales focused on pay-performance alignment, disclosure quality, and shareholder rights. Chester's voting record demonstrates a commitment to stewardship and active ownership, using proxy voting both to support best practice and to escalate concerns where necessary. A summary of the most significant votes against management, including rationale is outlined below

Company	Proposal/Resolution	Rationale
<b>Metcash Limited</b>	Grant of Performance Rights to CEO	Voted against due to concerns regarding the remuneration structure and performance hurdles for the CEO.
<b>Mineral Resources Limited</b>	Remuneration Report	Material corporate governance concerns involving the managing director and board oversight lead us to vote against the remuneration report.

Company	Proposal/Resolution	Rationale
<b>Develop Global Limited</b>	Remuneration Report	Voted against the Remuneration report on the basis that the managing director remains a member of the Nomination & Remuneration Committee and therefore there is insufficient separation of decision-making responsibilities relating to executive remuneration. Additionally, the disclosure around performance hurdles/targets required by executives to achieve STI bonuses (Safety, Operating, Financial) was inadequate. Given the approved \$1m director fee pool, Chester believes additional director(s) should be appointed to enhance governance capability and increase board independence, especially on the sub-committees.
	Election of Shirley In't Veld as a director	Voted against the nominated director's re-election on the basis that we didn't feel the board was appropriately structured. The incumbent director bears some responsibility for this.
	Approve Employee Awards Plan	Whilst we were sympathetic to the ambitions of the 'Employee Awards Plan' in terms of capacity to issue various awards (up to 5% of company issued shares) to eligible participants we feel there is insufficient disclosure around the terms on which these awards could be issued if approved. Additionally, the capacity to issue NEDs with rights and options is not supported by Chester
	Approve Termination benefits to managing Director	Whilst there are circumstances under which Chester will consider supporting 'Termination benefits' being issued to executives in the event of a ceasing of employment (i.e.; change of control supported by shareholder approval), we feel there is insufficient detail around the 'discretion' the board will retain with regards to the potential granting of the MDs F25 STIs (which we are voting in favour of). Once more, this vote is consistent with Chester's voting 12 months prior.

### 7. Alliances & Industry Participation

**PRI Signatory:** In 2025 Chester became a UN PRI signatory, committing to integrate ESG into analysis, ownership, and reporting practices.

### 8. Looking Ahead

Chester will continue to refine its ESG integration, deepen portfolio company engagement on material risks, and enhance disclosure in line with evolving regulatory expectations. In the year ahead, beyond our ongoing ESG integration and stewardship activities, key focus areas include:

- Reporting progress under the PRI framework
- Continuing to improve client reporting in relation to responsible investment

We look forward to another year of progress and updating our clients in our next report.

**Disclaimer:** This report summarises Chester Asset Management's responsible investment and ESG activities for 2024/25 and is for informational purposes only. For further details, please refer to Chester's Responsible Investment Policy, Proxy Voting Policy, and Modern Slavery Statement.

#### References:

1. Chester-Proxy-Voting-Policy
2. Chester-Asset-Management-Modern-Slavery-Statement
3. Chester-Responsible Investment Policy & ESG Guidelines
4. Chester Executive Compensation Report
5. Chester-Proxy-Vote-Summary-Report