

Wavestone ESG Activity Report - 2020

ESG activity – March quarter 2020

Through the quarter our team had extensive contact with our portfolio companies in relation to the key risk factors identified with relation to COVID-19 and steps taken to mitigate them, particularly in an effort to keep employees safe and assets productive. We focussed particularly on our resources and energy companies given the remote nature of many of their operations, fly-in-fly FIFO) out workforces, complex supply chains and the interface with vulnerable local indigenous communities.

In particular our conversations with **BHP, RIO Tinto, Northern Star, Woodside and Oil Search** (as well as other non-owned companies) highlighted several key risks to maintaining employee safety and well-being as they faced the outbreak of COVID-19. With employees being the heart of their operations, the challenge of 'getting it right' was non-negotiable.

The most common theme emanating from our discussions all was an absolute commitment to safety, with operational planning for COVID-19 established in early January and well before government mandates kicked in. These moves saw a dramatic reduction in on-site personnel through change in rostering and deferral of non-essential maintenance. FIFO workers now undergo mandatory isolation on many sites before engaging in work practices and extreme social distancing measures including restrictions on interacting with local vulnerable communities have been enacted.

In addition to operational risk, we noted a substantial effort by many companies and in particular BHP to show strong "social leadership" in Australia and supporting the local communities by such measures as:

1. Bringing forward invoice payments to suppliers to support the viability of their businesses during COVID-19
2. Announced they would hire an additional 1,500 workers on a rolling 6-month basis to support operations. Many of these include trade workers stood down from the aviation industry, one of the worst hit sectors from COVID-19.
3. Contribute capital to community funds charged with delivering health, mental health and indigenous programs

So what was the outcome? The resource industries' pre-emptive work has paid off, with proportionately lower infection outbreaks at operational sites and operations remain relatively unaffected. From a social governance perspective, we have noted that the resource and energy sector has been given dispensation given to continue operations even when tougher restrictions for other parts of society have been enacted. While it's easy to assume a default position that the government needs the income from mining and would have let them operate anyway, in our view, this wouldn't have been possible if the sector hadn't addressed their ESG responsibilities and let COVID-19 spread through their operations.