



MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

ENGAGEMENT POLICY

Owner: ESG Investment Analyst

As a value manager with a long term investment horizon, Maple-Brown Abbott (MBA) recognises that responsible investment enhances investment decision making. We have adopted an environmental, social and governance (ESG) integration and engagement investment strategy and our engagement program complements our ESG integration.

MBA's long term investment horizon enables us to engage with the Board and management of portfolio companies for the long term benefit of our clients. For Australian investments, MBA's often material shareholdings can engender long term relationships with the Board and management of our portfolio companies, which generally facilitates a high quality of company engagement. Our approach to engagement activities is aligned with the United Nations Principles of Responsible Investment (UNPRI) and has been designed to optimise our ability to affect outcomes and enhance our investment decision-making.

This Engagement Policy outlines MBA's commitment and approach to company engagement and summarises the environmental, social and governance (ESG) factors that are considered in our engagement activities. This Engagement Policy should be read in association with our Responsible Investment, Proxy Voting and Climate Change Policies. Each of our Responsible Investment, Proxy Voting, Climate Change and Engagement Policies has been approved by the Board, and can be found on our website (www.maple-brownabbott.com.au). Where applicable, the policy relates both to MBA's pooled investment vehicles and separately managed accounts, collectively referred to herein as "Clients", the respective rights of whom are as set out in the Disclosure Documents and Constitution and the Investment Mandate Agreement, respectively.

Engagement: Governance

Our approach to company engagement is aligned with the UNPRI and has been designed to optimise our ability to affect outcomes and enhance our investment decision-making. More specifically, the approach is premised on the following:

- MBA's ESG strategy and policies, including Engagement Policy, have been approved by the Board. The ESG investment analyst is responsible for co-ordinating the implementation of the firm's Engagement Policy and initiatives.
- MBA's Engagement Policy only applies to equities that are directly managed by MBA. Given this asset class comprises the majority of our funds under management (FUM), we have greater ability to implement our Engagement Policy and affect change.
- MBA considers ESG capabilities, including engagement policies, in the appointment and evaluation of external fund managers appointed to manage assets on behalf of MBA.
- ESG, including engagement, is included in the performance appraisals for our investment professionals and contributes to the determination of their remuneration.
- To ensure that we continually improve our ESG capabilities MBA undertakes to annually set and review objectives for its engagement activities.
- MBA will work with Clients to understand and incorporate their engagement objectives.
- MBA will report on its engagement activities to stakeholders, through our quarterly report, marketing presentations, bespoke Client requests and on our website (www.maple-brownabbott.com.au).

Engagement: Our Approach

- MBA's engagement program is organised by each investment strategy with input from the strategy portfolio manager, investment analysts and the ESG investment analyst. Material ESG issues identified in the research and investment decision making process, or in subsequent company actions, are prioritised for engagement with consideration to the company's historical ESG performance, proxy voting outcomes and/or Client consultation. In addition to these considerations, collaborative engagement initiatives are prioritised with consideration to the ability to add value to the collaboration, ability to have a greater impact on ESG issues, potential to enhance knowledge of ESG issues from other investors and the geography of the companies targeted by the collaboration.
- In order to improve the outcomes of our engagement program, including the ability to track and monitor company behaviour subsequent to engagement initiatives, in most instances, MBA defines suitable engagement objectives. Specific engagement objectives vary by issue but overarching objectives often include the intent to gain an enhanced understanding of corporate ESG strategy or management, influence corporate ESG practices and to encourage improved ESG disclosure.
- MBA conducts their engagement initiatives through various mediums, including company meetings and calls, letters and emails to the Board and management, visits to operations and other company communication, and participation in collaborative engagement initiatives.
- For Australian investments, MBA generally meets with the management of portfolio companies after their interim and full year results, and often with the Chairman before the company AGM. We also generally meet with the management of prospective portfolio companies before an initial investment is made. These meetings provide a forum to discuss amongst other things, the ESG performance of the company, and encourage further improvement in their ESG performance and disclosure, at the highest level within the company.
- For Australian investments, we also conduct at least ten dedicated ESG engagement initiatives each year. These initiatives are prioritised on the same basis as described in bullet point one, above.
- For our directly managed International investments, MBA generally meets with the management of portfolio companies during company road shows and analyst company visits and at conferences. The ESG related engagement at these meetings tends to focus on corporate governance and includes, but is not limited to, better understanding a company's governance policies, including Board function, Board composition and remuneration policies, exploring optimal capital structures, and understanding the motivations of majority shareholders.
- For our directly managed International investments, where a material ESG issue arises either in the investment decision making process or in subsequent company actions, outside of the meetings described above, MBA will instigate an engagement initiative. The form of these initiatives, and their prioritisation, is described above.
- MBA also engages with companies, and collaborates with our peers, outside these scheduled meetings, when it is in our Clients' long term interest to do so. For example:
 - From time to time, issues may arise within one of our portfolio companies that may warrant company engagement. These issues have historically been Governance related, and have included, but are not limited to, the entitlement of a majority shareholder to directorships, Board composition and takeover offers; and
 - Broker and company sponsored ESG presentations and conferences, where companies seek feedback on their ESG performance and disclosure.
- Given MBA's engagement program is undertaken by our investment analysts, in conjunction with portfolio managers and our ESG investment analyst, information obtained in these activities is systematically incorporated into our investment analysis and decision making. In addition, each analyst keeps a detailed record of their engagement activities that is accessible by all investment professionals, including portfolio managers, relevant to that strategy.
- MBA may also engage the services of an external engagement service provider.

- For material ESG issues and engagements, MBA tracks and monitors progress against engagement objectives and company undertakings. Where initial engagement has not met these outcomes, MBA has an escalation strategy. This may involve one of several of the following, seeking engagement with other company officers, using alternative communication mediums, leveraging proxy voting outcomes, collaborating with other shareholders or stakeholders and leveraging our membership in industry governance associations. Where engagement is escalated, MBA will also reflect the issue in our assessment of company valuation which may ultimately impact the size of our portfolio holding or in some instances, result in full divestment of the stock.
- MBA does not formally participate in collaborative initiatives to engage public policy makers, however, from time to time, investment analysts meet with public policy makers and convey their thoughts regarding various ESG related public policies, for example, climate change and industrial relations reform.

Engagement: Factors

MBA engages with companies on a range of factors, which may include, but are not limited to the following:

Environmental

- Environmental degradation, including biodiversity, deforestation and land use, environmental pollution including water, air and plastic waste management, resource scarcity and climate change including both transitional and physical risks.
- Quality of environmental related disclosure.

Environmental factors can have a direct or indirect cost through the recognition of externalities, and may result in reputational damage, business interruptions and increased regulation.

Social

- Health and safety, human rights, labour practices and supply chain management, employee engagement, diversity, customer and stakeholder relationships, changing demographics and conflict zones and controversial weapons.
- Quality of social related disclosure.

Social factors can also have a direct or indirect cost, and may result in reputational damage, business interruptions and increased regulation.

Governance

- Quality and composition of Board and management, executive remuneration and shareholder rights. Anti-bribery and corruption, cyber security, accounting and auditing, political spending/lobbying, aggressive tax planning and technological disruption. Quality of governance related disclosure.

Governance factors are qualitative in nature and are considered in the determination of terminal value and discount rate valuation adjustments.

Review

This policy will be reviewed every three years.

Approved by the Board of the Company on 8 September 2016.

Approved by the Board of Maple-Brown Abbott Limited on 5 December 2019.

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