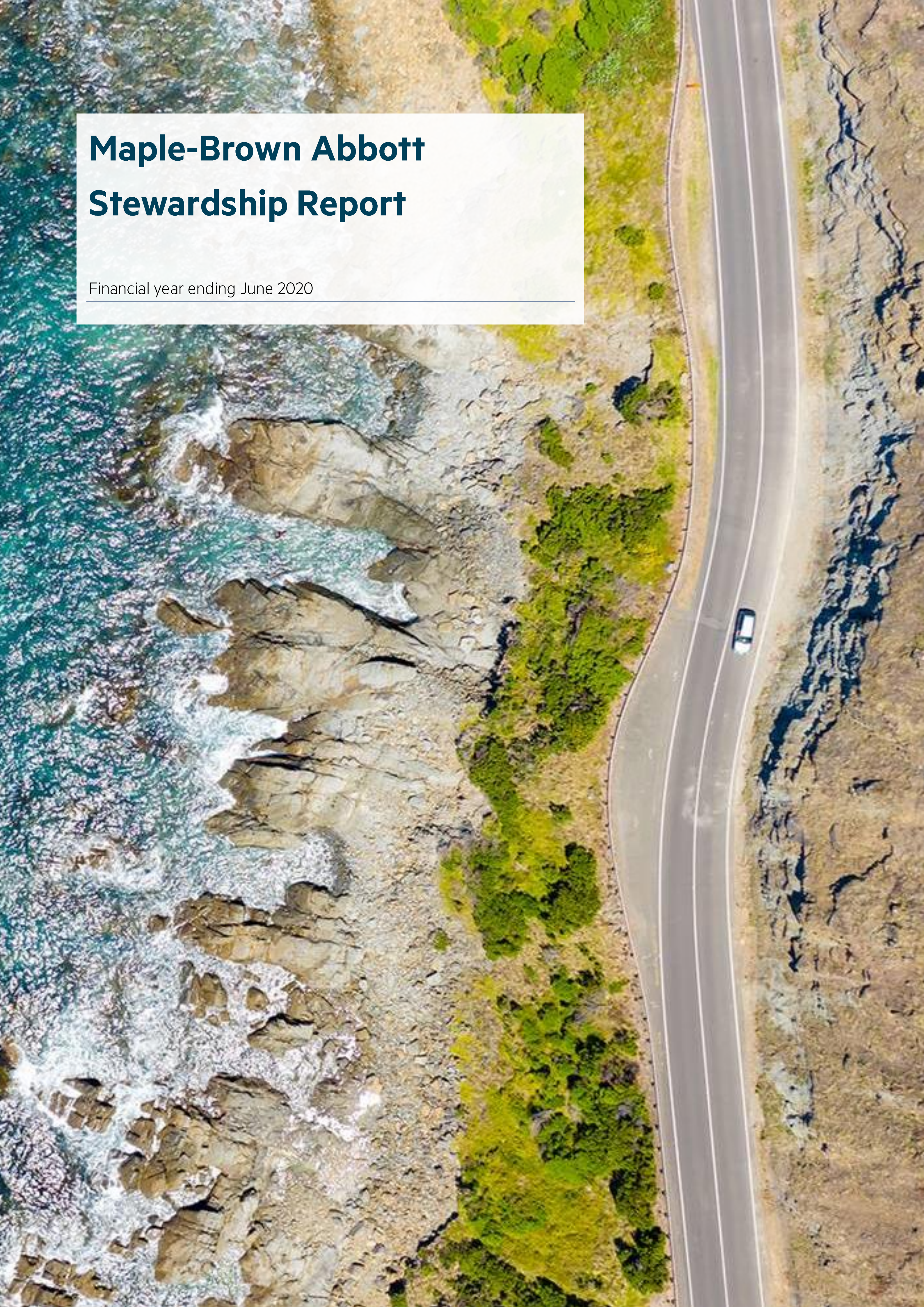
Maple-Brown Abbott Stewardship Report

Financial year ending June 2020



MAPLE-BROWN ABBOTT
INVESTMENT MANAGERS SINCE 1984

Introduction

At Maple-Brown Abbott, we believe responsible investing enhances investment decision making and ultimately leads to stronger long-term returns for our clients. Buying shares in a company is just the beginning.

As a fiduciary with a long-term value horizon, we integrate environmental, social and governance (ESG) considerations across our suite of investment strategies to ensure non-financial risks and opportunities are factored into our risk-return assessments. In doing so, we engage with the Board and management to drive more sustainable long-term outcomes for shareholders and the people they serve.

A key pillar of our responsible investment approach is our comprehensive stewardship program, including company engagement and proxy voting. This report outlines our engagement priorities over the financial year ending June 2020 and highlights examples of our engagement with companies on a range of material ESG matters across multiple sectors and geographies.

Responsible Investment Framework

With the support of specialist ESG analysts, each investment team is responsible for ESG integration and engagement, including company engagement and proxy voting.

Our focus on ESG factors, as a source of long-term risk and return, is embedded in our investment approach. We also work with clients to create bespoke solutions to meet their specific ESG needs.

At a firm level, we are focussed on creating a responsible investment culture through disciplined investment governance and ethical conduct. Our approach is overseen and routinely reviewed by our Board and the investment committees for each strategy.

Highlights for FY20

- Awarded an A+ rating by the Principles for Responsible Investment for our ESG Strategy and Governance.
- Assessed as having a 'Leading' approach to responsible investment in the Responsible Investment Association for Australasia's 2020 Responsible Investment Benchmark Report.
- Increased firm-wide ESG capability, appointing a dedicated ESG analyst to the GLI strategy.
- Continued implementation of our bespoke climate change risk assessment framework across portfolio holdings.
- Extensive engagement and voting activity across all strategies.

VOTING ACTIVITY	222 shareholder meetings	1,943 resolutions

More information on our approach to Responsible Investment is available on our website, including our suite of ESG policies

- Responsible Investment Policy
- Engagement Policy
- Proxy Voting Policy
- Climate Change Policy

Our approach

ESG factors are at the forefront of many investors' minds and have equally been a particular focus for our investment teams over the year ending June 2020. The onset of the COVID-19 pandemic, an increasing focus on emissions reduction targets by policy makers, demand for goods and services to enable social distancing measures, and the fast-paced uptake of new low carbon technologies around the world, are all examples of ESG risks and opportunities.

Our Australian Equities, Asian Equities, and Global Listed Infrastructure investment teams have engaged with a number of companies on a diverse range of ESG matters over the year. In the Australian equities space, the outcomes of the Royal Commission into Banking Misconduct have set the tone for engagement across a number of sectors on how they too are strengthening non-financial risk management, focusing on customer outcomes, managing increased regulatory oversight and reviewing corporate culture. Meanwhile, for Asian equities, strength of governance has been a key focal point with a particular focus on capital management, transparency and disclosure, and conflicts management.

The global listed infrastructure (GLI) universe saw the 'S' of ESG come to fore over the start of 2020. The GLI team engaged with companies to assess the adequateness of their response to the COVID-19 pandemic, which we believe will ultimately shape companies' long-term relationships with regulators, employees, and customers. In addition to this, climate risks and opportunities have been a key focus in the GLI space, with the team questioning companies on their approach to managing stranded asset risks and exploring new technology and renewables to support the transition to a low carbon world, amongst other matters.

Whilst materiality of key issues inevitably varies by industry, geography and investment strategy, our current program of engagement is centred on key themes influenced by macroeconomic trends, regulatory focus and real-world impacts. Our focus will always be on the creation of long-term value.

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Over the FY20 reporting period our engagement focussed on six material themes.

- Climate change risks & opportunities
- Labour rights & modern slavery
- Plastics & waste
- Conduct and culture
- COVID-19
- Governance

Climate change risks & opportunities

In recent years there has been increased focus by governments, businesses, investors, and broader society on climate change and its effects on the global economy. Among the reasons for the heightened focus are concerns around the physical impacts of climate change, such as more extreme and frequent weather events, and the transition risks associated with the transition to a low-carbon economy, and how these might impact **the long-term viability of assets.**

Nevertheless, this also presents opportunities from an investment perspective, such emerging and low carbon technologies, circular economy innovation, and offsetting schemes, along with strengthened regulatory and stakeholder relations.

We believe companies that demonstrate strong climate risk management credentials, report progress transparently, and strategically position themselves to tap into the opportunities of a low carbon world, are more likely to deliver long-term sustainable returns for our clients.

Labour rights & modern slavery

It is estimated that approximately 40 million people worldwide are trapped in modern slavery and slavery-like conditions, with the large majority in business supply chains. Around 15,000 people believed to be modern slavery in Australia alone.[1]

Modern slavery and labour rights abuses, aside from being criminal activities, are a source of risk for businesses with little transparency over their supply chains, an overreliance on labour hire and contracting forms, and/or minimal policy and governance of workplace practices.

We stand firmly against these types of human rights abuses, and believe that companies have a legal and moral obligation to stamp out such practices in their supply chains and workforce. With modern slavery legislation now in place in California, the UK, and in Australia, companies also have the opportunity to demonstrate and strengthen their social license to operate.

Plastics & waste

Plastic has long been considered a wonder material for being low cost, durable, and lightweight. Since its mass production some 60 years ago, the combination of rapid production to meet increasing consumer demand, population growth, and poor waste infrastructure has cause plastic to become one of the world's major pollutants on land and at sea. The rise of plastic is not without its costs, however, and recent years have seen increasing backlash from consumers and increasing focus on plastics manufacturing and disposal. Plastics production has a high carbon footprint, with significant dependence on virgin fossil feedstocks and oil consumption; and there are growing concerns on human health impacts with the presence of microplastics in food.

With increasing attention being paid to plastics and waste, we are seeing companies explore innovative design, manufacturing, and consumer-focused initiatives to help curb mismanaged waste and reduce the environmental impact of their products. Plastic materials and packaging have changed exponentially in recent years, and we believe companies that capitalise on these new opportunities and work to reduce the environmental footprint of their products and supply chains, will ultimately be more sustainable in the long run.

Conduct and culture

The systemic issues of corporate governance, customer malpractice, systems and compliance failures and corporate culture identified in the Banking Royal Commission saw MBA establish an ongoing engagement program with Australian banks. More recently, the focus on conduct and culture has expanded across and outside the financial services sector, with boards grappling with the need to have clear processes in place to deal with the complexity and challenges related to high-profile sexual harassment and misconduct cases.

When engaging with companies on conduct and culture we are particularly interested in the governance structures in place across all levels of the organisation, and the extent to which corporate strategy, remuneration, behaviours and risk management are aligned.

COVID-19

As we witness the fallout from the COVID-19 pandemic, the first half of 2020 saw the 'S' of ESG come to the fore due to high levels of unemployment, financial hardship, and social distancing measures, not to mention the extraordinary human toll. The global economic impacts of the pandemic have been unprecedented.

In response to this, it is important companies have robust risk management and business continuity plans in place to ensure the health and safety of their workforce, manage key supply chains, reconfigure ways of working in a seamless fashion, and offer temporary measures to customers in hardship. Companies with strong governance and strategy to see through the pandemic will position themselves favourably over the long term.

Governance

Many studies have demonstrated that of each of the E, S and G pillars, the Governance pillar is the clearest indicator of financial outperformance. Each of the key themes discussed above intersect at the overarching banner of corporate governance, and it is a consistent topic in our ESG engagements across all strategies.

In particular, governance is a significant theme in the Asian portfolios. Recent years have seen the development of Stewardship Codes around the region, although there is still much work in train. Corporate governance issues such as the independence of directors, board diversity and rights of minority shareholders dominate discussion in this space, along with issues such as conflict of interest, political donations and poor disclosures. We see each of these as key investment risks, and advocate for improvements in our company engagements.

[1] Global Slavery Index, Minderoo Foundation, 2018.

Examples of engagement activity for the reporting period

WOOLWORTHS

Strategy: Australian Equities

Woolworths (WOW) was identified for engagement given its exposure to labour risk in its supply chain and allegations of wage underpayment. MBA met with WOW executives to discuss the company's response to these issues, as well as its broader approach to management of ESG issues such as plastics, waste and climate change.

On the subject of supply chain, WOW provided an overview of the company's new ethical sourcing program, supported by an accredited audit framework. The framework includes a range of inputs and allows for responses up to and including immediate suspension of a supplier. WOW's compliance program involves whistle blowers and labour education, self reporting, WOW site visits and third-party audits. We were particularly interested in the Australian agricultural supply chain, where WOW has uncovered a number of zero tolerance issues that have led to supplier suspension, with the main issues found in underpayment and substandard living conditions from labour hire companies. MBA will continue to monitor WOW .

AMCOR

Strategy: Australian Equities

As part of our dedication to engage with companies on the ESG risks that are most material to their business, this year MBA met with Amcor (AMC) to discuss the issue of plastics in the manufacturing and recycling process. MBA met with AMC's Vice President Sustainability, to get a deeper insight into the company's approach to these issues, as well as to other material risks for AMC such as labour risk and climate change. AMC is well aware of the issues and the discussion covered both Rigid (for example, plastic bottles and caps for beverages, household liquids, healthcare) and Flexible (plastic lids and pouches for food, household liquids, healthcare) packaging production, noting the key challenges concerning use of virgin resin in manufacturing and the recyclability of the packaging post-use. AMC has joined industry peers in becoming a signatory to the Ellen Macarthur Pledge to address the key elements of this challenge, pledging to reduce plastic and increase the use of recycled plastic resin and recyclable packaging. The commitment to make all packaging recyclable or reusable by 2025 is backed up with a $50m USD sustainability budget and an integrated program of work with clear goals. MBA used the insights gained in the engagement to supplement internal valuations that included assessment of pricing risk in the use of recycled resin and volume impacts due to changes in consumer habits, to form of a view on the appropriateness of the company's response.

WESTPAC GROUP

Strategy: Australian Equities

As part of our deep dive into financial services we met with senior executives at Westpac to discuss the company's progress on the undertakings made in response to the Banking Royal Commission and Austrac allegations, and how these learnings have been applied in Westpac's management of the current challenges facing the company.

Whilst it remains a work in progress, we were satisfied that Westpac has a comprehensive program in place to address the failings identified in the Austrac report, including integrated reporting and board-level governance, an increased focus on the first of the three lines of defence risk model, and an organisational redesign to promote end-to-end accountability in business lines. We note that there are a range of process improvements in train, driven from a centralised Transformation Office established to address the organizational and product over complexity identified in the Culture, Governance and Accountability (CGA) assessment, and that the company has completed a second CGA which will inform continued improvements in this area. A continued area of focus for both investors and management remains corporate culture. Westpac has a deliberate approach to assessing and improving areas of concern in this space and, given the significant correlation between culture and conduct, we will stay attentive to their endeavours in this arena.

KOREA INVESTMENT HOLDINGS

Strategy: Asian Equities

KIH have historically had poor disclosure of financial results, particularly in English, and poor management engagement with investors. In addition, the excessively conservative balance sheet and over-reliance on market related revenue was materially impacting potential shareholder returns . Between 2014 and 2019 we met with KIH on six occasions, and over the course of these meetings we requested that the company:

- reduce the delay in releasing English language accounts, improving the corporate governance for non-Korean speaking investors and associated rating discount;
- improve its dialogue between senior management and non-Korean speaking investors; and
- improve shareholder returns through improved capital management and reduced market volatility.

We believe that our ESG engagement with the company contributed to positive governance outcomes and subsequent strong share price performance. Key areas where we believe our ESG engagement contributed to the turnaround include the following:

- Delay in releasing English language accounts decreased from up to 12 months to less than one week.
- KIH significantly improved its profitability and shareholder returns through improved capital management initiatives and reduced earnings volatility.

We will continue to engage with the company to achieve improved investor dialogue and engagement.

SAMSUNG ELECTRONICS

Strategy: Asian Equities

MBA have engaged with Samsung Electronics regarding governance related issues on total shareholder returns for a number of years. Our assessment of the company indicated that it has a large net cash balance sheet and ample resources to fund business lines and conduct M&A which should allow it to return more cash to shareholders. We believe not only would an increase in dividends lead to higher income returns in the near term but also, if done correctly, would lead to a sustained re-rating of the stock. Samsung Electronics formalised their capital returns program in 2014, indicating that they would return 30-50% of free cashflow to shareholders over the 2015-2017 period. Samsung's 2018-20 shareholder return policy was increased to 50% of free cashflow, via a mix of dividends and buybacks. Under the latest iteration of the policy, it has increased its dividend, however it has been slow to announce any additional buybacks.

We conducted three engagement meetings in 2019 where we urged management to announce additional buybacks. Management openly acknowledged our point of view however the global uncertainty this year has delayed any action from management. We expect an update in the coming months which we think is likely to offer a modest buyback and will be a positive outcome.

SEVERN TRENT

Strategy: Global Listed Infrastructure

Severn Trent (SVT) provides water and waste water treatment and operating services to utilities, municipalities and commercial customers in England and Wales. We met with SVT a number of times over the year and more recently took the opportunity to discuss carbon emissions targets, investments in green energy, educational initiatives on water usage, and support for customers in hardship during the COVID-19 pandemic with the new Chair of the Board.

SVT has made inroads on improving its environmental impact in recent years, for example, we note a 59% reduction in carbon emissions since 2008, its target to achieve net zero carbon by 2030, and plans to increase 5,000 hectares of biodiversity by 2027 by planting 1.3 million trees over the next decade. The reduction of water demand and water leakage has been a recurring point of our discussions with management, and we are comfortable with SVT's plans to achieve a 15% reduction in leakage by 2025 and 50% by 2045.

From a social perspective, we have also discussed the issue of affordability regarding water bills. SVT plans to deliver targeted support for 195,000 every year for customers who struggle to pay their bills by 2025 and donate 1% of profits each year over the next 5 years into the SVT Community Fund, which invests in local community projects. Furthermore, in response to COVID-19, SVT has utilised its Priority Services Register to register vulnerable customers and offered support measures to circa 70,000 struggling customers through schemes such as the Severn Trent Trust Fund, WaterSure and the Big Difference scheme. Overall, we view SVT to have good corporate governance and a capable management team to deliver on its strategy and ESG-related commitments and we continue to meet with the management to track progress.

AUSNET

Strategy: Global Listed Infrastructure

AusNet (AST) is a diversified Australian energy infrastructure business with over $10.8 billion of electricity and gas network and connect assets across Victoria. We have engaged with AST on a number of ESG areas including climate-related risks, community engagement, corporate governance and executive remuneration. In particular, in June 2020, we spoke with the Chair of the Board of Directors on how AST is positioned to respond to climate-related physical risks (such as bushfires, flooding and drought) and transition risks (such as changing technology, environmental and regulatory policies, and customer expectations). We did not hold AST in the GLI portfolio over the financial year, however, we routinely review the company as part of our ongoing research and engagement process.

We believe AST's energy transmission and distribution networks, as well as its IT systems, are vulnerable to equipment failure from natural disasters which can cause service interruptions to customers, network failures, breakdowns or unplanned outages. Such events can also impact the supply of electricity or gas. However, in response to our questions, we were pleased to hear how AST has invested significantly in bushfire mitigation activities, network resilience, emergency response plans, and equipment assessments, and is actively reviewing its workforce response to longer and earlier bushfires seasons.

While AST's commercial energy services business, Mondo, is capitalising on the significant growth of large-scale renewable energy developments, we believe AST can do more to reduce group-wide emissions and transition to renewables to better align its strategy with the goals of the Paris Agreement. Specifically, we encouraged the company to adopt the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFDs) and improve disclosure to allow investors to better price physical and transition climate-related risks into company valuations and to competitively position itself amongst peers. AST was appreciative of our engagement. We continue to engage with AST and look forward to their next iteration of ESG reporting.

GETLINK SA

Strategy: Global Listed Infrastructure

Getlink operates cross-channel transport networks, rail freight, and tunnels – such as the Eurotunnel – between France and the United Kingdom. We frequently meet with members of the management and Board of Directors of Getlink to discuss financial and non-financial matters such as corporate governance, emissions reduction efforts, and Brexit.

We believe that separate CEO and Chair roles allows for greater Board independence from management, which in turn leads to better monitoring and oversight from a corporate governance perspective. In the case of Getlink, we had been advocating for the separation of the two roles for a number of years, however, with the uncertainty of Brexit, we recommended any such separation should occur once the details of a UK/EU deal were ironed out. As such, in 2019, we followed up with the company to ensure the process of finding a new CEO was underway.

In January 2020, the company announced that the current CEO would step down and retain a non-executive directorship role, while a new CEO (an external hire) would commence in July 2020. We were pleased with this outcome and believe Getlink will benefit from greater independence between the Board and management as it navigates through a post-Brexit deal and COVID-19 world.

Proxy voting

Proxy voting is a core component of our Stewardship activity and is a critical lever in our ability to drive positive outcomes. Our approach is designed to optimise our ability to affect outcomes in the companies we invest in, driving positive outcomes for both the company and our investors.

In line with our Proxy Voting Policy, MBA exercised voting rights over the year by voting on all feasible proxy resolutions at shareholder meetings for shares that we directly hold on behalf of our clients. Voting recommendations are made after consideration of all relevant information, and are informed by specialist research, as well as our own research and engagement with the company, with the ultimate decision made by the investment analyst.

Over FY20 MBA voted against management in a number of instances across resolutions pertaining to a range of governance issues including remuneration, director elections, and capital allocation.

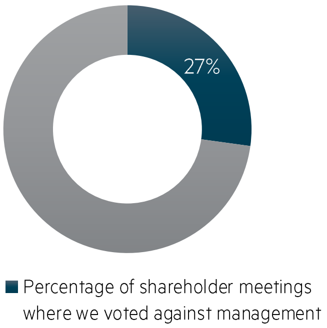
With respect to director elections, in the instances where MBA voted against the re-election of executive directors it was generally where we considered the boards had sufficient independent representation. For example, in our Australian equities we voted against the re-election of an executive director for an Australian-based multinational retailer given the board had only three independent Directors at the time of the AGM. A second instance related to a building material manufacturer where we voted against the re-election of the Deputy Chairman who had served on the Board since 1998. Whilst the Deputy Chairman was a non-executive director, his length of service and family relationships were seen to compromise his independence and therefore we did not support his re-election. In each of these instances our votes were cast with regard to best practice in corporate governance and was not a judgement as to the skills or ability of the individual Directors.

In our Asian equity portfolio, many of the instances where MBA voted against management were related to proposals that would not support the rights of minority shareholders or where we had concerns on capital structuring. Once such instance of this was seen in a major Asian airport that raised a series of resolutions relating to a non-public issuance of shares. The analyst deemed that the proposed issue did not meet the standards we would expect, being not a good use of capital and against the best interest of minority shareholders, and MBA voted against the series of resolutions.

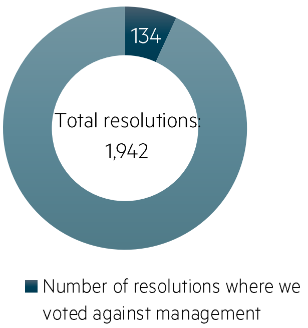
For the Global Listed Infrastructure team, most of the votes cast against management over the year related to board and committee independence, the protection of minority shareholder rights, and a lack of transparency to adequately inform voting decisions. By way of example, in April 2020, we voted against the management remuneration of a South American electricity transmission company due to concerns around alignment with shareholder interests and a lack of detail on individual remuneration packages and share ownership. While we have continued to ask for more detail and recognise the company's disclosures have improved in recent years, the team did not believe these improvements were sufficient enough to warrant a vote of support. We continue to share this view with management as part of our ongoing engagement process

Over the course of FY20 MBA voted on 1,942 resolutions at 222 shareholder meetings.

SHAREHOLDER MEETINGS



RESOLUTIONS



Further detail on how we have exercised our voting rights in the Australian Equity Trust, Asian Investment Trust and Global Listed Infrastructure Fund is available on our website.

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