Our approach to ESG engagement

Maple-Brown Abbott
Global Listed Infrastructure
2024

MAPLE-BROWN ABBOTT
INVESTMENT MANAGERS SINCE 1984

SERVING OUR CLIENTS FOR 40 years

Overview

As investors in long-dated assets that provide essential services to society, we see an important role for engagement to help steer companies towards stronger sustainability outcomes. Today's investment decisions can have financial and sustainability ramifications for decades to come, so we believe constructive scrutiny is necessary and healthy in companies' decision-making processes.

Our engagement strategy and processes are targeted to focus on the most material, achievable and constructive outcomes. Not only do we believe this approach provides us with the greatest chances of success, it also means companies are typically more transparent and receptive to our feedback.

We are typically long-term owners of select listed infrastructure companies. As long-term owners we have engaged with company boards and management over long periods of time on a range of matters including mergers and acquisitions, CEO succession planning, corporate governance, emissions management and climate risk. Understanding a company's history and the context in which they operate provides us with a unique perspective on the challenges they face, opportunities for sustainable growth and possible future risks.

ESG integration and engagement by materiality

Our proprietary materiality framework – which is based off the SASB Materiality Map[1] – has been adapted to better account for each infrastructure industry and supports our ESG analysis, engagement and proxy voting decisions so there is consistency across the portfolio. The materiality framework is used to assess companies at the outset of investment considerations and forms part of our corporate sustainability and governance confidence score. We consider it an important feature of the investment process as it provides structure and focus to the ESG issues we monitor, the questions we ask in management meetings, the engagement priorities we set and the proxy votes we cast.

Every company considered for portfolio inclusion is assessed – as part of our in-depth ESG analysis – for risks, opportunities, controversies and/or sub-par sustainability performance that may warrant future engagement. Recommendations for engagement are outlined in the stock thesis and flagged in stock discussions. Sometimes, in exceptional circumstances, we may engage with a company prior to investment on ESG matters where desktop research alone does not suffice.

Establishing priorities and monitoring progress

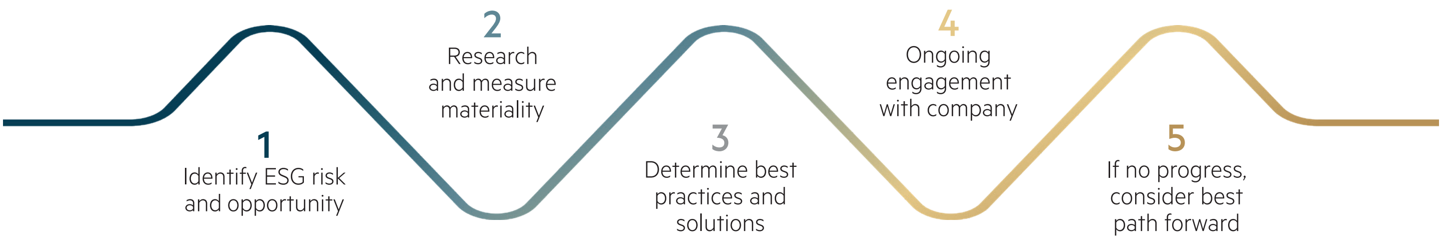
Every year, the team comprehensively assesses all engagement activities and agrees on the top, medium and lower priority companies and issues. We approach each engagement on a case-by-case basis with priorities informed by a range of factors including (but not limited to) the:

- risk profile of the company, industry and jurisdiction(s);
- materiality of the engagement issues and the company's performance;
- responsiveness of the company and the likelihood of successful engagement outcomes;
- monitoring of controversies;
- potential for group investor engagement; and/or
- position size.

These priorities are regularly reviewed to reflect portfolio changes, changes to investment theses, sustainability performance and/or new controversies.

The team logs each engagement objective and updates each item with relevant meeting notes, outcomes, the use of different tools (such as letters) and suggestions on next steps. This process helps the team maintain an overview of how and which matters are progressing, or not.

Our engagement process



1 The Sustainability Accounting Standards Board (SASB) Materiality Map can be found here: www.sasb.ifrs.org/standards/materiality-map/

Engagement strategies

Engagement comes in different shades

Certain types of engagement do not warrant objectives with a strict outcome in mind. This is because a select number of companies have a lower ESG risk profile with strong sustainability programs backed by appropriate targets, investment, management incentives, risk oversight and disclosure. Therefore, we see it as our job to keep these companies accountable by routinely meeting with them to discuss the ongoing execution of their sustainability plans. We can also learn from these companies and relay examples of better practice with other companies grappling with similar issues. We refer to these types of meetings as 'accountability' engagements. These types of engagements are fundamentally important, but typically underappreciated by the market.

Below is a summary of the four different engagement strategies we employ.

1 Initial scoping

Where we have not yet engaged with the company (either prior or post investment):

- A scoping and relationship building exercise with a two-way conversation.
- Opportunity for the company to understand our expectations on best practice, reporting and transparency, measuring performance and peers.
- Opportunity for us to relay any initial areas of concern, noticeable strengths and our approach to engagement.
- Insights may be used for any future investment thesis and/or stock scoring.
- May result in a different type of engagement strategy.

2 Accountability

Where we want to see ongoing accountability, progress, performance and transparency:

- Typically companies with a lower ESG risk profile with strong sustainability programs.
- Routine meetings to check on execution and potential bottlenecks.
- Usually involves representatives from teams responsible for implementation.
- Opportunity to highlight areas for improvement, but nothing that needs targeted engagement at that point in time.
- Ensures companies are aware they are being closely scrutinised and ongoing performance is critical.

3 Outcomes driven

Where we have identified material deficiencies, risks or controversies that warrant engagement:

- Targeted engagement with a clear and constructive set of actions.
- Preference for senior representatives to attend.
- May involve group investor initiatives.
- Require routine meetings and possibly other tools such as letters, escalation to Board and/or targeted proxy voting.

4 Time-specific

In response to a controversy or a time-specific matter that requires an extended discussion:

- Opportunity to hear from the company on the matter, why it as come about, and what is being done (or not done) about it.
- We provide our position and thoughts.
- Can also relate to positive developments that require further discussion.
- Not as common as other types of engagement.

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Company responsiveness

Where we have identified a material risk or issue, we will engage with the company and encourage them to rectify and/or remediate the problem in line with guidance and best practice frameworks such as the UN Guiding Principles on Business and Human Rights.

Where the company is non-responsive, we may escalate the issue to the Board, consider group investor engagement strategies, or use proxy votes to encourage management to rectify issues. Depending on materiality and level of risk, we may also reduce our portfolio position or divest, though doing so would be weighed up alongside a number of other investment factors to ensure we are delivering on our investment objectives and fiduciary duties to our clients.

We strongly believe in active ownership as a means of driving sustainable change and delivering long-term infrastructure investment outcomes.

Policies to guide our approach

The following firm-wide policies are applied in strategy-specific ways:

- Engagement Policy
- Proxy Voting Policy
- Responsible Investment Policy
- Climate Change Policy
- Human Rights Position Statement

Memberships and frameworks

Signatory of:

PRI Principles for Responsible Investment

TCFD Task Force on Climate-Related Financial Disclosures

Race to Zero

Transition Pathway Initiative

riaa Responsible Investment Association Australasia

IAST APAC

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