

Engagement Policy

Macquarie Investment Management / October 2020



Introduction

Macquarie Investment Management (**MIM**) is made up of several independent investment teams focused on providing investment capabilities across a large range of asset classes to clients including pension funds and other institutional investors globally. We form part of Macquarie Asset Management (**MAM**), the asset management arm of the Macquarie Group, a global provider of banking, advisory, financial, investment, and asset management services established in Australia in 1969.

This Engagement Policy sets out how investment teams within MIM integrate shareholder engagement into their equity investment strategies. In this policy, engagement is defined as the right of shareholders to influence the decision-making process of investee companies, e.g. by exercising voting rights and engaging in dialogue with investee companies. The Engagement Policy has been written in accordance with the requirements of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (**Shareholder Rights Directive II**) which the following entities are governed by:

- Macquarie Investment Management Europe S.A.¹;
- Macquarie Investment Management Austria Kapitalanlage AG²; and
- Macquarie Investment Management Europe Limited³.

In preparing this Engagement Policy, MIM has observed the Macquarie Group's three long-held principles of Opportunity, Accountability and Integrity, which are further explained in the [Macquarie Group Code of Conduct](#).

MIM's specialised, independent investment teams focus on delivering long-term, consistent results for our clients. Each team has autonomy to execute on its own investment philosophy and process – to focus on investing – while benefitting from a comprehensive global operational support platform as well as a broad global distribution organisation. All of our teams share several traits: independent thinking, global perspectives and conviction in their specialised investment philosophies.

Across MIM, we believe that investing in well-managed companies will deliver long-term shareholder value and therefore, that it is important for a company to have high-quality management with appropriate supervision through balanced controls. Typically, this means that a company has a strong and effective board, honours appropriate ownership and

¹ Macquarie Investment Management Europe S.A. is incorporated as a *société anonyme* under the laws of the Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register under number B62793 and is regulated by the Commission de Surveillance du Secteur Financier.

² Macquarie Investment Management Austria Kapitalanlage AG is incorporated and registered in Austria and is authorised and regulated by the Austrian Financial Market Authority.

³ Macquarie Investment Management Europe Limited is incorporated and registered in England and Wales and is authorised and regulated by the Financial Conduct Authority.

shareholder rights, implements effective remuneration structures in line with long-term performance, delivers transparent and high-quality reporting to its shareholders and other stakeholders, and considers its environmental and social exposure.

1. Integrating Shareholder Engagement into Investment Strategy

The integration of shareholder engagement in the investment process varies for MIM's equity investment teams as each team owns its own investment process. Certain strategies may require the investment team to replicate a certain index or provide exposure to a certain class of assets and/or regions (passive equity investments) and this will not involve active shareholder engagement, whereas strategies based on active stock selection will require the most active shareholder engagement (active equity investments).

In situations where MIM entities are managing assets of investment funds as delegated fund managers for management companies, the shareholder engagement policies and proxy voting policies of the respective management company may need to be respected. These policies and procedure are respected and followed with priority.

All MIM investment teams with active equity investment strategies have access to specialised Environmental, Social and Governance (**ESG**) research, governance and proxy analysis. Investment teams determine how best to leverage this information in their investment process, including how to use the information when monitoring investee companies and determining when to engage with management of the companies invested in.

2. Monitoring Investee Companies on Relevant Matters

Where relevant, considering investment strategy and approach, one of the factors MIM's active equity investment teams may consider when deciding to invest in a particular company is the quality and depth of the company's management. In addition, MIM's active equity investment teams monitor investee companies on relevant matters, which may include:

- a. **strategy**, including the corporate strategy as well as Environmental, Social and Governance / Corporate Social Responsibility and/or Sustainability strategy;
- b. **financial and non-financial performance and risk**, including analysing corporate reports, annual reports, earnings, as well as ESG ratings and initiatives and ESG reports;
- c. **capital structure**, including analysing debt and growth opportunities; and
- d. **social and environmental impact and corporate governance**, including using data and research from third party providers or research produced by the teams themselves and as further described below in *Dialogue with Investee Companies*.

3. Dialogue with Investee Companies

MIM's active equity investment teams often engage with investee companies as part of their regular investment processes. These engagements are typically strategic in nature and

provide additional insights into management quality, business drivers, financial strategy, financial and non-financial performance and risks, capital structure etc. During these meetings, MIM's active equity investment teams may discuss ESG factors, including social and environmental impact and corporate governance and incorporate their findings into the overall assessment of the management teams⁴.

MIM's active equity investment teams (or otherwise central teams on behalf of investment teams) may also engage directly with investee companies to encourage additional ESG disclosure. Companies that have been targeted for engagement are typically identified and prioritised by geography, sector and size in order to ensure that a diverse cross-section of engagements are undertaken.

As active managers, through shareholder engagement, MIM's active equity investment teams ensure that corporate management teams are monitored and held accountable for their actions. When assessing investments, investment teams seek to understand how management teams acknowledge, manage, and reduce ESG-related risks and engage with portfolio companies on how these risks are being managed.

4. Exercising Voting Rights and other Rights Attached to Shares

MIM's investment teams provide investment advisory and portfolio management services to various types of clients. Pursuant to the terms of an investment management agreement between MIM and a client or as a result of another type of specific delegation by the client, MIM's active investment teams may be given the authority and discretion to vote proxy statements relating to the underlying securities which are held on behalf of such clients.

In cases where MIM's active equity investment teams have been delegated the responsibility to vote or provide advice on proxies, MIM has developed Proxy Procedures and Guidelines⁵ to ensure that MIM's active equity investment teams vote proxies or give proxy voting advice that is in the best interests of MIM's clients.

MIM investment teams that are actively engaged in proxy voting retain the ability to discuss upcoming proxy votes with company management. In those instances where MIM votes against management's recommendation and the proxy result is contrary to MIM's vote, the investment team that owns the respective security on behalf of its client has the option to escalate the matter. Options available to MIM's investment teams include: directly contacting the company's senior management; MIM's Head of ESG Oversight engaging with the company on the investment team's behalf; and reducing the team's holdings in the company or divesting from the position in its entirety.

5. Cooperation with other Shareholders and Communication with other Stakeholders

Across the Macquarie Group, we collaborate with industry, government, and other stakeholders to share knowledge and build capacity through initiatives like the new Climate

⁴ Note: MIM's fixed income investment teams may also engage with investee companies in this way as set out in the MIM Environmental, social and governance strategy.

⁵ Available from MIM on request.

Finance Leadership Initiative for which CEO Shemara Wikramanayake was appointed a founding member on 17 January 2019.

MAM entities have been signatories to the Principles of Responsible Investment (**PRI**) since 2010⁶ and this Engagement Policy is part of the process of moving towards achieving the aspirational goals set forth under the PRI. MIM's investment teams may use the PRI platform to collaborate with other shareholders, including engaging with investee companies in collaboration with other shareholders.

In addition, MAM became a member of Climate Action 100+ in July 2020. As a member of Climate Action 100+, we have an obligation to collaboratively engage with systemically important greenhouse gas emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and achieve the goals of the Paris Agreement. Participation in these engagements is coordinated by central ESG staff and often performed in conjunction with investment personnel who have a material interest in the policies of the targeted companies. Participation is prioritised based on the potential to enhance knowledge of ESG issues through other investors, ability to have greater impact on ESG issues, and ability to add value to the collaboration. We also aim to target our collaborations to a mixture of geographies and markets where our teams invest.

Through the collaborating group, MAM defines timelines and milestones for the engagement's objectives, tracks and monitors progress against defined objectives and KPIs and revisits, and if necessary, revises objectives of the engagement on a continuous basis.

MAM's participation in these collaborative engagements does not infer that every investment team agrees with the engagement's objectives since all investment teams maintain independent beliefs regarding material issues that affect a given investment.

Any cooperation by MIM's active equity investment teams with other Shareholders or communication with other Stakeholders will always be undertaken while observing the Macquarie Group's principles of Opportunity, Accountability and Integrity. Further information on these guiding principles can be found in the [Macquarie Group Code of Conduct](#).

Through proxy voting, the investment teams may also collaborate with other shareholders by voting on shareholder resolutions. However, as set out in MIM's Proxy Voting Guidelines⁷, voting proxies should be in the best interests of a client and should align with the goal of maximising the value of a client's investment.

To the extent that management of a portfolio company or another company shareholder would like to engage with MIM on a particular proxy statement, the company or shareholder should reach out to the investment team who holds the applicable company security on behalf of its clients. MIM will consider any additional information provided by the company or shareholder regarding an upcoming proxy and analyse such information along with prior research provided by its proxy advisor, before coming to a decision on how to vote an applicable proxy.

⁶ Macquarie Investment Management Europe SA became a signatory to the PRI in 2010, however MAM more generally became a signatory to the PRI in 2015.

⁷ Available from MIM on request.

6. Managing Actual and Potential Conflicts of Interest

As a global organisation offering a diverse range of products and financial services, the Macquarie Group may have interests which conflict with the interests of its clients, counterparties or unit holders. Conflicts could also arise between such parties or between such parties and a Relevant Person.

In accordance with the [Macquarie Group Code of Conduct](#), applicable laws, regulations, guidance and principles, Macquarie is required to manage conflicts of interest fairly.

The Macquarie Group Conflict of Interest Policy sets out the framework, controls and administration for identifying, preventing and managing conflicts of interest, whether actual, potential or perceived.

Additionally, each investment team adopts an appropriate governance framework to ensure that key decisions are taken in the best interests of investors, consistent with their clients' instructions and regulatory requirements, including the appropriate management of conflicts of interest arising between a fund and its related parties.

Guidelines on how investment teams manage conflicts of interest relating to proxy voting are available through the Proxy Policies and Guidelines.

Additional information is contained in the [MIM ESG Strategy](#).

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Macquarie Investment Management (MIM) is the marketing name for the following investment advisers: Macquarie Investment Management Business Trust, Macquarie Funds Management Hong Kong Limited, Macquarie Investment Management Austria Kapitalanlage AG, Macquarie Investment Management Global Limited, Macquarie Investment Management Europe Limited, Macquarie Capital Investment Management LLC, and Macquarie Investment Management Europe S.A.

Other than Macquarie Bank Limited (**MBL**), none of the entities noted in this document are authorised deposit-taking institutions for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of MBL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities, unless noted otherwise.