MA Financial Group

# Responsible Investment in Asset Management

## Environmental, Social and Governance Policy

July 2022

# 1. Introduction

MA Financial Group Limited (MA Financial) is an ASX-listed financial services firm specialising in asset management, lending, corporate advisory and equities. The asset management division of MA Financial (Asset Management), creates and manages investment opportunities for institutional, wholesale and retail investors across real estate, credit, hospitality, private equity and venture capital. The team also manage traditional asset classes including cash, bonds and listed equities.

We recognise integrating Environmental, Social and Governance (ESG) factors into our investment decision-making and ownership processes is fundamental to assessing the true value of our investments. We believe ESG considerations can provide a greater understanding of the investment risks and opportunities that contribute to evaluating long-term value for our clients.

We recognise that active engagement with the companies and assets we invest in is integral to understand and promote stronger sustainable business practices which can enhance investment returns.

We recognise ESG issues continue to evolve and mature and we are committed to understanding the interests and expectations of our stakeholders – clients, shareholders, employees, industry groups and regulators – as a key tenet of setting our ESG objectives and delivering positive outcomes.

# 2. Scope

This policy outlines Asset Management's intended approach to the integration of ESG factors into our investment analysis, decision-making processes, stewardship practices and reporting.

# 3. Our approach to ESG

## Signatory to the PRI

MA Financial Group's asset management division is a signatory of the United Nations Principles for Responsible Investment (PRI or Principles). As a signatory, we have committed to adopt and implement the following Principles, where consistent with our fiduciary responsibilities:

- we will incorporate ESG issues into investment analysis and decision-making processes.
- we will be active owners and incorporate ESG issues into our ownership policies and practices.
- we will seek appropriate disclosure on ESG issues by the entities in which we invest.
- we will promote acceptance and implementation of the Principles within the investment industry.
- we will work together to enhance our effectiveness in implementing the Principles.
- we will each report on our activities and progress towards implementing the Principles.

## Our Commitment to clients

It is our fiduciary responsibility to act in the best interests of our clients and we build portfolios with the aim of maximizing their long-term risk adjusted returns.

We recognise that our clients have varying perspectives toward ESG and sustainability, as much as risk profiles, and we are respectful of this diversity and seek to offer strategies and products accordingly.

## Why integrating ESG is important

We believe blending quantitative financial analysis with qualitative evaluation, including the impact from ESG factors, help investment teams make more informed assessments of the intrinsic value of assets helping protect and manage investments on behalf of our clients. This approach considers a broad range of ESG risks and value drivers as part of the investment decision-making process.

## ESG assessment and materiality

Our investment teams assess ESG risks and opportunities according to their own investment process, taking a materiality-based approach.

The materiality of ESG factors is determined by considering which ESG risks and opportunities the asset class is most exposed to, as well as any ESG risks and opportunities specific to the investment itself. Sectors, industries and geographies may also be monitored for changes in material ESG exposure to ensure that investments fall within the risk appetite and strategy. A material ESG risk is one which can have a significant impact on the valuation or reputation of a company or investment, if not well managed.

Our investment teams employ ESG considerations as a key component of the active investment process. These teams operate and are structured in ways most suited to their respective asset classes.

Due to the breadth of ESG considerations and diversity of investment strategies offered by Asset Management, we recognise that each investment team is best suited to apply their differentiated perspectives, insights, and experience to identify sustainable business practices that have the potential to generate long term value for investors.

Commitments and accountability for the execution of ESG factors therefore rests with the relevant investment teams. Each investment team is responsible for articulating their specific objectives, which means the implementation of ESG criteria is carried out at the strategy level and details are included in fund disclosures.

As a result, we generally do not impose blanket exclusions across our portfolios. Instead, we strive to manage an investment platform with the tools and flexibility to apply exclusions to meet the spectrum of requirements of our clients and their investment objectives. We encourage and support our investment teams in embedding ESG factors in their investment framework. As each investment team builds their ESG framework, this may involve data management, research, investment platforms, external ESG information providers and risk management tools where applicable.

As part of the ongoing analysis of companies, issuers and entities, our investment teams will develop a system to continue monitoring the material ESG risks and opportunities of investments post acquisition. This will help to ensure early identification of any emerging ESG risks and continued compliance with the risk appetite and strategy.

## 4. What ESG means to Asset Management

These definitions act as a guide for ESG factors that Asset Management may consider and is non-exhaustive. Investment teams have ultimate responsibility in determining which ESG issues are most material to their respective strategies and asset classes.

### Environment

We define environmental responsibility generally as the consideration of a company or entities to promote strategies that reduce the effect of business practices on the environment contributing towards improving global environmental sustainability and resource efficiency.

We recognise environmental risks and opportunities may affect the future performance of an investment such as the operations of a company, both in its direct operations and across its supply chain.

In addition to the impact that a company's practices can have on long-term environmental sustainability, companies that neglect to consider the effects of their policies and practices on the environment may be exposed to regulatory sanctions, reputational damage and higher levels of financial risk.

Environmental factors may include climate change risk, pollution prevention, greenhouse gas emissions reduction, energy transition and efficiency, adoption of renewable or lower carbon fuels and energy sources, adoption of clean technology, environmentally sensitive or protected areas, biodiversity and natural resource management, and water and waste management.

### Social

We define social responsibility generally as the consideration of a company to value decisions and actions that will enhance the welfare of its own employees and to act in the interests of society as a whole.

We recognise social issues can impact the reputation of a company and adversely affect revenue and prompt new regulatory burdens.

In addition to the impact that a company's practices can have on the social wellbeing of its employees, communities and clients, the social risks that threaten the reputation and brand integrity of companies and entities is a component of business risk and can lead to negative financial impact.

Social factors may include health and safety, diversity and inclusion, labour standards, human rights, indigenous rights, community impacts, modern slavery in the supply chain, responsible lending (including avoidance of predatory lending practices), anti-bribery, product safety, corruption and privacy & data security.

### Governance

We define governance generally as the set of processes, customs, policies, laws and institutions affecting the way an organisation is directed, administered or controlled and relates to third parties.

We recognise supporting high standards of governance underpins strong business performance, culture and transparency.

Weak governance practices can lead to poor conduct, decision making and lack of accountability to the detriment of investor interests.

Governance factors may include board composition and independence, executive remuneration and incentive plans, corporate accountability structures, compliance, negligence, bribery and corruption, conflicts of interest and related party transactions, shareholder rights, board oversight of ESG risks, accounting and audit quality.

## 5. Our stewardship responsibilities

We recognise the responsibilities of stewardship as taking active ownership of our investments and exercising this through company and stakeholder engagement as well as share voting where relevant to the asset class and strategy.

We believe effective stewardship can lead to improved ESG practices, outcomes and disclosure across our investments which can enhance overall long-term value for our clients.

### Engagement

Engaging in an active dialogue with the companies or entities we invest in is important. It provides a key opportunity to improve our understanding of their business, and monitor material business issues including strategy, capital allocation and financials as well as their approach to ESG matters. This enables us the opportunity to influence companies or entities, where appropriate, to improve these practices and long-term investment performance.

The breadth, depth and frequency of engagement will vary significantly based on a variety of factors including the ESG risks and opportunities faced by the entity, the opportunity and willingness to engage by the company, and the size or nature of the investment.

Given the varying nature of the asset classes we manage, the geographies in which different companies or entities operate and the size of our holdings, each of our investment team's engagement approaches will be tailored to individual companies or entities and the specific issues in question.

- For our equity investments, we may carry out our ownership practices via voting at general meetings and where appropriate, we may take shareholder action by engaging in our capacity as a shareholder with entity management and boards, and through the nomination of directors.
- For our private investments, given the access afforded to us, our primary method of engagement is through communication directly with management or other key stakeholders of an entity. Where relevant, we may also attend company briefings and annual general meetings. Where we invest in private debt, voting activity is not relevant, however as providers of debt capital, we can withhold this capital if we deem the counterparty to lack the required ESG attributes.

As part of ongoing dialogue with management teams of the entities in which we invest, our investment teams engage on material ESG issues identified and undertake detailed periodic investment reviews. Where appropriate, our investment teams will communicate with management teams to understand how the company will mitigate ESG-related risks where they believe such risks have newly arisen or become elevated. We are committed to improving transparency on our engagement activity.

Investment teams, in most cases, naturally develop long-term relationships with management teams of the entities in which we invest. Should concerns arise over the entities' practices or performance, investment teams will seek to leverage these constructive relationships by engaging with company management or expressing views through voting on management or shareholder proposals where relevant.

Where appropriate, we aim to communicate the outcome of our assessment to the entity in order to encourage greater awareness and/or disclosure of ESG-related issues.

Escalation of engagement activities depends upon a company's individual circumstance. In extreme circumstances, the outcome of our engagement may be the decision not to increase or renew our investment in the entity. In some cases, and where appropriate, we may seek to divest and discontinue our relationship with the entity.

### Proxy voting

Asset Management aims to meet the investment objectives of clients in relation to ESG matters by discouraging disadvantageous corporate policies through active discussions with management or the board of directors, and by the exercise of proxy votes.

The firm recognises that there are opportunities to promote effective management by using positive votes to affirm a strategy.

The firm also recognises that voting rights are an asset which should be managed with the same care and diligence as any other portfolio asset.

Accordingly, Asset Management seeks, where appropriate and practicable, to vote on company resolutions.

## 6. Governance and oversight

Asset Management has established an ESG Steering Committee comprising senior stakeholders from across the business who are responsible for guiding the ESG strategy and assessing ESG risks and opportunities for the business.

The ESG Steering Committee meets on a quarterly basis.

The senior portfolio managers are responsible for the development and maintenance of responsible investment frameworks and policies for the strategies they manage.

They are also responsible for the implementation of their responsible investment policy within their teams as appropriate.

Each investment team is responsible for the accurate assessment and reporting to the Investment Committee, where relevant, of financial and non-financial ESG risks. Material ESG issues are documented and discussed by the Investment Committee and are an important input for the final investment decision. Certain ESG issues may be flagged to be reviewed during the ongoing investment monitoring process.

## 7. Reporting

Asset Management commits to regularly communicating its responsible investment approach. Such communications will include the following (amongst others):

- On an annual basis, report on our progress in our approach to ESG through our reporting to the PRI;
- A commentary section in MA Financial's Annual Sustainability Report which provides a summary of the ESG considerations taken into account in Asset Management's investment decision-making and ownership practices over the course of the previous financial year.

## 8. Responsibility and Review cycle

This policy has been approved by MA Asset Management Ltd and is reviewed annually, or as required if there are material changes in the regulatory framework or business activities.

## 9. References

In constructing this policy, Asset Management has considered the obligations laid out in the below policies, practice notes, statements, standards, regulations and other documents:

- UN Principles for Responsible Investment (PRI);
- FSC Standard No. 13: Proxy Voting;
- FSC and ACSI ESG Reporting Guide for Australian Companies 2015;
- ACSI Governance Guidelines dated October 2015;
- Regulation 7.9.14C of the Corporations Regulations;
- Responsible Investment Association Australasia (RIAA); and
- Fund mandates and disclosures.

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