MLC Asset Management Services Limited (MSL)
ESG Policy

Beliefs

1) As a professional investor, we have contractual obligations to our clients, who in turn have a duty to act in the best long-term interests of their investors. We believe that Environmental, Social and Governance (ESG) factors pose risks and opportunities which need to be understood and managed with the aim of optimising the long-term performance of investment portfolios.

2) Incorporation of ESG risk factors in the asset selection process can and should be pursued by investors whose sole purpose is financial return. This is not the same as responsible investing, ethical investment, or impact investing, which seek to combine financial return with (subjective) moral or ethical considerations.

3) ESG risk factors are numerous and ever-shifting and include, but are not limited, to the following:

ESG Factors		
Environment	**Social**	**Governance**
■ Climate Change	■ Working conditions (incl. slavery	■ Executive pay
■ Greenhouse gas (GHG) emissions	and child labour)	■ Bribery and corruption
■ Resource depletion (incl. water)	■ Local communities (incl.	■ Board diversity and structure
■ Waste and pollution	indigenous communities)	■ Tax strategy
	■ Health and safety	
	■ Employee relations and diversity	

4) The emphasis we place on ESG considerations is primarily designed to focus on maximising risk-adjusted returns. We also aim for our Policy to be adaptive in incorporating our evolving views towards ESG, as well as reflecting the evolving views of our clients, key stakeholders and the broader community.

ESG Guiding Principles

Where consistent with our responsibilities and with the aim of meeting stated investment objectives, we adhere to the following:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

We also intend that applying these ESG Guiding Principles may better align investors with the broader objectives of society.

Scope of the ESG Guiding Principles

Incorporation of ESG issues into the investment analysis and decision-making processes is generally applicable to all types of investment strategies.

However, we recognise that the applicability of ESG considerations will vary in relevance according to the types of investment strategies deployed:

'Alternative' Strategies
Investment strategies, for example, where ESG considerations may be of less relevance are outlined below:

i. Investment strategies which are driven by price momentum and not driven by views on the underlying asset and typically implemented by derivatives (eg trend strategies) are somewhat remote from ESG considerations;
ii. Investment strategies which are long/short by construction and designed to capture market characteristics ('factors') and typically have short term investment horizons with corresponding high turnover (eg. systematic strategies) are likewise somewhat remote from ESG considerations; and
iii. Investment strategies which are driven primarily by macro views designed to capture market returns and do not rely on issue selection are also somewhat remote from ESG considerations.

'Alternative' investment strategies (on a case by case basis) would not necessarily be subject to the ESG policy in full. However, MSL expects the manager of the strategy to give effect to the ESG Guiding Principles as far as practical.

Passive Strategies

Passive investment strategies by contrast would not be subject to the ESG Policy in full if the stated investment objective was full replication of a market index. However, given the long-term nature of passively managed investments and the corresponding ESG risks that could arise, MSL would expect the manager or the asset owner to consider how the ESG Policy could be relevant or made relevant through refinements to the investment objectives and/or benchmark.

Enhanced passive strategies would be subject to the ESG Policy.

Manager Selection

Selection and appointment of managers (whether third party managers or in-house managers) will be contingent upon – along with other considerations - the manager demonstrating a commitment to managing ESG issues (where applicable) in accordance with the ESG Guiding Principles:

i. The intention is for manager investment management agreements to reference the ESG Policy;
ii. Utilisation of external pooled vehicles which cannot be subject to the ESG Policy will likewise be contingent upon the underlying managers demonstrating a commitment to managing ESG issues (where applicable) in accordance with the ESG Guiding Principles;
iii. Managers are required to evidence incorporation of the ESG Guiding Principles into their decision making and proxy voting processes (if applicable) as part of their periodic reporting;
iv. Quantitative ESG scoring is not required of managers for purposes of demonstrating compliance with the ESG Guiding Principles; and
v. MSL will undertake an annual review of manager ESG policies and their incorporation of ESG risk factors into the asset selection process for purposes of determining the ongoing suitability of the manager, noting that:
    i. ESG risk factors are part of a broader set of risk factors that are considered when determining the ongoing suitability of a manager; and
    ii. Managers are expected to balance ESG risk factors with other risk factors in the pursuit of sustainable long-term excess returns.

Active Ownership

Active ownership through proxy voting and company engagement provides an opportunity to enhance and protect the long-term value of our investments:

i. Proxy voting is controlled by MSL (as the representative of the relevant Responsible Entity) in consultation with our managers and a third party global proxy voting advisory service. ESG factors are among the issues considered in casting proxy votes;
ii. Corporate engagement for the most part is delegated to our managers, who are encouraged to engage with relevant companies on material ESG issues; and
iii. MSL adopts an approach of 'hold and engage' in preference to negative/exclusion screening out of companies (or other users of the capital markets) that fall short of acceptable standards of corporate behaviour (although the latter would not be ruled out if corporate behaviour is sufficiently egregious that the reputation and value of the company is put at risk).

Monitoring & Reporting

Transparency is central to our approach to the management of ESG issues. This involves monitoring manager stewardship activities and providing reports to stakeholders on our progress in implementing the ESG Guiding Principles.

MSL monitoring of compliance with the ESG Policy involves:

i. Engagement with our managers on ESG issues (including proxy voting if applicable) as part of our regular manager meetings and due diligence, which also incorporates ongoing portfolio performance and risk assessments.
ii. Quarterly reporting from listed market managers regarding their key activities as it pertains to ESG and proxy voting.
iii. Potentially, use of tools such as ESG analytics systems. These provide a quantitative score for the portfolio(s) as a measure of ESG integration in the investment process.

Governance Process

MSL requires the MSL Investment Committee to undertake a six-monthly review of our progress in implementing the ESG Guiding Principles and provide sign-off to the effect that:

i. ESG issues (where applicable) within portfolios have been managed in accordance with the ESG Guiding Principles; and
ii. ESG risk factors within portfolios have been balanced with other risk factors consistent with achieving investment objectives.