Peters MacGregor Environmental, Social and Governance Policy

At Peters MacGregor, we believe taking an investment view that goes beyond traditional financial analysis is more likely to create and preserve long-term investment capital. As part of our investment process we consider a wide range of risks and opportunities including factors that support sustainability, such as good governance, consideration of environmental and social impacts on assets, as well as the associated policy and regulatory implications.

Purpose and objectives of the Environmental, Social and Governance (ESG) Policy

This Policy provides an overview of Peters MacGregor's framework and approach to managing ESG issues in its investments. The principal objective of the Policy is to ensure that ESG risks and opportunities are adequately considered as part of the Peters MacGregor's investment processes and to assist and guide Peters MacGregor in engaging with companies to promote better governance practices. The Policy is set by the Investment Committee and reviewed annually, or more frequently if required.

What is ESG?

Peters MacGregor believes environmental, social and governance factors are material investment issues and should be considered as part of the investment process. ESG covers a broad range of factors, examples of which are shown below.

Environmental

- Climate change and its potential impacts on investments. These may include exposure to carbon pricing and regulation to reduce carbon emissions, exposure to the physical impacts of climate change such as potential sea-level rises and increased frequency and intensity of severe weather events.
- The availability or over supply of water, and competition for the use of water.
- Pollution and disposal of waste products.
- The impact that a company and its operations have on the local environment.
- Future liability risk, such as may arise from disposal or spillage of toxic substances, or from contamination of areas or populations.

Social

- The effectiveness of a company in maintaining its 'licence to operate' – in other words how well a company manages its relationship with the community and civil society.
- A company's effectiveness in constructively managing labour relations with its workforce.
- The extent to which a company effectively manages and provides transparency on the safety of its workforce.
- Adherence to international conventions (such as those specified by the International Labour Organisation, the UN Declaration of Human Rights, and the OECD Guidelines for Multinationals).
- Effective management of supply chains, particularly for companies with significant offshore sourcing.
- Workforce diversity, including gender diversity at senior levels within companies and on boards.

Governance

- The structure and composition of the board of directors, including an adequate number of directors who are independent from management, and the fitness and propriety of directors.
- The structure and quantum of remuneration for directors and executives.
- The provision of adequate transparency about the company's operations, and a governance structure that demonstrates appropriate accountabilities.
- The attitude and actions taken by a company to ensure that its officers are not involved in bribery or corrupt.

Why is ESG important?

Peters MacGregor believes that an investee company's approach to managing ESG issues has a meaningful impact on the company's long-term viability and success. That is, companies that act in a responsible way are likely to perform better over the long term. Furthermore, Peters MacGregor believes that including ESG issues in its investment process is consistent with its objectives as a long-term investor and its fiduciary duties and responsibilities to investors.

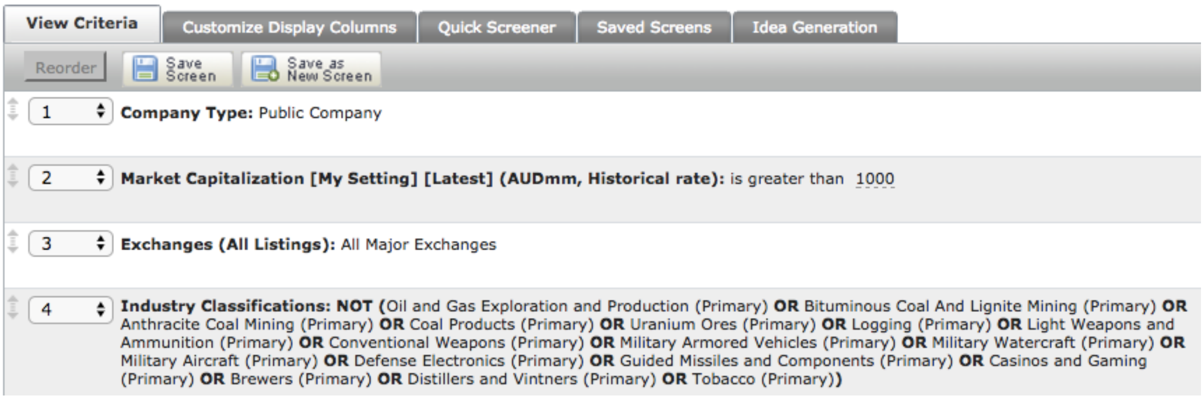
How is the Peters MacGregor ESG policy integrated into our investment process?

Excluded investment screen

Peters MacGregor decides on the exclusion of companies from our investment universe, and places further scrutiny on controversial industries.

We apply a negative screen using FactSet software that eliminates any stocks exposed to gambling, alcohol, tobacco, armaments, uranium mining, old growth and native forest logging, land degradation, fossil fuels extraction.

Below is a screenshot of the screen applied from our software:



See below for the industries and sub-industries that we exclude:

Pornography	Coal and coal products
Logging	Light Weapons and Ammunition
Conventional Weapons	Military Armoured Vehicles
Military Watercraft	Military Aircraft
Defence Electronics	Guided Missiles and Components
Casinos and Gaming	Brewers
Distillers and Vintners	Tobacco

This excludes circa 300 stocks from our investment universe.

For any conglomerates in which we invest, no exposure is permitted in our portfolio to companies deriving >20% of revenues from the industries and sub-industries above.

Unfortunately, software cannot detect stocks linked to child labour, human rights abuse, animal cruelty, excessive consumerism, and third world exploitation. Accordingly, we identify industries where it is more likely these issues are occurring and apply further scrutiny in our investment process.

Below are the industries and sub-industries that we don’t exclude but pay closer attention to.

Integrated Oil and Gas	Oil and Gas Refining and Marketing
Oil and Gas Storage and Transportation	Specialty Chemicals
Industrial Conglomerates	Textiles, Apparel and Luxury Goods

Engagement

Investment analysts must answer the following questions in the analyst report for companies in all industries before we can make an investment:

- Does the company have questionable or marginal activities with respect to the environment? (Consider the impact on climate change, hazardous waste, nuclear energy and general sustainability. Consider in relation to competitors.)
- Where the company does have an adverse impact on the environment, consider how the company handles this and manages the conflict between environmental outcome and short-term and long-term profit maximisation.
- On social issues, does the company seek to ensure gender and racial diversity within the company? How is this reported? How does the company manage human rights? Consumer protection?
- Does the company supply or enable the supply of products/services that may be considered ‘sin’?
- How does the company behave in terms of animal welfare?

- On Corporate Governance, does the management structure reflect appropriate governance? Consider the Board structure and relationship to management oversight? What are employee relations like? Processes for dissent among employees? Consider the levels and structure of executive and employee compensation and consider whether these are broadly supportive of positive ESG outcomes over the long term.

Voting

We endeavour to exercise proxy votes at all shareholder meetings where authorised to do so by clients and report on our proxy voting decisions, engagement activities and findings. At companies where we have an active investment, voting decisions are led by our investment managers. We vote pragmatically, bringing our full knowledge of the company and insights into its current challenges and issues, recognising that improvement can take time and expectations often need to be realistic in the near-term.

Contact details for questions or feedback

If you have any questions about our ESG policy, please contact us:

ESG Officer
Peters MacGregor Capital Management Limited
Suite 1801a, Westfield Tower 2, 101 Grafton Street
Sydney NSW 2022
Australia

E-mail: service@petersmacgregor.com

Telephone: +61 2 9332 2133

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