Responsible Investment Policy

June 2024

QUAYglobal INVESTORS

A Bennelong boutique

This document details the key elements of Quay's Responsible Investment Policy for the Quay Global Real Estate Fund (Unhedged) and the Quay Global Real Estate Fund (AUD Hedged).

The Policy is set by the principals of Quay and will be reviewed annually, or more frequently as updated or required. The Policy applies to all members of the Quay investment team.

Introduction

Quay Global Investors is an investment manager that employs an active approach to investing in global listed real estate securities. Our objective is to protect our investors' capital and deliver attractive, long-term inflation-protected returns.

To us, responsible investing is an important element in achieving this objective. We define responsible investing as favouring listed companies and entities that operate sustainably and consider not only profit motivated issues, but also non-financial risks.

Our approach to responsible investing is to consider the Environmental, Social and Governance (ESG) risks of our investees, which forms part of our overall investment stewardship responsibilities.

In addition, we participate and engage in proxy voting and reviewing shareholder resolutions.

We are also committed to ongoing improvement and refinement of our responsible investing framework.

UNPRI signatory

Quay is a signatory to the United Nations Principles for Responsible Investment (UNPRI), stating our commitment to the six core principles for responsible investment.

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

Our adoption of these principles is important in establishing ESG standards for our business and ESG considerations in our investment process.

Responsible investment philosophy and beliefs

At Quay, we believe supporting responsible investment not only leads to better outcomes for the broader community but can also enhance investment outcomes for investors. Consideration of the influence of ESG factors on the risk, return and longevity of an investment in a listed company or entity represents a more thorough due diligence process, and should lead to better risk-adjusted returns.

Our commitment to responsible investing specifically focuses on the following ESG risks.

Environmental risks

A building's energy and water consumption, and associated greenhouse gas (GHG) emissions account for much of the environmental footprint of real estate, according to GRESB[1]. For real estate developers, responsible site selection and construction-related environmental issues are also pertinent. The United Nations estimates that the embodied carbon of commercial buildings (i.e. from manufacturing and transportation of materials as well as construction) equates to approximately 25% of the total lifecycle emissions from the building, and cement and steel production each account for approximately 8% of total global emissions.

There is currently a general lack of public disclosure regarding resource consumption and GHG emissions data across the listed global real estate universe, which can impact the ability to comprehensively assess an entity's environmental impact.

We believe all stakeholders will benefit from improved disclosure and an increased focus on energy efficiency, consumption of resources and generation of waste – and therefore reduced GHG emissions – across the global real estate universe.

1 GRESB 2020 Real Estate Assessment Reference Guide, *www.gresb.com*, accessed 24 February 2020

Social risks

A real estate company or entity that successfully manages and invests in its relationship with its employees, tenants, suppliers, and the society in which it operates is more likely to succeed at its objectives – and thereby generate more consistent returns for its shareholders.

How an entity manages these relationships is important. Examples of relevant considerations include employee and tenant engagement and satisfaction; employee and tenant health and safety; community outreach and social programs; diversity of people; and supply-chain due diligence and risk assessment.

An important example of a social risk is modern slavery, and many nations are legislating reporting requirements around this issue. While citizens in developed economies enjoy relatively low levels of vulnerability[2], slavery may still be present in a company's supply chain. Developed economies and businesses can play their part in aiming to eliminate modern slavery by monitoring, reporting, and acting.

Of particular relevance to the real estate sector is the construction industry, which is seen as susceptible to modern slavery practices because of complex and multi-layered supply chains in delivering projects. This could relate to labour conditions or procurement of goods, particularly from foreign countries where there is little oversight of working practices.

Quay is an advocate for the elimination of modern slavery and for increased modern slavery reporting, and we encourage investigation of modern slavery by our investees. We also support and endorse the formal *Modern Slavery Statement* of our partner and the Funds' Responsible Entity, Bennelong Funds Management.

Governance risks

Many of the corporate failures brought on by the global financial crisis (and within real estate) can be traced back to poor corporate oversight.

Good corporate governance goes a long way to ensuring a company's stated objectives are achieved, business and other risks are managed, and a framework is set for a company to act responsibly and with accountability.

We regard good corporate governance as important for generating sustainable returns, while poor governance can increase the risk of a company's failure.

Our process applies weight to corporate governance, including a focus on issues such as board structure and independence, executive compensation, disclosure and protecting shareholder interests.

Integration of a comprehensive ESG framework by an entity is also regarded a key pillar of good corporate governance, balanced against the overall quality of the potential investment.

Responsible investment approach

In our role as investors we can support ESG transparency by the companies we both engage with and invest in. We have incorporated activities into our investment process that we believe provides a better outcome for our investors.

Negative screens

At the idea generation stage, our investment process applies negative screens to:

- Markets in emerging geographies, including in Asia Pacific, Eastern Europe, Latin America and the Middle East / Africa, and
- Companies that overly rely on property development – and thereby construction – as a source of income.

These segments experience elevated social and environmental risks, and we believe these negative screens and preclusions assist in reducing the risk of investing in companies with poor ESG profiles.

2 Global Slavery Index, *www.globalslaveryindex.org*, accessed 24 February 2020

Corporate governance assessment

A significant emphasis on corporate governance assessment is applied within the company research and analysis phase of our investment process.

Key elements of review within our assessment include:

- Majority independent board
- Independent audit and risk committee
- Management track record (including behaviour at prior organisations)
- Insider blocking power
- Anti-takeover provisions
- ESG governance (ESG leadership, entity wide ESG goals and measures)

Corporate governance is assessed by using a combination of both our own and third-party research. This assessment is ongoing, and risks are continually monitored.

Proxy voting

We participate in proxy voting, review shareholder resolutions, and take an active interest in special issues and situations that we deem have the potential to impact investment risk.

Where relevant, this includes engaging with the company to discuss, clarify and understand a specific issue prior to voting. We also utilise third-party research services to assist in assessing voting issues. This can result in us directing the custodian to actively vote, which may be contrary to management and or independent recommendations.

ESG research

We conduct ESG research into all current and potential investees as part of our investment process. Issues and risks are identified and evaluated by our investment team using a combination of our own research and third-party research providers.

Our own research may take the form of analysing company public disclosure via websites, financial and sustainability reports, management interviews, or other periodic analysis.

We utilise research from third-party providers to assess companies using a range of metrics, which enables us to monitor ESG progress over time and identify areas of controversy, relative weakness or strength.

Corporate engagement

We undertake corporate engagement on ESG issues as part of our meetings with companies. We believe engagement drives improved corporate transparency and better ESG outcomes. It also allows us to evaluate management quality and ESG risk as part of our due diligence process.

Topics of discussion are identified by the investment team through our ESG research process. For significant ESG controversies, we will engage with management to investigate the issue and seek to understand how the controversy will be addressed (if necessary). The investment team discusses internally the company's response. The outcome of such engagements can lead to changes in our investment decision.

Details of Quay's historical engagements are recorded and available on request.

Commitment to continuous improvement

Responsible investment is not a new subject; yet it continues to grow, develop and broaden in many ways.

As understanding of ESG issues deepens and new challenges evolve, so too does the quality of related data, transparency of information and likely increase in regulation. This presents both opportunities and challenges for the investment industry.

At Quay we will continue to monitor these developments and challenges, engage with a variety of stakeholders, and review and develop our responsible investment processes to ensure they remain both relevant and appropriate.

For more information, visit quaygi.com or
call 1800 895 388 (AU) or 0800 442 304 (NZ).

QUAY global INVESTORS

A Bennelong boutique