Milford 2024

Engagement Activities & Outcomes Report

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Introduction

Engagement is how Milford plays its part in driving the transition to a more sustainable future.

We use our sustainability research to enable educated conversations with the companies we invest in and push them to deliver better sustainability targets, action and reporting.

This Engagement Activities and Outcomes report outlines the engagement activities underway and provides detailed examples of the company communications we have undertaken in the last six months.

Alongside our proxy voting activities, engagement is how we action our commitment to be good stewards of capital. In this report we also describe how engagement fits into our sustainable investment strategy and detail our Stewardship Principles; the beliefs that underpin our stewardship activities.

We hope sharing this information will encourage other investors to raise these issues with the subject companies to grow collective action and deliver real change.

Proxy Voting

Engagement

Stewardship

Our Philosophy

The Milford investment team has always looked for the best companies. It is clear to us the best companies are those committed to sustainable practices.

Over time, we believe these businesses will deliver better environmental and social outcomes, more resilient business models and ultimately, higher shareholder returns.

At Milford, our approach to sustainability reflects our active management philosophy. We have a large team using a wide range of strategies to identify the best investments in changing market conditions. This includes a dedicated Sustainable Investment team who research Environmental, Social and Governance (ESG) best practice across the sectors we invest in.

As well as enabling us to identify areas of ESG related risk and opportunity within our portfolio, this research underpins our communication with companies to drive them to improve their sustainability performance.

Every company needs to act to achieve the transition to a more sustainable future. We are acutely aware of our capacity as shareholders to drive positive change and, rather than just avoid harm, we believe it is our duty to use our seat at the table to help the transition.

We embrace this opportunity by working with company management, boards and policy makers to push for change. This is how we can best play our part in the transition to a more sustainable future.

Our Sustainability Approach

Research and analysis underpin our approach to sustainable investing at Milford.

The Sustainable Investment team is a part of the broader Investment team responsible for managing the Milford Funds. This enables us to integrate our sustainability research into our company analysis and investment decision making process.

We use Milford's ESG Checklist to evaluate the companies we invest in. The Checklist is an internally developed assessment tool used to evaluate each company's environmental, social and governance performance, highlight sustainability risks and opportunities and identify the areas where the company can improve its sustainability performance.

While the ESG Checklist is the core of our sustainability process, engagement is our primary tool for action. It is how we push for change and how we make a difference. We believe this is simply good stewardship, and we engage in a variety of complementary ways to maximise our impact on the companies we invest in.

The Exclusions Gate

Adherence to our ESG Exclusion List.

Sustainability Analysis

In depth analysis of every company we invest in.

Good Stewardship

Engagement and proxy voting to drive change.

How We Engage

We define engagement as ‘using our influence to encourage the companies we invest in to become more sustainable’.

We believe this is our greatest opportunity to make a positive impact due to:

Our understanding of sustainability issues and the transition to more sustainable business models, enabling educated and impactful engagements.

Our size and active management approach, which provides influence and access to company management and Boards.

Our resource and capability to undertake long and difficult engagements with a range of companies.

Stewardship Principles

These principles guide our stewardship activities at Milford. They reflect the research we have undertaken into the most effective way to achieve the sustainable transition. Our Core principles guide our stewardship process and long-term objectives. Our Environment, Social and Governance principles are specific to the stewardship activities in those areas.

We strive to achieve outcomes from our engagement and proxy activities that align with these principles as the most as the most effective way to achieve the transition to a more sustainable future.

Core Principles

We believe in driving change, not simply avoiding harm.

We acknowledge that ‘transition’ means change over time, not change overnight. We target ongoing improvements from our engagements, and believe these activities support risk adjusted returns.

We accept that the sustainable transition will require compromise. We invest in crucial transition activities and expect companies to minimise any negative impacts to ensure sustainable, long-term business models.

Stewardship Principles

Environment

Global warming is an existential threat and must be addressed. Further, the warming impact of atmospheric GHG emissions is compounding, meaning time is of the essence.

We expect companies to set decarbonisation targets aligned with the most current and credible guidance offered by climate science, which is at present Net Zero operations by 2050.

Protecting ecosystems and biodiversity is key to the sustainable transition. We expect companies to prioritise pollution, water and waste management alongside emission reductions.

Social

We believe in a 'just transition' that promotes sustainable development in a fair and equitable way for all members of the global population.

We expect companies to maintain their social licence to operate by actively addressing the scope of their social impact on their customers, employees, local communities, and society as a whole.

We expect companies to identify modern slavery risk in their supply chains and to take action to address this risk.

Governance

We believe effective boards are crucial to deliver long-term company performance. This is best delivered by prioritising a Board's skill set, capability, capacity and diversity.

Appropriate remuneration structures should be aligned with shareholders, incentivise management to excel and build long-term shareholder value.

We promote transparent disclosure as this attracts shareholder capital, provides confidence to all stakeholders, and demonstrates integrity and a positive culture.

Overview of Engagement Approach

We undertake a wide range of engagement activities to maximise our influence in working towards our Stewardship Principles.

1 Proactive engagements

We undertake strategic engagements to affect change with the companies we invest in that have the most ability to cause harm and where we have the most influence.

We undertake informal engagements by asking sustainability focused questions and promoting improvement in our regular dialogue with company management teams and boards. This should help drive change by demonstrating that active investors value and prioritise sustainable practices.

2 Reactive engagements

We respond to unexpected controversies such as significant breaches of environmental or social requirements in accordance with our Controversy Matrix.

3 Active proxy voting

We use the power of voting to communicate our expectations and agitate for change. We commit to voting all proxies where possible and engage with Boards to share our concerns when required.

4 Collaborative engagements

Collaboration between investors can increase influence and ability to achieve outcomes.
We collaborate wherever there is the opportunity, including as a member of Climate Action 100+.

5 Policy engagements

We engage with policy makers where possible, such as collaborating with industry bodies and responding to regulatory proposals.

Strategic Engagement Process

Our strategic engagements have the most potential to deliver direct, measurable change.

The companies are selected based on their ability to cause environmental and social harm, plus our expected level of influence due to the size of our holding or our position in the local market.

We determine the specific engagement outcomes we seek for each company using our ESG Checklist and sustainability best practice research. These outcomes aim to progress the transition to a more sustainable future in line with our Stewardship Principles, reduce sustainability risk and improve the outlook for long-term shareholder returns.

We take a constructive and collaborative approach to our engagements, starting the process with the most appropriate company personnel to share our research and targeted outcomes, and learn more detail about the company's approach before making our recommendations.

While we acknowledge that change can take time, we do expect progress from our target companies, and will advance engagements via our escalation framework if required.

Milford Escalation Framework

Milford's Escalation Framework is designed to incentivise companies to engage with us and adopt our recommendations. By being clear on the engagement process we will follow, and transparent about the consequences of refusing to take action, we hope companies will adopt a proactive approach to our engagement process and work with us to make positive change. If we are unable to make any progress with the companies we are engaged with, we will adopt the steps in the Escalation Framework as most appropriate for that engagement.

Indicative Timeframe

6-12 months

1

Trigger
No / dismissive response from company personnel.

Action
Escalate to CEO, Non-Executive Directors or Chair of target company.

2

Trigger
No / dismissive response from CEO, Non-Executive Directors or Chair .

Action
Contact other investors to raise the issue and collaborate.
AND/OR
Publicise the issue in Milford disclosures.

Indicative Timeframe

12-24 months

3

Trigger
Refusal to cooperate or adopt recommendations by company personnel, management and board.

Action
Vote against relevant resolutions and/or Directors at the next AGM.
AND/OR
Publicise the issue in broader media.
AND/OR
Divest based on ESG risk and add to the ESG Exclusion List.

4

Trigger
Continued refusal to cooperate or adopt recommendations by company personnel, management and board.

Action
Raise resolution at next AGM to deliver change.
AND/OR
Divest based on ESG risk and add to the ESG Exclusion List.

Engagement Targets

We believe our strategic engagements have the most potential to deliver direct, measurable change.

We have formalised our commitment to these engagements by setting engagement targets directed at the companies that we believe have the greatest potential to cause harm, plus where Milford has the greatest potential to drive change via our position as a large fund manager in the New Zealand and Australian markets.

For the FY25 year, we have set three engagement targets:

1. Fossil fuels

We commit to engaging with every Australasian Energy company we invest in.

2. High emitters

We commit to engaging with our five highest GHG emitters in Australasia, outside of the Energy sector.

3. Social harm

We commit to engaging with our top five social harm and modern slavery exposed companies in Australasia.

The specific engagement outcomes Milford will seek for each target company, outlined in the next pages, are set by the Sustainable Investment team using the ESG Checklist and our sustainability best practice research. These outcomes aim to progress the transition to a more sustainable future in line with our Stewardship Principles, reduce sustainability risk and improve the outlook for long-term shareholder returns.

The subject companies are determined by the holdings at the start of the 2025 financial year.

We report progress against these outcomes, including contact with the company, issues discussed and any company action, in this report alongside examples of our broader stewardship activities. Any divestments, which will challenge our engagement progress, will also be reported.

Engagement Targets

Energy sector

The energy sector is the primary provider of fossil fuel resources to the Utility, Industrial and Transport Sectors. The production and consumption of these resources is responsible for approximately 75% of global greenhouse gas emissions.

We have identified our Energy sector holdings using Global Industry Classification Standard (GICS) codes. The focus of these engagements, in line with our Stewardship Principles, is to progress to the adoption of targets aligned with Net Zero 2050 supported by appropriate transition plans and capital expenditure to shift to more sustainable long-term business models.

	Subject Company
1	Ampol Ltd
2	Viva Energy Group Ltd
3	Santos Ltd
4	Karoon Gas Australia Ltd
5	Cooper Energy Ltd
6	Whitehaven Coal LTD
7	Beach Energy Ltd
8	Mermaid Marine Australia Ltd
9	Channel Infrastructure NZ Limited
10	Nexgen Energy Ltd

Top 5 highest emitters excluding Energy

High emitters outside of the Energy Sector, such as Utilities or heavy industry, can have a significant impact upon global emissions by reducing the energy intensity of their operations.

We prioritise progressing the sustainable transition for all high emissions companies given their high environmental impact and sustainability risk.

We are targeting our top 5 highest emitters outside of the Energy sector, as measured by the company's total scope 1, 2 and 3 GHG emission intensity.

	Subject Company
1	South32 Ltd
2	AGL Energy Limited
3	Origin Energy Limited
4	BHP Group Ltd
5	Bluescope Steel Ltd

Engagement Targets

Top 5 Social Harm and Modern Slavery exposed Companies

The sustainable transition is more than just GHG emissions. Social harm and human rights are hugely important to us at Milford and we are committed to engaging to minimise social harm and modern slavery risk across our investments.

We have used a combination of sector-based screening, our ESG Checklist and geographic risk to identify our target list of companies. Sectors identified with higher risk of social harm are the alcohol, gaming and fast-food sectors. Sectors identified with higher risk of modern slavery are retail and manufacturing and geographies identified for a higher risk of modern slavery are informed by the Global Slavery Index. The ESG Checklist enables us to analyse companies bottom up and identify company-specific potential harm, allowing us to better identify Milford's highest risk holdings, and prioritise engagement in order of greatest harm and influence.

Using this methodology, the target companies identified are alcoholic beverages and gambling. As at 1 April 2024 (the start of our 2025 financial year), we do not have any companies we believe have high risk of modern slavery in our holdings, having completed an extensive modern slavery engagement with Fisher & Paykel Healthcare. We will progress engagements with any companies with high modern slavery risk invested in throughout the 2025 financial year.

	Subject Company
1	Foley Wines
2	Delegat
3	Light and Wonder
4	Aristocrat Leisure
5	Jumbo Interactive

Strategic Engagement Schedule

This schedule outlines the key engagement opportunities we are progressing to achieve outcomes aligned with our Stewardship Principles. Through these engagements, we hope to further progress the transition to a more sustainable future via better targets, actions and disclosures from the companies we invest in.

Energy Sector Engagements

Company	Engagement Priorities	Status and outcomes	Next steps
Santos Limited	Set scope 3 emissions reduction target linked to carbon capture and storage.	Recommendations made. Have assumed role as co-lead of Climate Action 100+ engagement.	Continue Climate Action 100+ engagement leadership.
Whitehaven Coal	Improved disclosure on carbon capture and storage projects.	Recommendations made. Follow up meeting undertaken in Feb 2024.	Monitor for adoption of recommendations.
New Hope	Establish emissions reduction targets and improve disclosures.	Recommendations made and follow-up letter to CEO and Chair sent in Jan 2024.	Monitor for adoption of recommendations.
Karoon Energy	Strengthen emissions reduction targets and methane minimisation commitment.	Recommendations made. Meeting with Chair in April 2024.	Monitor for adoption of recommendations.
Viva Energy Group	Improved disclosures and inclusion of sustainability in remuneration.	Recommendations made and follow up meeting undertaken in Jan 2024.	Monitor for adoption of recommendations.
Ampol Ltd	Scope 3 emissions reduction strategy. Strengthening Scope 1 and 2 emissions targets.	Engagement priorities determined.	Initiate strategic engagement.
Cooper Energy Ltd	Use of carbon credit offsets vs. absolute emissions reduction targets.	Engagement priorities determined.	Initiate strategic engagement.
Beach Energy Ltd	Development of CCS project in Moomba and ambition of interim targets.	Engagement priorities determined.	Initiate strategic engagement.
Mermaid Marine Australia Ltd	Emissions reduction targets, increase of offshore wind as a proportion of revenues.	Engagement priorities determined.	Initiate strategic engagement.
Channel Infrastructure NZ Ltd	Scope 3 emission reduction target, SAF expansion strategy.	Engagement priorities determined.	Initiate strategic engagement.
Nexgen Energy Ltd	Remote site fossil fuel consumption, responsible supply chain and hazardous waste management.	Engagement priorities determined.	Initiate strategic engagement.

Top 5 Highest Emitters excluding Energy

Company	Engagement Priorities	Status and outcomes	Next steps
South32 Ltd	Strengthening of interim target to include Scope 3 emissions. Commitment to coal phase out timeline and specific methane targets.	Engagement priorities determined.	Initiate strategic engagement.
AGL Energy Limited	Coal-fired power station retirement and renewable energy generation strategy.	Engagement priorities determined.	Initiate strategic engagement.
Origin Energy Limited	Alignment with stated targeted emissions reductions and renewable energy generation strategy.	Engagement priorities determined.	Initiate strategic engagement.
BHP Group Ltd	Quantify short and medium term Scope 3 emissions targets.	Engagement priorities determined.	Initiate strategic engagement.
Bluescope Steel Ltd	Adoption of low-emission steel manufacturing technologies in EAF or hydrogen technology.	Engagement priorities determined.	Initiate strategic engagement.

Top 5 Social Harm and Modern Slavery

Company	Engagement Priorities	Status and outcomes	Next steps
Aristocrat Leisure	Wider roll-out of harm prevention tools. Investment in harm behaviour identification.	Roll-out of harm prevention tools in EGMs and early behaviour intervention tools in online gaming implemented.	Monitor for continued roll-out.
Delegat Group	Development of low alcohol alternatives. Social media and marketing alignment with best practice. Improving label disclosures and responsible drinking resources.	Recommendations made and follow-up engagement meeting taken place in May 2024. Some label disclosure improvements made. Initial investments into low alcohol alternatives.	Reiterate recommendations and monitor progress.
Foley Wines	Development of low alcohol alternatives. Social media and marketing alignment with best practice.	Initial contact has been made with the company.	Set meeting to discuss sustainability strategy.

Top 5 Social Harm and Modern Slavery cont.

Company	Engagement Priorities	Status and outcomes	Next steps
Jumbo Interactive	Investment in harm behaviour identification, data security and voluntary responsible gaming tools.	Informal engagements undertaken.	Initiate strategic engagement.
Light and Wonder	Expansion of harm prevention tools. Investment in harm behaviour identification and intervention.	Informal engagements undertaken.	Initiate strategic engagement.

Other Engagements

Company	Engagement Priorities	Status and outcomes	Next steps
Fletcher Building	More explicit divisional decarbonisation targets and action to meet them disclosed.	Re-engaged in March 2024 to discuss current targets, plans and constraints.	Provide recommendations for discussion with management.
Macquarie	Provide disclosure of indirect exposures to fossil fuels.	Engagement initiated.	Meet to explain the disclosure improvements we would like implemented.
Ryman Healthcare	Measurement and reporting of building performance using local codes. Set emissions reduction targets.	New sustainability strategy determined with GHG reduction targets set.	Engagement closed.

Viva Energy

Engagement issues: **Fossil Fuels**
Type of engagement: **Proactive - strategic**

Viva Energy is estimated to supply a quarter of Australia's fuel requirements via its oil refinery in Victoria and vast network of fuel stations. Viva is on its sustainability journey with an existing target to achieve net zero non-refining emissions by 2030 and to reduce the emission intensity of their refining activities by 10% by 2030. The key drivers behind achieving these interim targets are direct abatement initiatives such as solar power, energy efficiency projects and alternative technologies.

The key goal of this engagement was to show our support for their direct abatement strategy and to drive them to be more ambitious in the role out of various technologies such as EV charging and biofuels, as well as improve disclosure and transparency. With road transportation generating close to 20% of Australia's net greenhouse gas emissions, Viva Energy have an opportunity to make a material impact as an enabler of low carbon fuels.

We emphasized the importance of rolling out EV charging infrastructure across Australia as it is a key enabler to EV adoption. By making it easier for more Australians to drive an EV, it will help reduce the lifecycle emissions of vehicles on the road and transform the passenger car and light commercial vehicle segment of the market that contributed to over 11% of Australia's total emission in 2022. As an initial step, we encouraged Viva to disclose whether they believe EV chargers can meet acceptable risk and return hurdles over the long term and the expected capital they will commit near-term to ensure the rollout gets underway.

Secondly, we showed our support for their biofuel strategy and their current biofuel co-processing initiative at Geelong. Biofuels are one method of decarbonising long-haul trucking and air travel and the International Energy Agency forecasts biofuels to account for near 60% of avoided oil demand by 2028. However, significant hurdles to adoption remain in Australia and biodiesel volumes produced are less than 2% of annual oil consumption in the country. Viva Energy has an opportunity to accelerate biofuel production and be a leader in this emerging sector in Australia. This has the potential to create meaningful shareholder returns by helping to retain Viva's place in a future low carbon fuel market, as well as significantly contribute to Australia's decarbonisation goals. We advised that we want to see Viva grow as public advocates in the biofuel space and continue to work with government bodies to drive regulatory frameworks; the key to unlocking this vital sector.

Convenience, the selling of goods at stores located at the fuel stations, is becoming a larger part of Viva's strategy over time and post recent acquisitions we reiterated the importance of including all acquired fuel stop sites in the company's sustainability strategy. We clearly outlined that we want to see a formal strategy around electricity usage, waste and water management throughout the convenience offering.

Lastly, we discussed the importance of effectively incorporating ESG components into the remuneration structure. We outlined that we want to see more detailed disclosure of ESG components in the short-term incentive and the relevant hurdles to ensure Viva's management team are appropriately incentivised to decarbonise.

We will continue to engage with Viva Energy to drive constant improvement in their sustainability performance and to become a leader in decarbonising the Australia transportation sector.

Whitehaven Coal: Scope 3 Emissions

Engagement issues: **Fossil Fuels**
Type of engagement: **Proactive - strategic**

Whitehaven Coal is an Australian based coal producer with a product mix of both thermal and metallurgical coal. We are engaging with Whitehaven to help drive best in class disclosure and push for an emission reduction plan that minimises absolute GHG emissions while the global economy transitions to a more climate resilient future.

We continued our engagement with Australian-based coal producer, Whitehaven Coal, post the release of their 2023 Sustainability Report. It was pleasing to see good improvement in their disclosure, specifically outlining the decarbonisation initiatives they are undertaking, alongside the expected timeline and the materiality to emission reductions. Within this, they specifically outlined how they are attempting to reduce methane emission and the longer dated technologies that can further enable this.

Another positive takeaway from the latest report was the introduction of a group wide scope 1 emission intensity target, in line with the Safeguard Mechanism. This covers all existing assets including those that don't specifically fall under the legislation itself, a good step in the right direction.

We reiterated our priorities for the year to come, pushing for the disclosure of an internal carbon price and how that internal carbon price is integrated into capital allocation decisions. By disclosing this, it enables stakeholders to evaluate the key factors driving capital spend, and to what extent environmental costs are being considered. We echoed our previous engagement comments regarding the importance of disclosing scope 3 emissions to understand the entirety of Whitehaven's carbon footprint and including an effective ESG component within the remuneration structure in order to drive accountability. Finally, we talked to the importance of integrating the recently acquired mines into the current disclosure as soon as practically possible.

We will continue to engage with Whitehaven to push for adoption of our recommendations in the 2024 Sustainability Report, driving them to report best in sector disclosures and to implement emission reduction initiatives.

New Hope Corporation: Carbon Reduction Pathway

Engagement issues: **Fossil Fuels**
Type of engagement: **Proactive - strategic**

New Hope Corporation is a thermal coal producer located in Australia with two operating mines in Queensland and New South Wales. We are engaging with New Hope to help drive best in class disclosure and push for an emission reduction plan that minimises absolute emissions while the global economy transitions to a more climate resilient future.

We continued our engagement with Australian based coal producer, New Hope Corporation, post the release of their 2023 Sustainability Report. New Hope Corporation are still early on in their decarbonisation journey, making our continued engagements important to drive improvement.

We reiterated the priorities that we want them to focus on for the coming year which include reporting scope 3 emissions and disclosing emission intensity data over time for each facility. This enables stakeholders to understand the entirety of New Hope's carbon footprint and the trend of those emissions over time. We also strongly advised that we would like to see disclosure of the various decarbonisation initiatives they are exploring, alongside the expected timing and materiality of emission reductions. Finally, we stated that we would like to see them set a group scope 1 and 2 target, a longer dated recommendation that we want to see them work towards.

We followed up this meeting by sending a formal letter to the CEO and Chairman, detailing our recommendations and further ensuring that the ESG strategy at New Hope Corporation is being driven by all levels of the company. We will continue to engage with New Hope to push for adoption of our recommendations in the 2024 Sustainability Report.

Engagement Example

Ryman Healthcare: Decarbonisation Targets

Engagement issues: **Decarbonisation**
Type of engagement: **Proactive - informal**

Ryman Healthcare is a provider of specialist retirement and aged care facilities in New Zealand and Australia. It is also a large-scale property developer, and with buildings responsible for nearly 40% of global emissions, this means Ryman has a significant obligation to the environment as its priority to provide the best quality care services.

We first engaged with the Chair of Ryman Healthcare in late 2021 to discuss the gaps in their sustainability commitments. The company was already a member of the Green Building Council and had a stated objective to maximise, as far as practicable, the use of 11 sustainable design principles in its architectural design processes. But it had not set decarbonisation goals or announced an ambition to meet well recognised green building standards in the development of its retirement villages and care homes.

We had the opportunity to meet with the replacement Chair in 2022 during the development of the businesses sustainability plan in 2022. We took this opportunity to stress the importance of setting clear decarbonisation targets underpinned by a plan to meet them, as well as using green building standards for its new developments.

Since this time, Ryman Healthcare has been through a lot of change with a further new CEO and Chair. Despite these changes, Ryman has continued to prioritise sustainability progress. It published its inaugural sustainability report earlier this year, has set decarbonisation targets and is registered with the Science Based Targets Initiative to have its targets independently verified.

We hope our engagement helped Ryman continue to prioritise its sustainability progress. We will re-engage with Ryman in the future to ensure it is on track to meet the targets it has set.

Engagement Example

Santos: Climate Action 100+ Group Engagement

Engagement issues: **Fossil Fuels**
Type of engagement: **Proactive - strategic**

Milford has recently volunteered as joint co-lead of the Climate Action 100+ (CA100+) group engagement with Santos.

Climate Action 100+ (CA100+) is made up of over 700 investors globally, working together to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. We strongly believe in the power of collaborative engagement action, which brings real strength to investor groups that can represent a large portion of a company's register.

We have engaged with Santos separately since 2022, pushing the company to invest more heavily in its carbon capture and storage technology alongside setting a scope 3 emission reduction target. While carbon capture and storage is a controversial technology, arguably providing an offset for continuing emissions from oil and gas production, we believe it will be a necessary tool in the reduction of GHG emissions given the world continues to fail to meet its decarbonisation goals. Santos is a global leader in this technology with best-in-class storage opportunities. The development and use of this technology will help reduce GHG emissions as well underpin long-term shareholder returns in a business that is otherwise in long-term decline.

The goals of the CA100+ group engagement are highly aligned with our separate engagement activities with the company. The CA100+ group is promoting better disclosure, the adoption of a scope 3 target and ongoing investment in its 'Climate Solutions' which include carbon capture and storage.

We hope the power of this group can promote sustainability best practice in a difficult sector that is capable of delivering meaningful steps towards Australia's carbon reduction goals. The CA100+ company assessment of Santos' is available on its website climateaction100.org.

Engagement Example

Delegat

Engagement issues: **Sustainability Strategy**
Type of engagement: **Proactive - strategic**

Delegat is one of New Zealand's leading winemakers, producing premium brands for the global market. It is also one of New Zealand's leaders in sustainable viticulture, being a foundational member of Sustainable Winegrowing New Zealand.

Delegat's sustainability strategy has forged ahead since Milford last engaged with company management. Delegat has made progress on its emissions reduction plan, achieving 'carbon reduce' status with Toitu. They are taking tangible action to reduce their scope 1 emissions, with their new harvesters emitting 30% less CO_2e than their existing fleet, and reducing the average weight of their bottles, lowering transport emissions.

The company is also diversifying its suppliers to access more recycled content for its bottles and packaging. We were pleased to see these initiatives in place, and encouraged further investment into recycled content. We also suggested the addition of recycled content targets for the business.

During our engagements with Delegat, we focus upon the importance of its social licence to operate as an alcoholic beverage producer. Given that Delegat sells its products via distributors, its ability to interact directly with the consumer is limited.

At our last meeting in early 2023, we discussed the company's consideration of low or no-alcohol products, as this is both a socially responsible and a rapidly expanding consumer market. Whilst Delegat does not yet offer a commercial product, they have since invested into R&D that they hope will enable a high quality low or no-alcohol offering, in line with their premium quality range.

Delegat's direct marketing and advertising remains aligned with the best practice recommendations of the International Alliance for Responsible Drinking (IARD), and we are pleased to see advancements in the company's responsible labelling practices.

We continue to engage with Delegat on firming up the accessibility of their social media to only those of legal drinking age, and in the addition of responsible drinking messaging, as endorsed by the IARD.

Engagement Example

Aristocrat Leisure: Responsible gambling initiatives

Engagement issues: **Responsible Gaming**
Type of engagement: **Proactive - strategic**

As a producer of Electronic Gaming Machines (EGMs) and operator of online gaming operations Pixel United, Aristocrat Leisure has a major part to play in the minimisation of harm caused by gambling operations.

We have been engaging with Aristocrat Leisure for a number of years to encourage the rollout of the responsible gaming initiatives the company has developed for its EGMs, as well as greater investment in early harm identification technologies on Pixel United. We have been waiting to see evidence of a wide rollout of tools such as ringfenced winnings, timers and targeted messaging following the success of initial trials. In addition, we encouraged the use of responsible gaming messaging where harm behaviours were identified in online play.

In April, we met with the company following the publication of its latest sustainability disclosures. While progress is slower than we would like, clear steps are being taken.

The harm prevention technologies for the EGMs, embedded in the Flexiplay solution, have been tweaked to improve the integration in the games and maintain visual integrity. Flexiplay is being included in all new game releases and the company is supporting this with customer training to promote benefits and use.

In Pixel United, the company has developed a model to send responsible gaming messaging at specific times based on player behaviour. This programme has been rolled out in the Cashman Casino app with the intention to expand the rollout to all of the social casino games, over half of those offered by Aristocrat. Importantly, the company's research into early identification technology is continuing.

Finally, other recommendations including investment in gambling support groups and working with industry bodies to promote best practice are also being continued.

Aristocrat is walking a fine line between the benefits of harm prevention technology vs the risk of turning customers and players to other providers without harm prevention in place. Its use of training and education to support its rollout, plus ongoing research into effectiveness and unintrusive integration is key to the technology's success, in our view.

We will continue to encourage Aristocrat to invest in and promote responsible gaming activity. We would like to see Aristocrat report quantitative evidence of the use of Flexiplay and ensure targeted messaging is rolled out across across its social casino games in FY24 and will follow up later this year.

Auckland Airport: Long-Term Incentive scheme

Engagement issues: **Governance**
Type of engagement: **Proxy voting**

A number of New Zealand and Australian companies contact investors to gain feedback on their environmental, social and governance policies and priorities. We encourage targeted stakeholder reviews and are happy to share the findings of our research with companies to promote best practice across our local companies. One such company is Auckland Airport and we have provided two sets of feedback to Auckland Airport so far this year.

Firstly, we congratulate the company on the release of its Climate Statement, aligned with the New Zealand's new Climate-related Disclosure standards one year prior to mandatory completion. The company asked us for feedback including the sufficiency and reasonableness of the information provided in its Statement. We found the disclosures well presented with excellent content on climate targets and the business plan to meet them. However, we would like to see more information on the scope 3 emission reduction plan and how climate risks are measured and addressed.

We were also eager to provide feedback into Auckland Airport's Long Term Incentive plan (LTI). Milford is heavily focused on the suitability of a company's executive LTI scheme as the key driver of the company's strategic direction. A successful LTI scheme must be designed to incentivise long-term value creation, alignment with shareholders, the achievement of stretch targets and be clear and measurable. Auckland Airport's existing LTI comprises targets based on absolute shareholder returns over the companies cost of capital, plus relative shareholder returns ahead of peers.

We appreciate the scheme's simplicity and alignment with shareholders. However, pure shareholder alignment can result in a short-term focus, which is not appropriate for an asset heavy company with long-term investment decisions that can impact earnings over multi-year periods. We would like to see these hurdles supplemented with long-term goals on return generation and growth in line with long-term targets disclosed to shareholders. While this will add complexity, we believe it will better incentivise long-term value creation and allow executives to be rewarded for long-term decision making in the best interests of all stakeholders. We look forward to seeing the outcomes of Auckland Airport's LTI review.

Engagement Example

New Zealand Taxonomy

CENTRE FOR Sustainable Finance TOITŪ TAHUA

Engagement issues: **Governance**
Type of engagement: **Policy**

The Centre for Sustainable Finance (CSF) was tasked by the Ministry of Environment earlier this year to develop a recommendations report to inform the future design and development of a Sustainable Finance Taxonomy for New Zealand.

A Sustainable Finance, or Green, Taxonomy is already in use in the EU and is being developed in a number of other jurisdictions, including Australia. It is designed to grow and promote capital flows into the sustainable economic activities required to meet each regions climate goals by creating a classification system that enables investors to identify those activities required to enable the sustainable transition.

A Sustainable Finance Taxonomy is not a silver bullet. However, it is a key part of mobilising capital towards investment in key decarbonisation activities, infrastructure and technology by creating a common set of goals for all stakeholders to understand what activities are needed in each country to provide a more stable investment landscape.

Our participation in the Independent Technical Advisory Group (ITAG) convened by the CSF was as an investor, KiwiSaver Provider and capital allocator with specialist knowledge of sustainable investment in major global markets.

We encourage everyone to read the ITAG report, provided on the CSF website, and support the development of a Sustainable Finance Taxonomy to help direct capital to those activities required to meet New Zealand's climate goals.

Engagement Example

Whitehaven Coal: Executive Compensation

Engagement issues: **Governance & Environmental**
Type of engagement: **Proxy voting**

As investors increase their focus on Environmental, Social and Governance (ESG) issues, companies are becoming more wary of investors voting against key resolutions at Annual General Meetings (AGMs).

In 2023, we voted Against the resolution to approve the Whitehaven Coal Remuneration Report.

A remuneration report sets out the remuneration scheme for key management personnel, and listed companies are required by the Australian Corporations Act to put their remuneration report to a shareholder vote at the AGM. The vote is advisory only and not binding on the Board, but in Australia the 'two strikes' rule in the Corporations Act means that Boards face being spilled if they suffer shareholder votes of more than 25% against their executive pay proposals at two consecutive company annual general meeting.

We voted against the Whitehaven Coal Remuneration Report because the Board paid additional compensation to the CEO above that determined by the disclosed performance measures. While performance was impacted by weather events, we believe the use of Board discretion for remuneration departs from good governance to ensuring executive remuneration is aligned with shareholders and appropriately rewarding performance.

40.6% of votes were cast against the remuneration report at the 2023 AGM, resulting in a 'first strike'. As a result, the company undertook a review of its remuneration review, including seeking feedback from investors.

We engaged with the Chair of Whitehaven as part of the company's process to review its remuneration framework. Our feedback was in support of utilizing a total shareholder return measure to determine executive remuneration to ensure alignment with shareholders, and the integration of sustainability into the LTI to incentivise meaningful sustainability performance and progress.

ENGAGEMENT ACTIVITIES
& OUTCOMES REPORT 2024

July 2024

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