MAPLE-BROWN ABBOTT
INVESTMENT MANAGERS SINCE 1984

Maple-Brown Abbott Global Listed Infrastructure
Engagement and Stewardship report

12 months ending June 2022

Contents

Executive summary

We are pleased to share the Maple-Brown Abbott (MBA) Global Listed Infrastructure (GLI) Engagement and Stewardship Report for the 2021/22 period.[1] While our primary focus is on ESG integration to better account for risks and opportunities in the investment process, we also focus on ways we can contribute to better sustainability outcomes through active ownership such as engagement and proxy voting.

Changing investor demands, intensifying stakeholder expectations, new laws and regulations and the visible effects of environmental and social issues, such as climate change, are all reasons why we see an ever-increasing need to be active stewards. Active ownership is a key element of the value we bring to our clients, which includes constructive and dedicated engagement with management teams. We believe it is important to be transparent with companies, clients and key stakeholders about our active ownership activities.

Notable progress

Over the reporting period, we held 21 dedicated ESG engagements with 15 portfolio companies across North America, Europe, the UK and Brazil. Our ESG discussions are not limited to these dedicated engagements. Indeed, across the 219 company meetings we held over the 12 months, ESG issues were discussed a total of 326 times. We are particularly pleased to see the:

- receptiveness of Getlink on its emissions reduction targets and strengthened climate risk reporting
- progress made by Vopak in developing an interim emissions target to support its commitment to net zero emissions
- creation of a trade association membership report and a net zero target for all three emission scopes by Sempra Energy
- inclusion of more explicit ESG objectives in remuneration from National Grid, Severn Trent, VINCI and Ferrovial.

To complement these developments, we have made meaningful strides with advancing our ESG and sustainability program of work over the reporting period. In October 2021, we became a signatory to the Net Zero Asset Managers initiative (NZAMI). As detailed in our decarbonisation strategy, we have committed to aligning the GLI strategy with a pathway towards net zero emissions by 2050 and set an interim emissions target to assist with this trajectory. Making this commitment has been a key driving force behind our stepped-up climate risk and decarbonisation engagements over the year.

In November 2021, we produced our inaugural climate risk report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The report is centred around stock-specific scenario analysis, where we detail the valuation impact to companies according to different energy transition pathways and our response to these findings. This work is further supported by our latest proxy voting guidance on ESG in executive remuneration (see page 15) and policy advocacy efforts in the US and through the Investor Agenda (see page 9).

About this report

This report summarises the progress we have made – and the stumbling blocks we have encountered – when engaging with companies and undertaking proxy voting activities on ESG and sustainability issues. It contains examples of company engagements alongside ESG and sustainability initiatives launched over the reporting period to help accelerate progress and performance.

Key topics include:

- Climate risk
- Decarbonisation
- Customer affordability
- Human rights
- Political lobbying and expenditures.

We welcome any questions or feedback you may have about this report.

1 12 months to 30 June 2022

Recognition, memberships and frameworks

Recognition

In June 2022, the Maple-Brown Abbott Global Infrastructure Fund (UCITS) won the 'Infrastructure Fund of the Year' category in Environmental Finance's Sustainable Investment Awards 2022.[2] This category is open to all infrastructure funds – both listed and unlisted debt and equity funds – that have a focus on ESG and sustainability factors. The award reflects the efforts of the Global Listed Infrastructure team in ESG and sustainability research, reporting, engagement and proxy voting initiatives.

Also, over the reporting period, MSCI ESG Research awarded the GLI UCITS Fund a 'AAA' ESG Rating, placing it in the top 10% of our infrastructure and global equities peers.

Please see relevant disclaimers at the end of this report.

Membership and frameworks

In October 2021, we took our commitment to a low carbon world a step further by becoming a signatory to the Net Zero Asset Managers initiative (NZAMI). In doing so, we have committed to aligning the GLI investment strategy with a pathway towards net zero greenhouse gas (GHG) emissions by 2050. We have set a target of a 50% reduction in emissions intensity by 2030 relative to a 2020 baseline for all companies held in the GLI strategy.

We are also members of the Climate Action 100+ (CA100+) and active participants in the collaborative company engagements run by the initiative. To further support our research and reporting on climate-related risks, we published our inaugural TCFD-aligned report in November 2021.

At a broader level, Maple-Brown Abbott became a signatory to the Principles for Responsible Investment (PRI) in 2008. We are regularly assessed by external frameworks on our ESG approach and performance and maintain leading ratings.

Signatory of:

2 The Maple-Brown Abbott Global Infrastructure Fund (the "Fund") is a sub-fund of the Maple-Brown Abbott Funds plc (the "UCITS") and Maple-Brown Abbott Limited is the UCITS' discretionary investment manager and distributor. The UCITS is an open-ended investment company with variable capital and segregated liability between sub-funds, incorporated in Ireland and authorised by the Central Bank of Ireland as an Undertaking for Collective Investment in Transferable Securities. Please refer to the prospectus of the UCITS as well as the supplement thereto and the Key Investor Information Document ("KIID") for the Fund, which contains material information not contained herein, before making any final investment decisions.

Our engagement strategy

We approach company engagements on a case-by-case basis using well-defined and streamlined processes and strategies. We are guided by factors such as inherent industry risks, countries of operations, reported controversies, business strategy, depth of supply chain, emissions intensity and strength of management and governance.

At the beginning of every year, we formulate an engagement strategy that scopes out the companies we plan to focus on, the topics and outcomes we are seeking and the strategies we will employ. Our engagement strategies can be broadly categorised as follows:

- **Initial scoping:** we have not yet held an ESG engagement and want to assess strengths, weaknesses and responsiveness
- **Accountability:** we want to see ongoing accountability, progress, performance and transparency for existing initiatives
- **Outcomes driven:** we have identified material issues and seek a specific outcome
- **Time-specific:** there has been a recent controversy or issue that requires an in-depth discussion with the company.

Further details can be found in our approach to engagement here.

Dedicated ESG and sustainability engagements over 2021/22

The GLI team held 21 dedicated ESG company engagements with 15 companies over the 12 months ending June 2022, equating to 54% of portfolio companies by weight.[3] In some instances, we met with companies more than once – for example, in the case of collaborative engagements with Enbridge through the CA100+ and when working with Getlink over 2021 on improving the quality and ambition of its climate change strategy and emissions targets.

ESG engagements by numbers

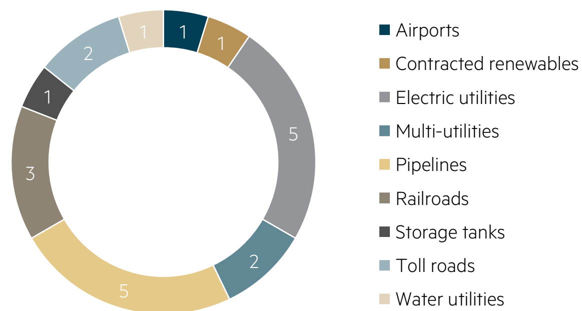
21 dedicated ESG engagements with 15 portfolio companies

Equating to **54%** of portfolio companies

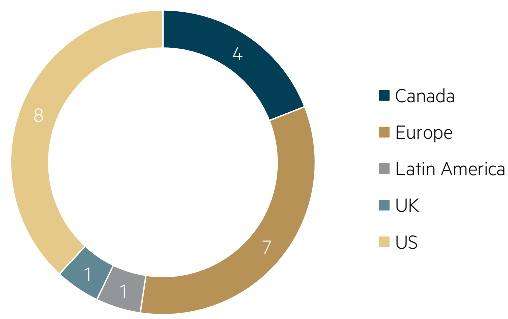
219 company meetings, of which ESG issues were discussed **326** number of times

Dedicated engagements by industry and region

By industry



By region



North America

Ameren
American Electric Power
Cheniere
Edison International
Entery
Duke Energy (x2)
Enbridge (x4)
Sempra Energy

UK / Europe

Getlink (x3)
Ørsted
Severn Trent
VINCI
Vopak
Zurich Airport

South America

EcoRodovias

3 Using a representative fund of the Maple-Brown Abbott Global Listed Infrastructure strategy as a proxy.. Position weights as at 30 June 2022.

Topics discussed at dedicated engagements and company meetings

Highlights

- Environmental topics remain our dominant focus area, having been discussed 178 times across all company meetings, or 55% of all ESG topics discussed
- Social topics were raised during 80 company meetings, reflecting 25% of all ESG topics discussed
- Governance topics were discussed 68 times, equal to 21% of ESG topics discussed.

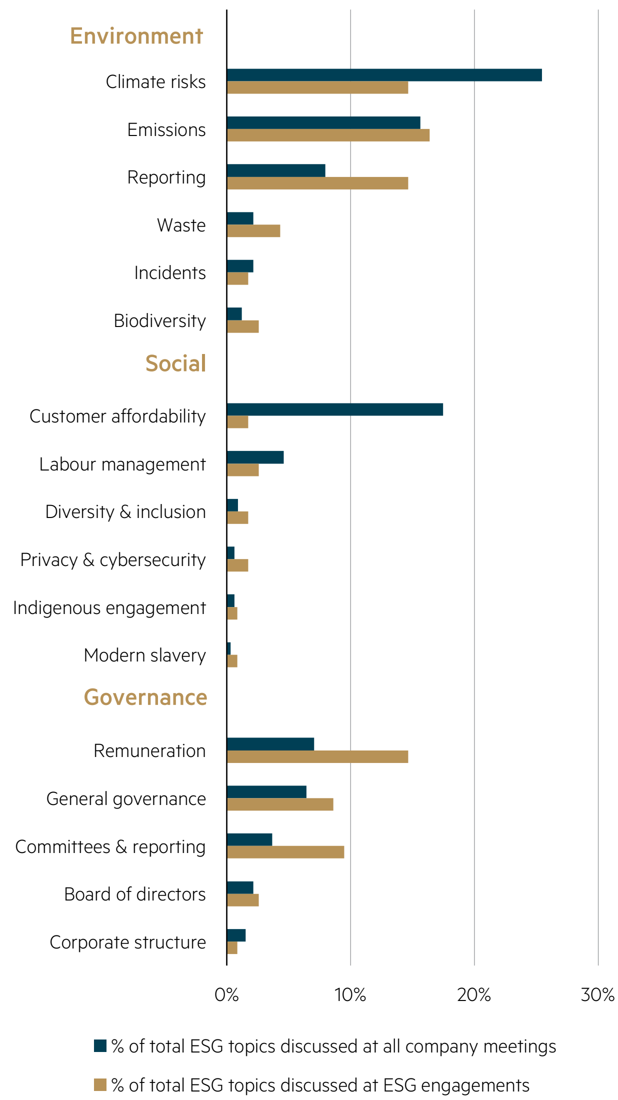
Climate risks, decarbonisation and remuneration have been at the fore of our ESG engagements

While engagements typically cover several topics, we have focused on some of the most material areas for each company's case study. We have split out climate risk and decarbonisation as two distinct topics, though of course they are inextricably linked. The former focuses on energy transition risks, governance and oversight and disclosure, while the latter relates to emissions targets, progress and performance and reporting. These two topics – alongside remuneration and governance – have been at the forefront of our dedicated ESG engagements over the reporting period. You will notice we focus on the topic of remuneration in the proxy voting section rather than the engagement case studies.

ESG is part of our routine interactions with companies

Our ESG discussions are not confined to specific ESG engagement sessions. We engage with companies on ESG topics during our routine interactions with companies as part of our fundamental research. Climate risk, emissions and customer affordability were a key focus in our day-to-day interactions with companies over the period.

ESG topics discussed in dedicated engagements and routine company meetings over 12 months ending June 2022



Examples of engagement objectives

Sector	Company	Primary engagement objectives	Status	Page
Midstream infrastructure	**Cheniere Energy**	Updated climate risk reporting	Ongoing	8
		Internal price on carbon		
		Establish emissions targets		
	Enbridge	Quantify investments in low and zero carbon infrastructure versus conventional energy	Ongoing	9
		Establish targets for scope 3 emissions		
		Incorporate ESG into variable remuneration		
Regulated utilities	**Duke Energy**	Establish targets for scope 2 & 3 emissions	Resolved	10
		Incorporate ESG into variable remuneration		
	Entergy	Prioritisation of investments in resiliency and adaption	Ongoing	11
		Measures to limit customer bill pressure		
		Updated physical risk reporting		
	Sempra Energy	Produce climate lobbying report	Partially resolved	13
		Establish net zero emissions target		
		Incorporate ESG into variable remuneration	Ongoing	
Storage infrastructure	**Vopak**	Strengthened climate risk disclosure	Ongoing	9
		Detailed emissions reduction plan		
		Net zero target and target for scope 3 emissions	Partially resolved	
Transportation infrastructure	**EcoRodovias**	Strengthened approach and reporting on Indigenous reconciliation measures	Ongoing	12
		Incorporate ESG into variable remuneration		
	Ferrovial	Greater weight and strength of disclosure on ESG indicators in variable remuneration	Resolved[4]	16
		Strengthen carbon neutral target, less reliance on offsets		
	Getlink	Establish long-term emissions target	Resolved	10
		Strengthen ESG data and reporting		
		Incorporate ESG into variable remuneration		
	VINCI	Response measures to controversy	Partially resolved	12
		Demonstrate progress with due diligence		
		Centralised oversight of human rights risks	Ongoing	

Note: this is not an exhaustive list of engagements during the period

4 Assuming disclosure on ESG in remuneration and the strength of the company's net zero target meet expectations when the company releases this detail over 2022/2023

Themes, insights and case studies

Climate risk

Infrastructure companies play a critical role in facilitating the energy transition and managing transition-related risks. Climate risk was once again at the forefront of our engagement activities this year. While previous engagements focused on the four pillars of the Task Force on Climate-related Financial Disclosures (TCFD), our recent discussions homed in on financial metrics to quantify investments in low and zero carbon solutions, capital allocation, climate change objectives in executive remuneration and climate-related lobbying (see 'Political expenditures and lobbying').

Our climate risk reporting

In 2021, we released our inaugural Maple-Brown Abbott GLI Task Force on Climate-Related Financial Disclosures (TCFD) report. The recommendations of the TCFD are broadly considered the gold standard for climate risk reporting and fast becoming a regulatory requirement in a number of jurisdictions.

The report is broken down into four parts: governance, strategy, risk management and targets and metrics. The report is centred around the outputs of our security-level scenario analysis, where we look at the valuation impact to GLI strategy companies in response to a range of International Energy Agency (IEA) scenarios – ranging from climate change inertia to net zero emissions by 2050.

Our latest report provides clear and detailed disclosure to our stakeholders and, importantly, informs our approach to managing climate-related risks and identifying opportunities in investment decisions.

View the report here.

Cheniere Energy (Cheniere)

Engagement type: outcomes driven

Cheniere is a producer and exporter of liquefied natural gas (LNG) in the US. We met with Cheniere after the company could not answer our greenhouse gas (GHG) emissions questionnaire owing to an absence of emissions targets. When we met, the company said it was a longstanding and vocal supporter of the Paris Agreement and believes that LNG is playing, and will continue to play, a significant role in limiting global warming.

While the company has kicked off some initiatives such as LNG shipment offsetting, tagging lifecycle cargo emissions and contributing to academic research, we believe substantial progress is still needed to demonstrate how climate risks are managed and emissions are mitigated, particularly in relation to methane emissions.

We highlighted the IEA Net Zero by 2050 (Net Zero) scenario, where natural gas shows a modest decline out to 2030 and declines quickly after that. Cheniere said it had undertaken scenario analysis using other IEA models and felt the NZ scenario lacked detail and had no plans to revisit these disclosures in the short term. Our analysis suggests US LNG exports could remain robust under the faster transition scenarios owing to the increasing need for gas to help decarbonisation efforts in emerging economies. However, under the Net Zero scenario, we see a material negative valuation impact. We pressed Cheniere to update its analysis with the NZ assumptions to better account for the implications of a net zero world.

Cheniere has updated its capital allocation framework to include a climate component but does not use an internal price on carbon to guide investments. We would like the company to better demonstrate how it factors the pace of the energy transition and its commitment to the Paris Agreement into investment decisions. For a relatively 'young' and well-resourced company with a stated commitment to the goals of the Paris Agreement, it is disappointing to see Cheniere lagging on its climate change strategy. We voted against Cheniere's executive remuneration report at the 2022 AGM due to a lack of climate-change-related objectives in short- and long-term incentive plans.

Enbridge (ENB)

Engagement type: outcomes driven

ENB owns and operates pipelines and a gas utility in North America. We participated in multiple CA100+ collaborative engagements and 1:1 meetings with the company over the reporting period. Some engagements involved frank and constructive conversations with ENB's CEO.

In 2022, we co-signed a CA100+ letter to ENB calling on the company to improve transparency on its energy mix investments, specifically by breaking down its capex and EBITDA metrics to clarify how capital is being allocated to low-to-zero carbon solutions. It is not clear whether they will implement the suggestion. As a positive step and to help diversify its energy mix, in 2021, the company stood up its New Energy Technologies team to advance low carbon opportunities such as renewable natural gas, hydrogen and carbon capture, utilisation and storage (CCUS).

ENB has made positive steps by establishing a net zero target with an interim emissions target. However, these targets do not include scope 3 emissions, which are the largest part of the company's value chain. As a first step, we asked ENB to set targets for the categories it has the most influence over – such as its gas distribution business and suppliers. Ultimately, ENB should ratchet up its targets to cover an increasing proportion of scope 3 emissions over time. We understand the company is exploring this as a next step.

ESG in variable remuneration has also been a key topic of engagement. We voted against remuneration at the company's 2022 AGM and sent a letter to the President & CEO and the Chair of Human Resources & Compensation Committee detailing why. Further detail can be found on page 16. Progress has been made but engagement is ongoing.

Policy advocacy on climate risk disclosures

In March 2022, the US Securities Exchange Commission (SEC) proposed a rule change that would require companies regulated by the commission to include certain climate-related and emissions disclosures in their financial disclosures.

Given the relevance of this proposed rule to listed infrastructure companies, we submitted a comment to the SEC as part of its request for feedback. Generally, we believe the proposed rule's disclosure requirements would create much-needed rigour and reporting consistency on emissions, emissions targets, climate-related risks and governance. The PRI, for which we are a long-standing signatory, signalled its strong support for the proposal.

We are also co-signatories to the 2021 and 2022 Global Investor Statements to Governments on the Climate Crisis.

Read our comment to the SEC here.

Vopak (VPK)

Engagement type: accountability and outcomes driven

VPK is an energy infrastructure company that stores bulk liquid products and gases in more than 20 countries. We met with VPK's Chief Operating Officer (COO) and Global Director of Operations & Technology for a face-to-face ESG engagement in May 2022. This meeting builds on two dedicated engagements held in 2021 with the COO on VPK's energy transition plan, emissions targets and labour rights due diligence.

While VPK has divested from a meaningful portion of oil terminals in recent years and is diversifying its energy storage capabilities in areas such as LNG and biofuels, the company remains heavily exposed to fossil fuels and therefore potential stranded asset risks through shifting dynamics across the value chain. We discussed how VPK assesses such risks as well as low carbon opportunities when making capital allocation decisions. VPK sees its role in the value chain as flexible and dependent on the pace of the transition from a supply and demand perspective.

When VPK subsequently hosted a Capital Markets Day in June 2022, we were pleased to see the company announce an acceleration of investments towards energy transition opportunities, with a focus on solutions for low carbon and renewable hydrogen, ammonia, CO2, energy storage and sustainable feedstocks. We believe VPK's terminal portfolio is well positioned to handle low carbon substitutes given its existing pipeline connections and customer relationships. Nonetheless, we would like to see the company further clarify the future of its fossil-fuel-based infrastructure.

Pleasingly, since our previous engagements in 2021, VPK has established a net zero emissions target – a key topic of discussion at the time. To achieve its interim target of a reduction in scope 1 and 2 emissions by 30% by 2030, VPK is switching to renewable electricity at its sites and improving energy efficiencies. We expressed we would like to see a more detailed emissions plan, targets for scope 3 emissions and better alignment with these targets in variable remuneration. We voted against the company's remuneration report at the 2022 AGM.

Decarbonisation

Around three-quarters of the world's global GHG emissions come from the energy sector and its end uses.[5] Deep decarbonisation of the energy and utilities sectors is critical to achieving the long-term temperature goal of the Paris Agreement. Emissions management and targets are a principal engagement topic with midstream infrastructure, energy storage and electric utility companies.

We have seen a swathe of companies establish net zero targets over the past year – in June 2021, 22 portfolio companies had a net zero target, and in June 2022, this number increased to 28. While a positive development, not all net zero targets are created equal and require close scrutiny. Some companies are tracking against their emissions targets and have detailed implementation plans. There are others, however, that are not showing the same level of transparency and progress. Over the past 12 months, we have seen some excellent engagement outcomes and others that require more effort.

Our net zero commitment

In October 2021, the GLI team became a signatory to the Net Zero Asset Managers Initiative, affirming our commitment to align the GLI strategy with net zero emissions by 2050. To assist with this trajectory, we have set an interim target of a 50% reduction in emissions intensity (relative to 2020 levels) by 2030.

Read our Decarbonisation Strategy here.

Duke Energy (DUK)

Engagement type: accountability

Duke Energy is one of the largest electric utilities in the US. In October 2021, we engaged with DUK on the company's decarbonisation strategy, targets and emissions reporting.

We identified several gaps in DUK's emissions reporting and targets. Most notably, when we met DUK had not yet quantified the full extent of its scope 3 emissions and did not have a target in place for scope 2 or 3 emissions, which together accounted for ~61% of DUK's value chain of emissions in 2021. Pleasingly, just a few months after our engagement, DUK announced an expansion of its clean energy action plan. This involved accelerating the company's exit from coal generation to 2035 and expanding its net zero commitment to include scope 2 and certain categories of scope 3 emissions.[6]

While we applaud this development, we would like to see DUK implement an interim target for scope 3 emissions to bolster accountability in taking near-term measures to reduce scope 3 emissions and ultimately support its longer-term net zero trajectory. We relayed this feedback and plan to hold a follow-up engagement later in 2022.

Getlink (GET)

Engagement type: outcomes driven

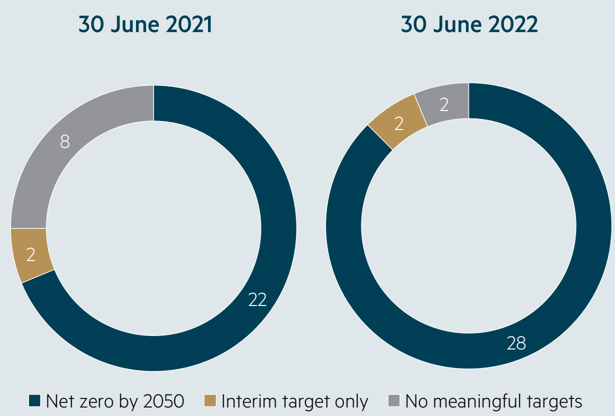
GET operates the concession for the 50km Channel Tunnel connecting the UK and Europe, and ElecLink, an electricity interconnector cable that passes through the tunnel. Starting in 2020, we began engaging with GET on the company's climate change strategy, emissions management and ESG reporting. These engagement efforts increased over 2021, as we held various 1:1 meetings with C-suite representatives and Board members, produced a presentation containing recommendations and summarised our position through formal letters.

Over the course of 2021/22, we saw material outcomes from these engagement efforts. Among a raft of measures, GET committed to produce TCFD-aligned reporting, establish an interim emissions target with SBTi accreditation and set a goal to work towards carbon neutrality by 2050. The company subsequently put its climate transition strategy to shareholder vote at its 2022 AGM, which passed with 97% support.

By holding a position in the stock for a number of years, we have established a strong working relationship with GET and previously engaged with them on matters such as Brexit, acquisitions and corporate governance. We are particularly proud of these engagements and pleased with GET's responsiveness.

5 World Resources Institute (WRI), 2021. Global Greenhouse Gas Emissions by Sector, 2018.
6 For Duke Energy's electric business, the net zero goal includes GHG emissions from the power it purchases for resale, form the procurement of fossil fuels used for generation and from the electricity purchased for its own use. For the natural gas business, it means adding a new net zero by 2050 goal that includes upstream methane and carbon emissions related to purchased gas and downstream carbon emission from customers' consumption.

Portfolio stocks with emissions reduction targets



Highlights

During the period, we observed a significant acceleration in both the quantity and quality of emission reduction targets across portfolio companies.

- Crown Castle, CPFL, Inwit, NextEra and VINCI announced commitments to reach net zero by 2050. Getlink formalised its carbon neutrality target.
- Vopak and EcoRodovias set interim emissions targets.
- Duke Energy and Dominion expanded their existing scope 1 targets to include scope 2 and material categories of scope 3 emissions.

We continue to hold targeted engagements with companies yet to formalise an emissions reduction target, as well as those with subpar targets and/or decarbonisation strategies.

Customer affordability

Simultaneously achieving all three objectives of the energy trilemma – that is, ensuring energy sustainability, security and affordability – is a complex balancing act. In many ways, energy and water are public goods and therefore governments and companies should strive to achieve fair prices that will ensure everyone can attain an adequate standard of living by accessing energy for essential services such as heating, cooking and transportation.

The issue of customer affordability has never been more important in the context of the COVID-19 pandemic and energy market volatility and supply challenges seen with Russia's invasion of Ukraine. For this reason, customer affordability topics, such as rate management, energy efficiency measures and initiatives for low income and vulnerable households, have been focus areas when meeting with infrastructure companies. This is especially the case for electric and water utilities.

Entergy (ETR)

Engagement type: accountability

ETR is a regulated utility that delivers electricity to three million customers in Arkansas, Louisiana, Mississippi and Texas. The company's assets are particularly exposed to the physical effects of climate change, especially in hurricane-prone Louisiana, where around 40% of people live below the poverty line. Our engagements have focused mostly on customer affordability in the context of adaption and resiliency measures.

ETR is investing significantly in system hardening to build resiliency in its transmission and distribution (T&D) assets. The company is exploring the possibility of replacing existing T&D assets with newer ones to enhance resiliency. While this might come with short-term costs for customers, it is likely that it would cost more to replace lines after storms and over time. Pre-emptive investment could potentially minimise customer and business disruption and be cheaper over the long term. We believe ETR needs to balance investment and affordability factors.

From a ratepayer perspective, storm restoration costs and rising gas prices have placed pressure on customer bills. Despite this, the company expects to keep the bill trajectory in line with inflation due to fuel savings associated with new renewables additions and strong load growth. We have found ETR to be responsive to our engagement efforts. We continue to monitor the company closely to remain confident in management's approach to climate risks and bill pressures.

Human rights, Indigenous rights and labour rights

Infrastructure assets can help promote many human rights and Indigenous rights while providing for decent work and economic growth. However, operations and projects come with inherent and residual human rights, labour rights and Indigenous rights risks. Factors that contribute to these risks include the type and scale of a project, the nature of operations, domestic laws and norms, strength of company practices and the type of workforce.

Like most engagements on issues in the social pillar of ESG – it is extremely hard to measure progress against specific benchmarks and objectives. We believe the best actions we can take, as fiduciaries, is to keep on engaging with the company to assess the strength of measures taken, how learnings are incorporated and its ongoing commitment to minimising negative impacts to its workforce and the communities it services.

VINCI

Engagement type: accountability

VINCI is an infrastructure concessions and construction company operating in approximately 120 countries. Due to the nature of its operations, large geographic footprint and sizeable contractor workforce, the company is exposed to material human rights and labour rights risks through its business activities. In early 2022, we followed up on labour rights allegations raised in 2015 and 2018 in relation to a construction subsidiary in Qatar. We sought to hear how the company has strengthened oversight and measures to identify, mitigate, remediate and report on issues, particularly in relation to subcontractors.

VINCI believes its approach to labour rights and supply chain due diligence is robust and effective. The company undertakes human rights and labour rights assessments on its workforce and some of its direct supply chain. These assessments are guided by a questionnaire, human rights principles and potential site visits. The company has released two assessments of its operations in Qatar and implemented several measures including improved living quarters and a feedback loop for subcontractors to raise concerns more easily. VINCI believes its assessments do not reveal any violations and vehemently denies the claims made. The company has partnered with the ILO on ethical recruitment practices for the Qatar/Pakistan corridor but does not guarantee a living wage for subcontractors.

We want to see more detail on how the company maintains centralised governance and oversight, so any potential issues do not get 'lost' in local channels. We would also like to see VINCI fully align its human rights strategy with the UN Guiding Principles on Business and Human Rights and undertake unannounced (as opposed to pre-arranged) audits. A follow-up engagement was scheduled for six months later.

What happens when a company is non-responsive?

We may escalate the issue to the board, consider collaborating with other investors or use proxy votes to help bring about a specific outcome. We may also reduce our portfolio position or divest, after weighing up other investment factors. We strongly believe in active ownership as a means of mitigating ESG-related risks and supporting long-term sustainable outcomes.

EcoRodovias (ECOR3)

Engagement type: initial scoping

ECOR3 is one of the largest toll road companies in Brazil. We met with the company to provide feedback on their 2022 materiality framework and sustainability strategy. We were surprised to see the previous materiality assessment had not identified Indigenous communities in its scope of stakeholders. Indigenous reconciliation is especially important in Brazil, which is home to approximately 1 million Indigenous Peoples across 300 ethnic groups. Indigenous communities have been severely impacted by a multitude of energy, mining and transportation infrastructure projects since the 1960s.[7]

Indigenous relations was a key area of focus of our meeting, specifically the need for the company to prioritise and better report on its engagement, feedback and remediation processes when working with Indigenous communities impacted by their operations. This should extend to the principle of Free, Prior and Informed Consent with new projects. We also relayed the need for the company to set targets for the hiring of employees who identify as Indigenous and a target for procurement spend for Indigenous-owned businesses. These measures can build diversity and representation in the workforce while supporting Indigenous businesses as part of the company's social license to operate. Such work should be led by internal Indigenous relations resources.

ECOR3 is a signatory to the UN Global Compact Network (UNGCN) and says its strategy is aligned with the Sustainable Development Goals (SDGs). The SDGs include targets that directly and indirectly relate to promotion of Indigenous Peoples' rights. Equally, a key aspect of the UNGCN is respect and support for human rights and Indigenous rights.[8] Through the company's stated commitments, we expect this area to be a priority. While the company says its operations and projects do not have material overlap with Indigenous communities, they acknowledged our feedback. We held a follow-up engagement with ECOR3 a few months later.

7 International Working Group for Indigenous Affairs (IWGIA), 'Indigenous Peoples in Brazil'
8 United Nations Global Compact, 'A Business Reference Guide: United Nations Declaration on the Rights of Indigenous Peoples' (2013)

Political expenditures and lobbying

Infrastructure companies are heavily regulated and have an interest in advocating for policies that support their business strategy and operations. Some companies direct significant funds towards lobbying and trade association memberships, particularly in the case of utilities and midstream infrastructure companies in North America. Other jurisdictions, such as the UK, are more constrained and required by law to obtain shareholder approval on political donations each year.[9]

Political lobbying transparency is important in climate- and energy-related policies as some activities may be contrary to the goals of the Paris Agreement. We are cautious of companies that have a stated commitment to facilitating the energy transition in line with net zero emissions but undertake lobbying activities that are inconsistent with this position. Climate-related lobbying is an increasing focus for the investment community with the launch of a Global Standard on Climate-related Lobbying in 2022.

Sempra (SRE)

Engagement type: outcomes driven

SRE is an energy infrastructure company with operations across the United States and in Mexico. We engaged with the company in 2022 as a follow up to previous meetings in 2021 on climate-related lobbying and reporting, progress with emissions targets and ESG in variable remuneration. In 2021, we supported a shareholder resolution calling on Sempra to provide a "Report on Corporate Climate Lobbying Aligned with Paris Agreement".

While the resolution did not pass, it received around 38% support. In response, SRE committed to producing a report on the climate change positions of its trade association memberships.

We see greenwashing as a risk and expect companies to be clear on how lobbying efforts are being directed and to what end. This is particularly so with SRE, where one of its subsidiaries, SoCalGas, lobbied against energy efficiency codes and standards between 2014 and 2017 and was subsequently fined for passing these costs on to customers. SRE felt it was unreasonable for them to assume trade associations' positions on climate change, so they sent out a template for the associations to state their position. We questioned why SRE needed to do this and did not know these positions already.

SRE has made significant strides by establishing a new zero emissions target for aspects of its scope 1, 2 and 3 emissions. We would like to see interim targets for its LNG and Oncor divisions and further disclosure on its offsets and CCUS strategy. We plan to follow up with SRE in six months' time to run through progress on these items. For now, we are pleased that a climate lobbying report will be issued and SRE has formalised its commitment to a net zero emissions economy.

9 As per part 14 of the Companies Act 2006 (UK).

Proxy voting over 2021/2022

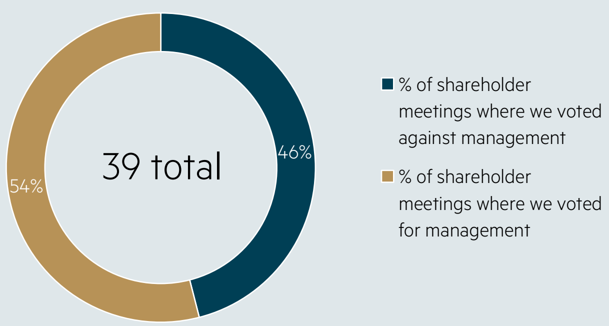
Note a representative fund of the Maple-Brown Abbott Global Listed Infrastructure strategy has been used as a proxy for the following reporting.

Summary

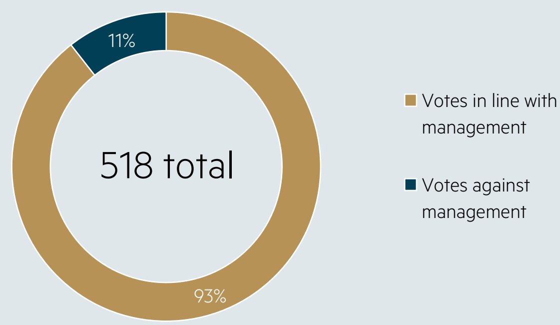
Over the reporting period, we voted on 518 resolutions at 39 shareholder meetings. Of this number, we voted against management at 46% of company meetings, primarily due to director appointments (such as lack of independence), remuneration (such as lack of alignment with ESG objectives) and general governance issues (such as bundled voting items). Breaking this down further, we voted against management on 11% of 518 voting ballot items over the 12 months.

The following section discusses two key themes guiding our proxy voting decisions over the reporting period: overcoming greenwashing and emissions targets and progress.

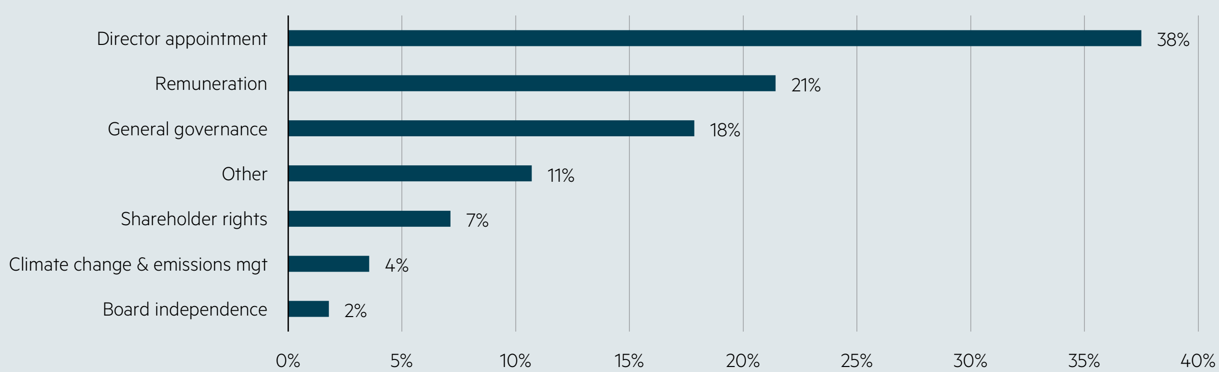
Shareholder meetings



Proxy voting items



Breakdown of votes against managements



Overcoming greenwashing

We believe 'greenwashing', where there is a disconnect between statement and action, is a serious issue. Greenwashing creates a risk for us as investors, and ultimately our clients. Over time, such a disconnect could contribute to market distortions that are not based on fundamentals. We believe greenwashing needs to be actively managed by regulators, companies and investors alike. We have conveyed this concern to the Securities Exchange Commission (SEC) in the US.

In 2022, we implemented new proxy voting guidelines on environmental and social (E&S) factors in executive variable remuneration and emissions reduction progress and targets. These guidelines provide additional consistency to voting across portfolio companies and have helped initiate important discussions with companies where we have not seen sufficient E&S progress to date. For instance, over Q2 2022, we voted against 31% of executive remuneration reports and/or policies proposed by companies.

In line with our Proxy Voting Policy, we notify companies in advance where we have voted against the board's recommendation. Sometimes we communicate our feedback on specific items, even when we have voted in line with the board.

We voted against executive remuneration reports and/or policies proposed by companies where we found:

- a lack of proper alignment and accountability for environmental and social (E&S) performance relevant to the company's business strategy and operations
- a lack of proper disclosure of the E&S component in executive remuneration, for example, where key performance indicators were not laid out and/or weightings were not sufficiently detailed
- discrepancies between the company's key performance indicators and potential executive pay-outs (that is, there was a risk of 'pay for failure').

There has been a notable shift in the level of detail and weights attributed to E&S objectives for companies such as Getlink, National Grid, Entergy and Severn Trent. We have previously engaged with these companies on this topic, sometimes speaking directly with members of the Board, and are pleased with their responsiveness.

Case studies

Enbridge (ENB)

We wrote to ENB's CEO and Chair of the Remuneration Committee outlining our rationale for voting against the company's remuneration report on the basis that its short-term incentive plan (STIP) did not provide a sufficient and detailed weighting to E&S factors. We have engaged with ENB – directly and through the CA100+ engagement working group – on this topic in the past, so this was an appropriate next step in our efforts to encourage greater alignment.

We also shared feedback on a shareholder resolution calling on ENB to revise its net zero target to include scope 3 emissions and align capex investments with this revised target before the end of 2022. While we supported aspects of the resolution, we communicated our reason for not supporting the proposal and voting in line with management. We felt the resolution could potentially be destructive to shareholder capital and was too restrictive within the timelines set.

VINCI

While we supported all the VINCI ballot items, we wrote to the Chair of the Remuneration Committee to share feedback on the long-term incentive plan (LTIP) in the remuneration policy and the short-term incentive (STI) award in the remuneration report for the Chair/CEO. Specifically, we believe the climate change performance indicator in the LTIP sets a low benchmark and could reward executives for regression. This is particularly important in the case of VINCI's LTIP, which is materially higher at 260% of the base salary for the CEO (versus ~150% for peers). We also highlighted how a lack of detail in the disclosure of E&S components within the STI made it challenging to measure performance and payout. For this reason, improvements are needed in VINCI's 2023 reporting.

Emissions progress and targets

When implementing our new voting guidelines on emissions management this quarter, we have focused on:

- the quality, materiality and reasonableness of shareholder resolutions on climate change and emissions management
- the ambitiousness and detail contained within companies' Say on Climate proposals
- progress with the management of emissions in line with stated targets and/or emissions trends in the absence of emissions targets.

In total, we voted for management in three instances by supporting their respective Say on Climate proposals. We voted against management in two instances by supporting shareholder resolutions on emissions management and climate change risk. In one instance, we supported the recommendation of the Board by voting against a shareholder proposal on a revised net zero target (as previously highlighted in the case of Enbridge).

Case studies

Ferrovial (FER)

While we voted for FER's Say on Climate proposal, we wrote to the CEO to express our concerns around the potential overreliance on offsets to achieve its carbon neutrality target (a less rigorous target than net zero). The voluntary offset market is self-regulated and currently suffers from poor transparency and issues of integrity across the value chain. FER has made some excellent strides with its emissions management program, so rather than disincentivising them, we supported their proposal while highlighting areas for improvement for the next Say on Climate vote in 2023.

Dominion Energy

We voted for two shareholder resolutions calling on Dominion Energy to adopt a medium-term target for its scope 3 emissions and issue a report detailing the company's exposure to natural gas stranded asset risk. In the case of the first resolution, we believe a medium-term target is a logical step following Dominion's commitment to achieve net zero across its scope 1, 2 and 3 emissions and will provide targets for management and external stakeholders to monitor progress.

For the second resolution, the Dominion Board stated it was willing to provide this information should shareholders see it is as necessary and did not provide a voting recommendation. While the company appears to provide much of this information in various places, we believe a unified report would be a low-cost exercise to demonstrate how Dominion manages natural gas stranded asset risks. For this reason, we felt support for the resolution to provide the report was warranted.

10 Ferrovial has committed to putting its Say on Climate proposal to shareholder vote annually.

Examples of proxy voting decisions

Company	Vote with/against management	Rationale	Outcome
Dominion Energy	AGAINST	Voted against remuneration due to lack of detail on ESG component	Passed (92%)
	AGAINST	Voted for resolution to reduce threshold for shareholders to call special meeting	Did not pass (33%)
	AGAINST	Voted for resolution to adopt medium term scope 3 GHG emissions reduction target	Did not pass (16%)
	AGAINST	Voted for resolution to produce report on risk of natural gas assets	Passed (80%)
Sempra	AGAINST	Voted against remuneration report due weak ESG metrics, limited disclosure on ESG goals and lack of alignment with net zero targets.	Passed (95%)
	AGAINST	Voted for resolution requiring an independent Board Chair	Did not pass (38%)
Enbridge	AGAINST	Voted against remuneration due to lack of ESG & climate weighting and detail	Passed (90%)
	WITH	Voted against resolution to align capital allocation with a revised net zero target	Did not pass (22%)
Vopak	AGAINST	Voted against remuneration report due to lack of ESG weighting and detail	Passed (71%)
	AGAINST	Voted against remuneration policy due to lack of ESG weighting and detail	Item withdrawn
Ferrovial	AGAINST	Voted against re-election of Rafael Del Pino Y Calvo as Director. We believe such a large & strategic shareholder should not act as Chair. Chair & CEO roles are not distinctly separate.	Passed (78%)
	AGAINST	Voted against remuneration report due to lack of detail on ESG in the STI & no ESG component in the LTI. We engaged with FER on this issue in 2021 but with no progress.	Passed (95%)
	AGAINST	Voted against remuneration policy due to lack of detail on ESG in the STI & no ESG component in the LTI	Passed (96%)
	WITH	Voted for 'Say on Climate' GHG Emissions Reduction Plan	Passed (93%)
Getlink	WITH	Voted for 'Say on Climate' Climate Transition Plan	Passed (97%)

About us

Maple-Brown Abbott has significantly evolved since our origins nearly 40 years ago across investment styles, asset classes, geographies and client types. Today we are a boutique of boutiques, focusing on active management of differentiated listed equity strategies. As one of the earliest Australian managers to sign up to the PRI, we have a long history of deep ESG integration which is core to each of our strategies. We are privately owned with around 60 staff in Sydney with around A$10 billion in assets under management as at 30 June 2022.

The MBA Global Listed Infrastructure business was established in 2012 in conjunction with Maple-Brown Abbott Limited and is majority owned by the MBA Global Listed Infrastructure (GLI) founding Principals and staff. The GLI team has extensive infrastructure and asset management experience, with the founding Principals working together for a number of years prior to MBA. Today, the GLI team comprises four Portfolio Managers, two Investment Analysts, a dedicated ESG Analyst, a Senior Research Associate, and an Associate. The team manages approximately A$4.4 billion on behalf of clients across North America, Europe and Asia Pacific regions.

The MBA Global Listed Infrastructure strategy invests in listed infrastructure equities with a focus on sustainability and environmental, social, and governance (ESG) factors. The strategy invests in companies that provide essential services to society and typically have a market capitalisation greater than US$500 million. We see it as our fiduciary responsibility to consider the financial and non-financial issues which may impact the performance of our clients' assets. We actively engage with companies and use proxy voting decisions to help drive more sustainable long-term outcomes for investors. We assess a company's environmental, social, and governance (ESG) risks and opportunities as part of our detailed industry and company research at each step of the investment process.

The Maple-Brown Abbott Stewardship Report 2021/22

A core component of Maple-Brown Abbott's ESG approach is our comprehensive stewardship program, including company engagement and proxy voting. Our annual Stewardship Report outlines our engagement priorities and proxy voting activity for the 12 months to June 2022 for the Australian Equities, Asian Equities and Global Listed Infrastructure strategies.

View the report here.