




Type of engagement	Reason for interaction
Individual/ internal staff engagements	<input type="checkbox"/> To support investment decisionmaking in a company's ESG issues <input type="checkbox"/> To influence corporate transition or identify the need for a transition plan <input type="checkbox"/> To engage investor ESG advisors <input type="checkbox"/> Other - specify
Collaborative engagements	<input type="checkbox"/> To support investment decisionmaking in a company's ESG issues <input type="checkbox"/> To influence corporate transition or identify the need for a transition plan <input type="checkbox"/> To engage investor ESG advisors <input type="checkbox"/> Other - specify
Service provider engagements	<input type="checkbox"/> To support investment decisionmaking in a company's ESG issues <input type="checkbox"/> To influence corporate transition or identify the need for a transition plan <input type="checkbox"/> To engage investor ESG advisors <input type="checkbox"/> Other - specify

RI TRANSPARENCY REPORT

2014/15

Magellan Asset Management

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Private							✓
OO 09	Additional information about organisation	✓	Private							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	🔒	n/a							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public							✓
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	🔒	n/a							✓
OA 07	Governance, management structures and RI processes	✓	Private							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Private	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Private							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private	✓						
LEI 02	Description of ESG incorporation	✓	Private	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Private	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Private	✓						
LEI 09	Types of sustainability thematic funds/mandates	⚠	n/a	✓						
LEI 10	Description of ESG integration	✓	Private	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Private	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Private	✓						
LEI 14	ESG issues in index construction	✓	Private	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Private	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Private	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Private	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓					✓

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Private		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Private	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Private		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Private		✓					
LEA 14	Examples of ESG engagements	✓	Private		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Private		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Private		✓					
LEA 20	Securities lending programme	✓	Private		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Private		✓					
LEA 24	Shareholder resolutions	✓	Private		✓					
LEA 25	Examples of (proxy) voting activities	✓	Private		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Magellan Asset Management

Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

- <10%
- 10-50%
- >50%

Fund of funds, manager of managers, sub-advised products

Other, specify

Execution and advisory services

OO 01.2 Additional information. [Optional]

Magellan Asset Management Limited manages global equity and infrastructure investment strategies for high net worth and retail investors in Australia and New Zealand. It also manages segregated, globally-focused investment funds for institutional investors internationally. The company is a wholly owned subsidiary of Magellan Financial Group Limited, which is listed on the Australian Securities Exchange (ASX).

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

Australia

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

80

OO 02.4 Additional information. [Optional]

The company's key functions are managed from its head office in Sydney. The company also has staff in multiple locations.

OO 03 **Mandatory** **Descriptive** **General**

OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

OO 04 **Mandatory** **Gateway/Peering** **General**

OO 04.1 Indicate the year end date for your reporting year.

31/12/2014

OO 04.2 Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM		22	192	714	182
Currency	USD				
Assets in USD		22	192	714	182

OO 04.5 Indicate the level of detail you would like to provide about your asset class mix.

- Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06 **Mandatory** **Descriptive** **General**

OO 06.1 To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	>50%	0
Fixed income – corporate	0	0

Fixed income – government	0	0
Fixed income – other	0	0
Private debt	0	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Other (1), specify	0	0
Other (2), specify	0	0

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 06.2 | Additional information. [Optional]

Magellan Asset Management Ltd manages listed equity strategies for retail and institutional investors.

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
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OO 10.1

Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

- We incorporate ESG issues into investment decisions on our internally managed assets
- We engage with companies on ESG issues via our staff, collaborations or service providers
- We cast our (proxy) votes directly or via service providers
- None of the above

OO 10.3

Additional information. [Optional]

Environmental, Social and Governance (ESG) issues are also part of the suite of issues that affect the agency and business risk of companies and are therefore considered a natural component of the investment analysis process. Gaining a robust understanding of these issues is a key element in the assessment of the outlook for, and risks to, future cash flow generation.

Where appropriate, the investment team engages with investee (or prospective investee) companies in regard to their ESG policies and their management of ESG risks. The objective of such engagement is to enhance the certainty of long-term cash flow generation we expect from the company.

Magellan Asset Management Ltd maintains a proxy voting policy, the objective of which is to promote the economic interests of its clients. The company recognizes its fiduciary obligation to act in the best interests of its clients. As such, at no time will it use the shareholding powers it exercises, in respect of its clients' investments, to advance its own commercial interests against those of its clients, to pursue a social or political cause that is unrelated to its clients' economic interests, or to favour a particular client or other relationship to the detriment of any other.

The company will elect to exercise its voting rights when it has the authority and when it deems it appropriate to do so and keeps records of its proxy voting activities, directly or through outsourced reporting.

The implementation of the proxy voting policy is subject to direction from its institutional clients. The company will periodically report on proxy voting activities relating to investments owned by institutional clients unless reporting requirements are otherwise explicitly described in the client's Investment Management Agreement.

OO 12**Mandatory****Gateway****General****OO 12.1**

The modules and sections that you will be required to complete are listed below.

This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.

Core modules

- Organisational Overview
- Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Listed Equity incorporation

- Listed Equity incorporation

Direct - Listed Equity active ownership

- Engagements
- (Proxy) voting

Closing module

- Closing module

Magellan Asset Management

Reported Information

Public version

Overarching Approach

PRI disclaimer

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1	Indicate if you have a responsible investment policy.
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- Yes
 No

OA 01.2	Indicate if you have other guidance documents or more specific policies related to responsible investment.
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- Yes
 No

OA 01.3	Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]
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Magellan Asset Management Limited has established an ESG Policy which outlines (for the company's registered managed investment schemes and designated investment mandates):

- How ESG issues are linked to Magellan's investment analysis framework.
- How ESG issues are incorporated as part of the investment process.
- How analysis of ESG issues as part of the investment analysis framework should be evidenced.

The company has also established a proxy voting policy which sets out its approach to proxy voting in the context of portfolio management, client service responsibilities and corporate governance principles.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1	Indicate if your responsible investment policy is publicly available.
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- Yes
 No

OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.
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- Yes
 No

OA 02.5	Additional information. [Optional]
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Magellan's policies are not publically available, although they are available to clients.

OA 03	Mandatory	Core Assessed	PRI 1,2
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OA 03.1

Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input type="checkbox"/> Asset class-specific guidelines <input type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 03.2

Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

Non-valuation based managed portfolios do not take a view on future cash flow generation and so such funds do not incorporate a review of ESG issues as part of the investment process. As a key argument for such investment portfolios is the low cost, efficient exposure to the nominated investment universe it is not considered appropriate to incur additional costs through active engagement for Magellan's managed investment funds which do not incorporate valuation analysis. However, where an investor funding an investment mandate seeks active engagement then Magellan can appoint a specialist engagement and voting overlay provider to execute proxy votes and to engage with companies on ESG issues, with the costs of the specialist provider directly passed through to the investor.

OA 03.3

Additional information. [Optional]

For the purposes of the Magellan managed registered managed investment schemes, the attainment of investment grade status for a company requires a research report assessing the company to be completed and approved by the Investment Committee. The quality criteria used by Magellan to assess investment grade status include economic moat, business risk, agency risk and re-investment potential.

ESG issues are relevant to the assessment of business risk and agency risk and should be reviewed as part of the assessment of business risk and agency risk completed as part of the research report. This review is to be evidenced in the research report completed for each company by including an analysis of environmental and social issues as part of the Business Risk assessment and an analysis of governance issues as part of the Agency Risk assessment.

Environmental and social issues are reviewed in the research report for a company as part of the analysis of Business Risk issues with each company under review receiving a specific rating for its Environmental and Social risk assessment. The rating for the Environmental and Social risk profile will be A, B or C. The rating will reflect both the Environmental and Social issues faced by the industry that the company operates in and the company's environmental and social practices. If a stock is to be awarded a Low rating for Business Risk then as a pre-condition the stock must be awarded an A rating for the Environmental and Social risk assessment.

Governance issues are reviewed in the research report for a company as part of the analysis of Agency Risk issues with each company under review receiving a specific rating for its Governance risk profile. The rating for the Governance risk assessment will be A, B or C. The rating will reflect the Governance issues faced by the industry that the company operates in and the company's governance practices. If a stock is to be awarded a low

rating for Agency Risk then as a pre-condition the stock is required to achieve an A rating for the Governance risk assessment.

As part of the ongoing analysis of companies, ESG issues are reviewed on an annual basis. The focus of this analysis will be whether and how ESG issues affect the potential distribution of future cash flow generation and, accordingly, whether the qualitative ratings for the company appropriately reflect underlying risks.

Magellan also maintains a Proxy Voting Policy, the objective of which is to promote the economic interests of its clients. the company elects to exercise its voting rights when it has the authority and when it deems it appropriate to do so.

OA 04	Mandatory	Core Assessed	General
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OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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Yes

OA 04.2	Describe your policy on managing potential conflicts of interest in the investment process. [Optional]
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Magellan's Conflicts of Interest Policy describes the process by which the organization identifies, evaluates and manages conflicts of interests experienced while providing investment management services to its clients.

No

Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General
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OA 05.1	Indicate if your organisation sets objectives for its responsible investment activities.
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Yes

No

OA 05.4	Additional information. [Optional]
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Magellan does not set specific goals relating to ESG. Instead, it has established an ESG policy to describe:

- How ESG issues are linked to Magellan's investment analysis framework.
- How ESG issues are expected to be incorporated as part of the investment process.
- How analysis of ESG issues as part of the investment analysis framework should be evidenced.

Governance and human resources

OA 08	Mandatory	Gateway/Core Assessed	General
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OA 08.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- Board members or trustees
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
 - Head of Investments**
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
- External managers or service providers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify
- Other role, specify

OA 08.2

Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

Number

0

OA 08.3

Additional information. [Optional]

Oversight and accountability for responsible investment is the responsibility of the Lead Portfolio Managers for each strategy managed by Magellan and the Head of Investments, while individual investment analysts are responsible for addressing ESG issues pertaining to stocks under their coverage.

Promoting responsible investment

OA 10

Mandatory

Core Assessed

PRI 4,5

OA 10.1

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Magellan integrates the PRI principles into the investment process for its actively managed funds.

- Asian Corporate Governance Association
- Association for Sustainable & Responsible Investment in Asia
- Australian Council of Superannuation Investors
- CDP Climate Change
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify

OA 10.2

Additional information. [Optional]

Practices to ensure the investment process for Magellan's actively managed funds is consistent with the principles are as follows:

- i. We will incorporate ESG issues into investment analysis and decision making processes.
 - a. Magellan ensures that all investment professionals are aware of ESG considerations to ensure that the principles are adopted. Practically, ESG considerations will be specifically identified in Magellan's assessment of agency and business risk in company research reports.
 - b. New additions to the investment team are provided with Magellan's ESG policy. Any changes to this ESG policy will be advised promptly to all members of the Magellan investment team.

- ii. We will be active owners and incorporate ESG issues into our ownership policies and procedures.

a. Where a company has a particularly poor ESG track record that has a material impact upon the risk associated with future cash flow generation, it is likely that Magellan will exercise its ESG policy through non-investment, rather than engagement. However from time-to-time Magellan may engage with potential investee companies to discuss and/or request ESG process improvements (or intended improvements). Ultimately, the assessment of investment grade status for an investee company will reflect the future cash flow generation and associated risks for the investee company.

b. Additionally, Magellan may be entitled to vote on issues relating to ESG matters for investee companies. To this end Magellan undertakes to vote in a manner that it considers most likely to maximize shareholder value using a long-term framework.

iii. We will seek appropriate disclosures on ESG issues by the entities in which we invest.

a. Magellan has a preference for investee companies to be either an active participant in the UNGC program, or a member of the Dow Jones Sustainability Index ("DJSI") family. Magellan has a preference for participants in these programs due to their robust reporting and monitoring framework.

The membership of such applications is viewed by Magellan as persuasive but not conclusive evidence that the company meets Magellan's ESG requirements. The key test for Magellan is how the company's ESG practices affect future cash flow generation and the associated risks.

Where an investee company is either inactive or does not participate in the UNGC or the DJSI then Magellan will consider the ESG policies of the company, and may choose to engage the company in certain instances where it is not satisfied that they are adequate.

b. Magellan seeks reporting on ESG issues by investee companies to be integrated within the standard annual report.

iv. To promote acceptance and implementation of the Principles within the investment industry.

Magellan will include Principles-related requirements in requests for proposals it answers.

v. To work together to enhance our effectiveness in implementing the Principles.

Magellan will address emerging issues and will support the use of investor reporting as a source of learning.

vi. To report on our activities and progress towards implementing the Principles.

Magellan completes the annual questionnaire for UN PRI along with other questionnaires as requested by clients.

OA 11	Mandatory	Core Assessed	PRI 4
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OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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Yes

OA 11.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Other, specify

No

Magellan Asset Management

Reported Information

Public version

Direct - Listed Equity Incorporation

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ESG incorporation in actively managed listed equities


Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1
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LEI 03.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.
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ESG incorporation strategy (select all that apply)

- Screening alone (i.e. not combined with any other strategies)
- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)
- Screening + Integration strategies

Percentage of active listed equity to which the strategy is applied - you may (estimate +/- 10%)	 <p>100</p>
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- Thematic + integration strategies
- Screening + thematic strategies
- All three strategies combined
- No incorporation strategies applied

Total actively managed listed equities
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100%

LEI 03.2	Describe your primary reasons for choosing a particular ESG incorporation strategy.
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ESG considerations are natural components of the investment process.

(A) Implementation: Screening

LEI 06	Mandatory	Descriptive	PRI 1
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LEI 06.1	Indicate and describe the type of screening you apply to your internally managed active listed equities.
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Type of screening

- Negative/exclusionary screening
- Positive/best-in-class screening

Screened by

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

Description

MFGAM's actively managed investment strategies employ stock-screening processes to winnow their investment universes to stocks with the desired characteristics.

- Norms-based screening

LEI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
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The screening criteria are established in line with MFGAM's investment philosophy - a long-term investment approach focused on capital preservation and absolute wealth accumulation.

MFGAM's philosophy is supported by studies that illustrate how superior long-term returns can be achieved by eliminating / minimizing negative shocks to a portfolio. Extensive research also shows that high-quality, low-volatility stocks tend to achieve superior long-term, risk-adjusted performance.

LEI 07	Mandatory	Core Assessed	PRI 1
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LEI 07.1	Indicate which processes your organisation uses to ensure that screening is based on robust analysis.
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- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
- None of the above

(C) Implementation: Integration of ESG issues

LEI 11	Mandatory	Core Assessed	PRI 1
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LEI 11.1 Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6
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LEI 18.1 Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

- We disclose it publicly
- We disclose it to clients and/or beneficiaries only

LEI 18.5 Indicate the information your organisation proactively discloses to clients/ beneficiaries regarding your approach to ESG incorporation.

- Broad approach to ESG incorporation
- Detailed explanation of ESG incorporation strategy used

LEI 18.6 Indicate how frequently you typically report this information.

- Quarterly or more frequently
- Between quarterly and annually
- Less frequently than annually
- Other, specify
- We do not proactively disclose it to the public and/or clients/beneficiaries

Magellan Asset Management

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Engagement

Overview

LEA 02	Mandatory	Gateway	PRI 1,2,3
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LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.
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Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers

LEA 02.2	Additional information. [Optional]
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Environmental, Social and Governance ("ESG") issues are a natural component of the Magellan Asset Management Limited ("Magellan") investment analysis process, as gaining a robust understanding of these issues is a key part of assessing the outlook for future cash flow generation and risks of an investment.

Where appropriate, the investment team should engage with investee (or prospective investee) companies in regard to their ESG policies and their management of ESG risks. The objective of such engagement is to enhance the certainty of long-term cash flow generation we expect from the company.

The United Nations Principles for Responsible Investment ("PRI") provide a framework by which all investors can incorporate ESG issues into their decision-making and ownership practices. The principles are not a prescriptive set of rules, and are to be applied as appropriate within each asset class and investment approach. Magellan is a signatory to the UN PRI.

For Magellan's actively managed portfolios, ESG issues are reviewed as part of the assessment of business

risk and agency risk completed for the determination of investment grade status. ESG issues are explicitly discussed as part of the research report completed for each company and are reviewed on an annual basis as part of the ongoing analysis of companies. This review of ESG issues is evidenced in the research report completed for each company by including an analysis of environmental and social issues as part of the Business Risk assessment and an analysis of governance issues as part of the Agency Risk assessment.

Individual ratings for the Environmental and Social risks and the Governance risks are awarded to each company on an A, B or C scale. The Environmental and Social and Governance ratings will reflect the issues faced by the industry that the company operates in and the company's practices. If a stock is to be awarded a Low rating for Business Risk then as a pre-condition the stock must be awarded an A rating for Environmental and Social risks. If a stock is to be awarded a low rating for Agency Risk then as a pre-condition the stock is required to achieve an A rating for Governance risks.

Process

Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2
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LEA 03.1 Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

Yes

LEA 03.2 Describe how you identify and prioritise engagements.

The investment team assesses the requirement for engagement on a case by case basis. Where appropriate, the investment team will engage with investee (or prospective investee) companies in regard to their ESG policies and their management of ESG risks where the investment team assesses current ESG practices as leading to sub-optimal long-term cash flow generation. The objective of such engagement is to enhance the certainty of long-term cash flow generation we expect from the company.

No

LEA 04	Mandatory	Core Assessed	PRI 2
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LEA 04.1 Indicate if you define specific objectives for your engagement activities.

Yes

- Yes, for all engagement activities
- Yes, for the majority of engagement activities
- Yes, for a minority of engagement activities

No

LEA 04.2 Indicate if you monitor the actions that companies take following your engagements.

- Yes
 - Yes, in all cases
 - Yes, in the majority of cases
 - Yes, in the minority of cases

LEA 04.3 Describe how you monitor and evaluate the progress of your engagement activities.

The objective of MFGAM's engagement is to enhance the certainty of long-term cash flow generation of investee companies. Management decision making is evaluated during the normal process of stock coverage.

- No

LEA 04.4 Additional information. [Optional]

Magellan maintains a log of ESG engagement activity, which details engagement undertaken on a quarterly basis.

Process for engagements conducted via collaborations

LEA 05

Mandatory

Core Assessed

PRI 2

LEA 05.1 Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.

- Yes
- No

LEA 06

Mandatory

Core Assessed

PRI 2

LEA 06.1 Indicate if the collaborative engagements in which you are involved have defined objectives.

- Yes
 - Yes, for all collaborative engagement activities
 - Yes, for the majority of collaborative engagement activities
 - Yes, for a minority of collaborative engagement activities
- No

LEA 06.2 Indicate if you monitor the actions companies take following your collaborative engagements.

- Yes
 - Yes, in all cases
 - Yes, in the majority of cases
 - Yes, in the minority of cases

LEA 06.3 Describe how you monitor and evaluate the progress of your collaborative engagement activities.

We review the action taken by the company in relation to the engagement issue following the engagement action. Engagement action on a collaborative basis is unusual but where it has occurred there were specific objectives involved.

- No

General processes for all three groups of engagers

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2
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LEA 10.1 Indicate if you track the number of engagements your organisation participates in.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<ul style="list-style-type: none"> <input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Collaborative engagements	<ul style="list-style-type: none"> <input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

LEA 10.2 Additional information. [Optional]

Since the 3rd quarter of 2014, Magellan has tracked its ESG engagement with investee companies and maintains an engagement log. Furthermore, Magellan records details of its proxy voting decisions.

Communication

LEA 15	Mandatory	Core Assessed	PRI 2,6
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LEA 15.1 | Indicate whether your organisation proactively discloses information on its engagements.

- We disclose it publicly
- We disclose it to clients and/or beneficiaries only

LEA 15.5 | Indicate what engagement information your organisation proactively discloses to clients/beneficiaries.

Engagement information disclosed

- Details of the selections, priorities and specific goals of engagement
- Number of engagements
- Breakdown of engagements by type/topic
- Breakdown of engagements by region
- An assessment of the current status of the engagement
- Outcomes that have been achieved from the engagement
- Other information

LEA 15.6 | Indicate how frequently you typically report engagements information

- Disclosed continuously (prior and post engagements)
- Disclosed quarterly
- Disclosed annually
- Disclosed every two years or less
- Other, specify
- We do not proactively disclose it to the public and/or clients/beneficiaries.

LEA 15.8 | Additional information. [Optional]

For certain institutional clients, Magellan discloses both the company and topic that it has engaged with / on on a quarterly basis. Magellan has undertaken this reporting on request.

(Proxy) voting and shareholder resolutions

Process

LEA 17	Mandatory	Descriptive	PRI 2
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LEA 17.1 | Indicate how you typically make your (proxy) voting decisions and what this approach is based on.

Approach

We use our own research or voting team and make our own voting decisions without the use of service providers.

Based primarily on

- our own voting policy
- our clients requests or policy
- other, explain

Where clients do not provide specific direction in regards to voting, Magellan's investment team carries out voting as it sees fit.

- We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.
- We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- We hire service provider(s) which make voting decisions on our behalf.

LEA 17.2	Additional information.[Optional]
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Magellan maintains a Proxy Voting Policy, the objective of which is to promote the economic interests of its clients. The company recognizes its fiduciary obligation to act in the best interests of its clients. As such, at no time will it use the shareholding powers it exercises, in respect of its clients' investments, to advance its own commercial interests against those of its clients, to pursue a social or political cause that is unrelated to its clients' economic interests, or to favour a particular client or other relationship to the detriment of any other.

Magellan will elect to exercise its voting rights when it has the authority and when it deems it appropriate to do so.

Magellan keeps records of its proxy voting activities, directly or through outsourced reporting.

The implementation of Magellan's voting policy is subject to direction from its institutional clients. The company will periodically report on proxy voting activities relating to investments owned by institutional clients unless reporting requirements are otherwise explicitly described in the client's Investment Management Agreement.

LEA 21	Mandatory	Core Assessed	PRI 2
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LEA 21.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
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- Yes, in most cases
- Sometimes, in the following cases:
 - votes in selected markets
 - votes on certain issues (all markets)
 - votes for significant shareholdings (all markets)
 - other, explain
- No
- Not applicable as we and/or our service providers do not abstain or vote against management recommendations

LEA 21.2	Additional information. [Optional]
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Magellan's analysts communicate with the management of investee companies on proxy voting issues when it deems it appropriate to do so.

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
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LEA 22.1	For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
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We do track or collect this information

	Votes cast (to the nearest 1%)
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	%
--	---

85

	Specify the basis on which this percentage is calculated
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- of the total number of ballot items on which you could have issued instructions
- of the total number of company meetings at which you could have voted
- of the total value of your listed equity holdings on which you could have voted

LEA 22.2	If there are specific reasons why you did not vote certain holdings, explain these, and if possible, indicate the percentage of holdings affected by these factors. [Optional]
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Figures are calculated on MFGAM's proxy voting over the period 1 January 2014 to 30 November 2014. Voting is not undertaken where it is considered that voting is not in the interests of investors. For example, in investment markets where share blocking prevails we do not vote our underlying holdings as this would prevent us from making investment decisions on a discretionary basis.

We do not track or collect this information

Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6
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LEA 26.1	Indicate if your organisation proactively discloses information on your voting activities.
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- We disclose it publicly
- We disclose it to clients/beneficiaries only
- We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

Reporting on proxy voting is agreed on a client-by-client basis.