Milford 2024

Engagement Activities & Outcomes Report

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Engagement Activities & Outcomes Report December 2024

Milford is proud to be a founding signatory of Aotearoa New Zealand's Stewardship Code, signifying our commitment to effective stewardship. This Engagement Activities and Outcomes report provides information on most aspects of our alignment with the Stewardship Code principles. See appendix for mapping of our disclosures against the principles of the Code.

Introduction

Engagement is how Milford plays a proactive role in driving the transition to a more sustainable future.

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

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

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

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

Proxy Voting

Engagement

Stewardship

Our Philosophy

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

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

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

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

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

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

Our Sustainability Approach

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

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

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

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

The Exclusions Gate

Adherence to our ESG Exclusion List.

Sustainability Analysis

In depth analysis of every company we invest in.

Good Stewardship

Engagement and proxy voting to drive change.

How We Engage

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

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

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

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

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

Stewardship Principles

These principles guide our stewardship activities at Milford. They reflect the research we have undertaken into the most effective way to achieve the sustainable transition. Our Core Principles underpin our stewardship activities and the long-term objectives we aim to achieve. Our Environment, Social and Governance principles inform the specific outcomes we push for through stewardship actions focused on those topics.

Core Principles

We believe in driving change, not simply avoiding harm.

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

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

Stewardship Principles

Environment

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

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

Protecting ecosystems and biodiversity is key to the sustainable transition. We expect companies to prioritise their broader impacts and dependencies on the natural environment, including their management of pollution, water and waste.

Social

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

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

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

Governance

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

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

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

Overview of Engagement Approach

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

1 Proactive engagements

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

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

2 Reactive engagements

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

3 Active proxy voting

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

4 Collaborative engagements

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

5 Policy engagements

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

Strategic Engagement Process

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

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

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

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

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

Milford Escalation Framework

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

Indicative Timeframe

6-12 months

1

Trigger
No / dismissive response from company personnel.

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

2

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

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

Indicative Timeframe

12-24 months

3

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

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

4

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

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

Engagement Targets

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

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

1. Fossil fuels

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

2. High emitters

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

3. Social harm

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

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

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

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

Engagement Targets

Energy sector

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

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

Santos: Oil & gas exploration, production & marketing

Viva Energy Australia: *Oil refining, importing and sales*

Karoon Energy: Oil & gas exploration & production

Amplitude energy: Oil & gas exploration & production **formerly Cooper Energy*

Whitehaven: Coal mining

beach: Oil & gas exploration & production

Channel: Fuel import terminal

NexGen Energy Ltd: Uranium mining

*Ampol Ltd and Mermaid Marine Australia Ltd are not included in our Energy sector engagement target for the reporting period as we have no current exposures to these companies. We will continue to monitor these names and, where appropriate, initiate engagements once we have sufficient holdings.

Top 5 highest emitters excluding Energy

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

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

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

South32: Metals & mining

agl: Gas & electricity generator & retailer

origin: Electricity generator & electricity & gas retailer

BHP: Metals & mining

BlueScope: Steel production

Engagement Targets

Top 5 Social Harm and Modern Slavery exposed Companies

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

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

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

FOLEY WINES

Wineries & hospitality

EST 1947 DELEGAT

Wineries

ARISTOCRAT

Gaming

LIGHT & WONDER

Gaming

JUMBO

Gaming

Strategic Engagement Schedule

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

Energy Sector Engagements

Company	Engagement Priorities	Status and outcomes	Next steps
Santos Limited	Set scope 3 emissions reduction target linked to carbon capture and storage. Improved disclosure on carbon capture and storage projects.	Milford is co-lead of Climate Action 100+ engagement. Some disclosure recommendations adopted.	Continued advocacy for Scope 3 target.
Whitehaven Coal	Establish emissions reduction targets and improve disclosures.	Recommendations made with limited take up.	Await outcomes from escalation to the Chair.
New Hope	Establish emissions reduction targets and improve disclosures.	Recommendations made and improved emissions disclosure adopted.	Focus on development of Scope 1 and 2 target.
Karoon Energy	Strengthen emissions reduction targets and methane minimisation commitment.	Recommendations made. Meeting with Chair in April 2024.	Monitor for adoption of recommendations in February 2025 sustainability disclosures.
Viva Energy Group	Improved disclosures and inclusion of sustainability in remuneration.	Recommendations made and followed up in meeting with the Chair in May 2024.	Review updated disclosures for adoption of recommendations and re-engage with company.
Amplitude Energy (FKA Cooper Energy Ltd)	Establish emissions reduction targets, quantify impact of decarbonisation initiatives.	Initial meeting undertaken and broad recommendations formed.	Follow up meeting post-October 2024 sustainability report.
Beach Energy Ltd	Increased target rigour and ambition, development of CCS project in Moomba.	Initial meeting undertaken and broad recommendations formed.	Set follow up meeting ahead of August 2025 sustainability report.
Channel Infrastructure NZ Ltd	Scope 3 emission reduction target, SAF expansion strategy.	Initial meeting undertaken, company demonstrated commitment and progress against engagement priorities.	Final recommendations set and engagement on hold as company continue to deliver on strategy.
Nexgen Energy Ltd	Remote site fossil fuel consumption, responsible supply chain and hazardous waste management.	Engagement priorities determined.	Initiate strategic engagement.

Top 5 Highest Emitters excluding Energy

Company	Engagement Priorities	Status and outcomes	Next steps
AGL Energy Limited	Coal-fired power station retirement and renewable energy generation strategy.	Initial meeting undertaken and engagement priorities communicated.	Monitor for increased disclosure on Loy Yang coal mine and ongoing advocacy for coal replacement strategy.
Origin Energy Limited	Alignment with stated targeted emissions reductions and renewable energy generation strategy.	Milford is participating in Climate Action 100+ engagement. Initial meeting complete and recommendations to be shared.	Monitor for adoption of recommendations in 2025 CTAP.
BHP Group Ltd	To be determined with collaborative engagement group.	Milford is participating in UNPRI SPRING Nature engagement.	Initial meeting of engagement group set for early 2025.
Bluescope Steel Ltd	Adoption of low-emission steel manufacturing technologies in EAF or hydrogen technology.	Milford is participating in Climate Action 100+ engagement.	First meeting with existing engagement group set for early 2025.
South32 Ltd	Strengthening of interim target to include Scope 3 emissions. Commitment to coal phase out timeline and specific methane targets.	Engagement priorities determined.	Initiate strategic engagement.

Top 5 Social Harm and Modern Slavery

Company	Engagement Priorities	Status and outcomes	Next steps
Aristocrat Leisure	Wider roll-out of harm prevention tools. Investment in harm behaviour identification.	Roll-out of harm prevention tools in EGMs and early behaviour intervention tools in online gaming.	Monitor for continued roll-out, meeting set post-Sustainability Report release in December 2024.
Delegat Group	Development of low alcohol alternatives. Social media and marketing alignment with best practice Improving label disclosures and responsible drinking resources.	Recommendations made and follow-up engagement meeting taken place in May 2024.	Reiterate recommendations and monitor progress.

Top 5 Social Harm and Modern Slavery cont.

Company	Engagement Priorities	Status and outcomes	Next steps
Foley Wines	Development of low alcohol alternatives. Social media and marketing alignment with best practice	Recommendations made and follow-up engagement meeting taken place in July 2024.	Reiterate recommendations and monitor progress.
Jumbo Interactive	Investment in harm behaviour identification, data security and voluntary responsible gaming tools.	Informal engagements undertaken.	Initiate strategic engagement.
Light and Wonder	Expansion of harm prevention tools. Investment in harm behaviour identification and intervention.	Informal engagements undertaken.	Initiate strategic engagement.

Other Engagements

Company	Engagement Priorities	Status and outcomes	Next steps
Fletcher Building	More explicit divisional decarbonisation targets and action to meet them disclosed.	Re-engaged in March 2024 to discuss current targets, plans and constraints.	Provide recommendations for discussion with management following new decarbonisation target, due in December 2024.
Macquarie	Provide disclosure of indirect exposures to fossil fuels.	Engagement issue indirectly resolved by Macquarie's divesture of fossil fuel assets.	Engagement closed.

Whitehaven Coal

Engagement issues: **Fossil Fuels**
Type of engagement: **Proactive - strategic**
Engagement Focus: **Carbon Reduction Target, Improved GHG & Capital Allocation Disclosures**

We have been engaging with Australia-based coal producer Whitehaven Coal since early-2023. Our current focus is encouraging the business to disclose its full GHG emissions footprint (including scope 3 emissions), set a decarbonisation target and disclose to investors how potential carbon taxes are integrated into capital allocation decisions. We believe these priorities will help the company and its investors assess the climate risk in Whitehaven's operations and encourage transition planning.

Some major changes have taken place for Whitehaven Coal during our engagement process. First, the reformed Safeguard Mechanism was introduced on 1 July 2023. This legislation requires Australian facilities that emit more than 100,000 tonnes of carbon dioxide (CO2) equivalent per year to reduce GHG emissions intensity on a trajectory consistent with Australia's emission reduction targets of 43% below 2005 levels by 2030. Two of Whitehaven Coal's coal mines were captured by the Safeguard Mechanism, and we were pleased that Whitehaven has set an overall target to reduce its scope 1 emissions intensity by 42% by 2030, in line with its Safeguard Mechanism requirements.

However, in late 2023, Whitehaven Coal bought two large metallurgic coal mines, transforming the size of its portfolio. Prior to the acquisition, Whitehaven owned predominantly thermal coal mines, a coal predominantly used for electricity generation and with higher carbon intensity than metallurgic coal, which is typically used for steel making. While the acquisition reduced Whitehaven's overall GHG emissions intensity, the company also reduced the ambition of its carbon reduction target to a 32% reduction by 2030, reflecting the lower reduction requirement of its two new mines. Further, Whitehaven Coal does not anticipate reporting its scope 3 GHG emissions until it is required to do so by Australian legislation in 2027.

As a result, we have triggered the first step of our Escalation Framework. We met the Chair of Whitehaven in November 2024 to reiterate our engagement priorities and discuss the Board's motivation to accelerate its climate priorities. Whitehaven are continuing to actively engage with us, and we await the outcomes of our discussion with the Chair to determine our next actions.

New Hope Corporation

Engagement issues: **Fossil Fuels**
Type of engagement: **Proactive - strategic**
Engagement Focus: **Carbon Reduction Target, Improved GHG & Capital Allocation Disclosures**

New Hope is a small Australian coal miner we have been engaging with since early 2023. Similar to Whitehaven Coal, New Hope does not have a plan to transition its business away from coal mining and relies on the lower emissions intensity of its coal relative to South-East Asian producers to future proof its business. The targeted outcomes for our engagement with New Hope were again similar to Whitehaven Coal – encouraging the business to disclose its fullGHG emissions footprint (including scope 3 emissions), set a decarbonisation target and disclose to investors how potential carbon taxes are integrated into capital allocation decisions.

Pleasingly, New Hope disclosed its full scope 3 emissions, including the historic trend, in its most recent sustainability report. This provides the company and investors with a more complete picture of New Hope's GHG climate risk and the ability to compare its emission profile with other sources of energy generation. In addition, New Hope provided further detail on its initiatives to reduce its direct GHG emissions, including a high-level view of the expected reduction in emissions from its initiatives. This disclosure allows investors to understand the quantum of emission reductions New Hope is targeting, further enhancing the ability to assess climate risk.

Unfortunately, New Hope has yet to set an emissions reduction target. Its coal mines are not large enough to be captured by the Safeguard Mechanism and the company has not set a voluntary target. We have a follow-up meeting scheduled with New Hope to encourage it to set an emissions reduction target to demonstrate commitment to the future transition of its business.

AGL Energy

Engagement issues: **Decarbonisation**
Type of engagement: **Proactive - strategic**
Engagement Focus: **Decarbonisation Targets & Disclosures**

AGL Energy is an Australia-based generator and retailer of electricity and gas for residential and commercial use. It operates Australia's largest electricity generation portfolio, supplying approximately 20% of the country's electricity, and is the highest emitting company in Australia. The majority of AGL's emissions profile and electricity generation is attributable to its coal assets. As such, it is critical for AGL to progressively transition away from these assets while maintaining energy security in Australia through expanding its renewable energy portfolio and pursuing energy storage opportunities.

The focus of Milford's initial engagement with AGL is on AGL's Climate Transition Action Plan (CTAP), with a key action of raising the ambition of decarbonization targets for next year's CTAP. This includes setting a Scope 3 emissions reduction target, expanding renewable capacity targets, and establishing clear goals for the closure and remediation of the Loy Yang Mine.

We are supportive of AGL's efforts to expand its battery infrastructure and increase near-term capacity, as we believe the addition of firming capacity is critical to meeting their customers' needs as the company moves away from coal generation.

Milford encouraged increased focus on the Virtual Power Plant (VPP) business, a critical growth area in Australia, where about 11% of electricity is generated by residential solar systems. AGL, a leader in the VPP space, has made strategic acquisitions to strengthen its market position and capture new opportunities in this segment.

We commended the notable progress that has been made in lowering the capacity factor of AGL's two remaining coal-fired power plants. However, we encouraged AGL to establish a realistic trajectory for further reductions by the decade's end, in line with Australian government requirements to keep these plants operational.

We are supportive of the progress AGL has made in addressing their emissions in recent years, and we will continue to engage with AGL to push for the adoption of our recommendations for their forthcoming CTAP, encouraging them to adopt strengthened targets and disclosures which can demonstrate AGL's progress against their transition ambitions.

Origin Energy – Climate Action 100+ Group Engagement

Engagement issues: **Decarbonisation**
Type of engagement: **Proactive - strategic**
Engagement Focus: **Decarbonisation Targets & Disclosures, Methane Emissions Management**

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

Milford has joined the Origin Energy collaborative engagement group as we believe we can bring significant experience gained from previous engagements with Australian utilities and oil and gas companies. In turn, insights gained from collaborative engagements can assist in our future engagements and broader sustainability knowledge.

As Origin refines its decarbonization strategy, the key focus of the engagement group is on the need for an updated CTAP in 2025. Key asks include an update on Origin's renewables and storage capacity and Virtual Power Plant commitments, with a call to increase the ambition of targets across these elements. The group also requested clearer plans for the post-2030 period, as the current CTAP only extends to 2028. In terms of disclosure, we requested more insight into how carbon pricing is factored into Origin's investment criteria, alongside further details on plans to decarbonize the integrated gas business and gradually phase out gas operations toward 2050 in the next CTAP.

Regarding methane emissions management, the group encouraged Origin to enhance the integrity of its methane management by increasing site-specific monitoring, reducing reliance on generic emissions estimates, and aligning its disclosure with the guide set by the UN Oil and Gas Methane Pledge 2.0. As the operator of the APLNG joint venture, we urged Origin to advocate within the partnership for more aggressive methane reductions, as its operational role presents potential reputational risks amidst evolving methane monitoring standards.

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

Foley Wines

Engagement issues: **Social Harm**
Type of engagement: **Proactive - strategic**
Engagement Focus: **Sustainability Strategy, Addressing Alcohol-related Harm**

Foley Wines is a premium beverage and hospitality group whose portfolio includes some of Aotearoa New Zealand's leading vineyards and well-renowned restaurants. Milford initiated an engagement with Foley Wines as a manufacturer of alcoholic beverages, an activity we identify as presenting risk of social harm. We undertake these engagements to encourage our portfolio companies to consider these potential risks, and ensure they are operating in a manner that represents best practice operations in order to minimise potential harm.

Foley prides itself on its premium offerings, and as a result is in a lower risk category than brands targeted to higher risk groups. The company considers itself to offer a 'complete dining experience', and positions its brands to advertise high-quality food and drink to be enjoyed together at their venues and events. This marketing strategy is aligned with the best practice recommendations of the International Alliance for Responsible Drinking (IARD). During our meeting, we recommended that Foley tighten the access restrictions of their social media to ensure that access was denied to anyone under the legal drinking age.

Milford also encouraged Foley to consider the expansion of their range into low- or no-alcohol options, alongside their current range. Whilst acknowledging the demand in that market, they explained the technical production challenges they would face as a smaller company attempting to expand into this product line whilst maintaining premium quality. Production of low-alcohol wines requires significant investment into process equipment, and significant expertise to produce a quality product. Foley would rather address these options through their hospitality offering, ensuring they partner with high quality no-alcohol beverage brands.

Mineral Resources

Engagement issues: **Controversies**
Type of engagement: **Reactive**
Engagement Focus: **Corporate Misconduct & Governance**

In October 2024, a media report exposed claims that Mineral Resources, an Australian mining services company, had made payments to offshore entities connected with its Managing Director, Chris Ellison, for mining equipment at inflated prices. In addition, the media claimed Mr Ellison had self-reported significant unpaid tax obligations to the Australian Taxation Office.

At Milford, we use our Controversy Matrix to assess the appropriate response to unexpected breaches of environment, social or governance standards. This Matrix assesses the harm caused by the controversy, the company involvement and response, plus the potential for any poor practices embedded in the company that could cause ongoing risk to shareholder returns.

In this case, we deemed the Mineral Resources controversy to be Severe. In particular, the Managing Director is in a position of significant influence at the company and had potentially used the company for his own benefit ahead of employees and shareholders. In addition, the Board was allegedly made aware of the issues over a year prior to the media report and did not appear to have taken any action as a response, nor informed shareholders. As such, we have sold our positions in Mineral Resources and placed the company on our ESG Exclusion List.

Severe controversies are unusual across our holdings. We assess the environmental, social and governance credentials of the companies we invest in as part of our process to identify any ESG issues. Further, we prefer to engage rather than divest to drive improvement rather than simply avoid harm. However, events can take place that breach our minimum standards for investment and bring undue risk to shareholders. In these cases, we will sell our holdings and restrict investment in that company to protect the risk and return of the Milford Funds.

We will review the governance of Mineral Resources on an ongoing basis and remove the company from the ESG Exclusion list if we believe the identified issues have been appropriately addressed.

Spark

Engagement issues: **Policy**
Type of engagement: **Reactive**
Engagement Focus: **Capital Management**

Milford has a proud history of investing in New Zealand companies and is committed to promoting and supporting local financial markets as an active investor. We believe encouraging best practice from New Zealand listed companies will help these businesses compete for capital in global financial markets.

To this end, we recently engaged with Spark on the company's strategic focus and capital allocation policy. As large and long-term shareholders in Spark, we are attracted to the company's defensive earnings stream that can offer a stable and growing dividend underpinned by its core telecommunications business. We were concerned that recent capital management decisions, in particular the investment in data centres, was compromising this investment case. In addition, recent operational performance and declines in free cash flow have seen the share price fall 44% in the first 10 months of 2024. In our engagement, we recommended that Spark focus on its core business by undertaking a strategic review of its investment in data centres and other technology ventures and improve its accountability to shareholders by explicitly targeting free cash flow and incentivising management on the same metric.

At its AGM in October, the Spark Chair announced a focus on "resetting performance in [the] core" and a strategic review of non-core assets. We are pleased with this outcome but will continue to promote the use of explicit free cash flow targets and the alignment of management incentives to ensure the business remain focused on its key competitive advantage and delivering strong returns to its shareholders.

Sustainable Finance Strategy Consultation

Engagement issues: **Policy**
Type of engagement: **Policy**
Engagement Focus: **Sustainable Finance**

In September 2024, the New Zealand Government announced that it is developing a sustainable finance strategy in partnership with the Centre for Sustainable Finance. The strategy aims to increase the flow of domestic and international capital to sustainable and transition opportunities by providing clarity on the Government's priorities and guiding related areas of work.

As one of New Zealand's largest active managers, with a four-person Sustainable Investment team, we provided input into the consultation process undertaken by the Centre for Sustainable Finance. We stressed the need for New Zealand to have a green taxonomy that is interoperable with other global jurisdictions, a clear regulatory framework and the ability to offer appropriate risk-adjusted returns to attract capital to sustainable finance opportunities.

We will continue to work with government, regulators and industry bodies at every opportunity as we believe it will require strong and coordinated policy to drive the change to a more sustainable future.

Appendix – Alignment with NZ Stewardship Code

All referenced sources are available on our webpage: https://milfordasset.com/about-us/sustainable-investing

Principle	Description	Evidence
Be committed	Signatories will establish and publicly articulate how their investment philosophy, governance structures and resourcing support the goals of effective stewardship.	Pg. 4 Climate Statements (March 2024), pg. 8-12 Sustainability Statement, pg. 6
Establish and maintain policies	Signatories will develop and implement measurable and effective stewardship policies.	Pg. 5, 9-12
Incorporate material ESG matters	Signatories will incorporate material ESG matters into their investment decisions and stewardship practices.	Pg. 5, 7-8
Be engaged	Signatories will engage regularly and effectively with underlying asset managers, issuers, and other key stakeholders.	Pg. 6, 9-12
Vote responsibly	Signatories will exercise voting rights in accordance with their investment mandate, and regularly and transparently disclose voting actions and outcomes.	Sustainability Statement, pg. 19 VDS Proxy Voting Dashboard
Manage conflicts of interest	Signatories will endeavour to avoid any conflict of interest that does not put the best interests of their clients and beneficiaries first and explain their approach to managing any conflicts of interest that arise.	Sustainability Statement, pg. 26
Collaborate and advocate for change	Signatories will work collaboratively to amplify investor influence on ESG matters with issuers, policymakers, index providers, standard setters, and other key stakeholders.	Pg. 9, 21, 25
Measure and report	Signatories will regularly measure and publicly report on their actions to support stewardship and demonstrate how these have contributed to the goals of effective stewardship.	Pg. 16-26
Educate and improve	Signatories will work to improve their clients' and beneficiaries' awareness of stewardship, improve their internal capabilities, and provide resources to deliver impactful stewardship.	Sustainable Investing webpage Milford Blog

ENGAGEMENT ACTIVITIES
& OUTCOMES REPORT 2024

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