

Environment, Social & Governance Investment Policy

Bennelong Australian Equity Partners

October 2009

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Introduction

1. Bennelong Australian Equity Partners Pty Ltd (BAEP) operates as a joint venture with Bennelong Funds Management Ltd (BFM). BFM is the AFSL holder and is a signatory to the United Nations 'Principles for Responsible Investment' (UNPRI). BFM encourages each of its joint venture partners to develop and apply its own Environmental Social and Governance (ESG) Policy respecting the UNPRI's overarching principles. This policy is implemented by BAEP and monitored by both its senior management and the BFM Compliance Committee.

Our ultimate objective is social benefit

2. Bennelong Funds Management was established by the Bennelong Group, whose ultimate objective is summarised through its mission and vision statements:

Mission

To be an iconic organisation that grows and self-perpetuates, providing careers and challenges for successive generations of management teams, and generating income through time for the philanthropic Foundation.

Vision

To be active owners of significant businesses building value through our outstanding people, disciplined management and strong capital base, and; contributing to positive and lasting change in our community

3. Most importantly, all profits generated by Bennelong Funds Management pass through to the Bennelong Group and ultimately the Bennelong Foundation. The Foundation distributes a percentage of its assets annually to a range of charities.

The Bennelong Foundation

4. The Bennelong Foundation was founded in 2002 by the Bennelong Group. It was established with the intent to allow its founders to provide funds and resources to charities and worthy causes in selected areas of interest and to provide opportunities for people within the Bennelong Group to participate on an individual or group basis.
5. The Foundation's mission is: "To enhance community wellbeing and provide opportunities for positive and lasting change through partnering pro-active social ventures".

For more information, please refer to www.bennelong.com.

Bennelong Australian Equity Partners ESG

6. Bennelong Australian Equities Partner's recognises that environmental, social and governance (ESG) issues may affect investments managed on behalf of its clients. As an investment manager, BAEP is required to assess and manage all foreseeable risk factors. In this context, we consider ESG as a risk factor in the overall risk/reward assessment of an investment.
7. Our broad approach to managing ESG risk has been to establish several policies, including proxy voting and engagement policies. In addition, we support the United Nations Principles of Responsible Investing (UNPRI), which is a set of six principles that facilitate the integration of ESG into mainstream investment practices.

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8. BAEP's general ESG investment beliefs are:
 - **the fiduciary duty to investors is our foremost concern.** Appropriate ESG investment activities will be explored, but not be undertaken at the expense of our fiduciary duty;
 - **we remain realistic and sincere in our approach.** We acknowledge that ESG issues can have global consequences, and that our direct actions have the power to impact the broader investment sector. What's more, we understand that:
 - ESG can have an impact on investment propositions;
 - ESG investment considerations will develop over time;
 - evolution within BAEP's investments will be progressive; and
 - rather than an 'exclusionary' approach, **we have an 'engagement' approach towards ESG.**
9. The following is an overview of BAEP's key ESG policies:
 - UN Principles for Responsible Investing (UNPRI);
 - Engagement Policy; and
 - Proxy Voting Policy.

UN Principles for Responsible Investing (UNPRI)

10. In December 2008, BFM commenced the process to become a signatory to the UN Principles for Responsible Investing (UNPRI). In addition to this, BFM has engaged the services of a specialist consultant who was the sole Australian representative engaged by the UN to develop the UNPRIs.

What does this mean?

11. The objective of the UNPRI is to develop and implement a set of global principles that facilitate the integration of Environmental, Social and Governance (ESG) issues into mainstream investment practices.
12. The Principles were an initiative of the UN Secretary-General and developed by large institutional investors. The six Principles can be applied across all sectors of the fund's portfolio and provide guidance on key challenges.
13. The Principles state they are voluntary and aspirational and designed to enhance long-term benefits throughout the investment sector. It is not to be used as a screening purpose but as a tool for ESG engagement.

Six principles

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

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Bennelong and UNPRI

15. The UNPRI's are based on the premise that ESG issues can affect investment performance and that appropriate consideration of these issues is part of managing an investment portfolio. The Principles are a tool that will help lead to a greater understanding of ESG issues and a way of managing ESG risk. The outcome should be enhancement and protection of our clients' interests.
16. BAEP already complies with a number of the UN Principles and, in addition, has developed a UNPRI 'action list' that will be gradually worked through over time.
17. More information can be found at www.unpri.org.

Engagement Policy

18. In addition to voting, BAEP may enter into dialogue with a company to voice concerns in relation to actions or directions a company is taking in relation to performance, corporate governance and other matters effecting shareholders interests.

Proxy Voting Policy

Policy on proxy voting and corporate governance

19. BAEP's overriding objective, as an investment manager is to maximise fund returns in line with clients' objectives, subject to an acceptable level of risk. This policy, including the advancement of corporate governance, will be applied in the context of this overriding objective. The exercise of voting rights is only one aspect of BAEP's investment management process. We also participate in and influence corporate decision-making in other ways. For example, we regularly communicate with the senior management of companies to discuss investment performance.
20. BAEP's aim when exercising voting rights is to review all shareholder resolutions on a case-by-case basis, and to vote on all resolutions, regardless of materiality, where it has the authority and responsibility to do so.
21. While BAEP tends not to become involved in the day-to-day management issues of companies, we do exercise our voting rights to ensure that companies act in the best interest of their shareholders and, in appropriate cases, in order to improve corporate governance.
22. In exercising our voting discretion, BAEP may take into account the following:
 - the size of its shareholding and the likelihood that exercising voting rights will influence the outcome of the resolution;
 - the nature of the issue;
 - the advantage which may result from exercising voting rights including whether it will advance investment objectives;
 - any client instructions as to exercising voting rights, whether for particular companies or particular issues;
 - possible actions which may be taken instead of, or as well as, exercising voting rights, such as liaising with management or taking steps to initiate shareholder legal action; and
 - other legal and ethical considerations, such as whether there may be any actual or potential conflict of interest in exercising voting rights.

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23. BAEP's senior management review any proposed action. This includes circumstances where BAEP joins with other shareholders to take collective action or where the action will generate significant media interest.

Benefits

24. By delegating voting power to BAEP, a client can achieve the following benefits:
- consistency in the exercise of voting power with other investment objectives;
 - benefit from BAEP's expertise in determining whether issues being voted on may affect investment returns and are consistent with other investment objectives;
 - rely on BAEP to overcome practical difficulties in exercising voting rights, including monitoring holdings and forming views on each issue within a limited time; and
 - contribute to higher standards of corporate governance by the disciplined and consistent implementation of BAEP's voting policy.

Clients' instructions and consultation

25. The implementation of BAEP's voting policy is always subject to directions from our clients.
26. Generally, BAEP does not seek the views of clients before exercising a vote or initiating shareholder action as to individual issues. This is due to the time constraints usually experienced in exercising proxy votes. This can arise from the number of resolutions to be considered in a diverse portfolio, the number of clients and the often-routine nature of many voting issues.
27. Some clients will from time to time direct BAEP on specific issues and we will implement that direction to the extent that it is able. Where clients wish to provide direction to BAEP, the client is responsible for communicating any voting preferences.
28. Wherever possible BAEP will endeavour to liaise with any client that has a substantial investment in an entity where an issue has become contentious.

Reporting to clients

29. BAEP keeps a register of how proxy votes are exercised. Information will be supplied to clients in accordance with their requirements. Any non-compliance with a client voting instruction is automatically reported.
30. Our proxy voting register may be requested by contacting our client services or via our website, www.bennfundsmanagement.com.au.

Implementation

31. Clients need to ensure their custody arrangements require the custodian to inform BAEP of resolutions on a timely basis and to implement BAEP's directions as to the exercise of voting rights. If necessary, these arrangements will need to deal with how the custodian will exercise voting rights when it receives directions to vote differently, on different issues, from different clients. Clients also need to be aware that when they request the custodian to vote, the costs of voting in this instance will be borne by the client.

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Voting by pooled investment vehicles managed by BAEP

32. Investors in pooled investment vehicles managed by BAEP do not have a direct interest in the particular securities held by the vehicles. Voting rights are exercised by the Manager for such securities, subject to any restrictions in the documentation. Accordingly, such investors do not have the right to direct how these voting rights are exercised.

Voting decisions

33. Every quarter, the list of decisions for the past quarter is to be posted on the website. This process will begin in 2010.

Matters on which BAEP votes

34. BAEP votes on all voting matters, in relation to listed ASX 300 Australian companies only, including:
- employee/director remuneration;
 - appointment of Directors;
 - auditor appointment and independence;
 - changes to capital structures that may affect shareholder value;
 - voting rights among shareholders;
 - significant issues that concern social or environmental matters;
 - resolutions proposed by shareholders rather than by the Board;
 - where BAEP holds more than 5% of the shares in the listed company; and
 - where a material conflict could exist in relation to the company or subsidiary.

Please note that BAEP's joint venture partner Bennelong Funds Management (BFM) is a signatory of the UNPRI. BFM will be a signatory on behalf of BAEP.

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