Ausbil Dexia Limited

ABN 26 076 316 473 - AFSL 229722

ESG DISCIPLINES

January 2010

A member of the Dexia Group
Ausbil Dexia Limited
Level 23
207 Kent Street, Sydney, NSW 2000
email: ausbildexia@ausbil.com.au
Web: www.ausbil.com.au

AUSBIL'S ESG PHILOSOPHY AND IMPLEMENTATION

As institutional investors, Ausbil Dexia has a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these principles may better align investors with broader objectives of society.

In parallel to our responsibilities as an institutional investor, Ausbil management believes that it is incumbent upon the Company to consider its own behaviour in a similar light. As such, we operate under the following principles/policies (the application of ESG disciplines in the investment process is covered in the following section).

ESG Policy
Ausbil has developed a corporate ESG policy consistent with the principles applied within our investment processes. Our ESG disciplines also incorporate the underlying approach used by Dexia Asset Management in their sustainability analysis.

Engagement Policy
Whilst Ausbil does not have specific policies in relation to company engagement, we do however comprehensively engage individual corporates on both positive and negative practices, strategies and directions for change. We seek to influence management practices by initiating relevant and effective discussions whenever appropriate.

The engagement with companies is not a specific policy, but part of an equity analysts' and portfolio managers' role during initial due diligence and on-going monitoring of company performance. Any items of concern will be raised during these meetings.

Proxy Voting Policy
Ausbil has long operated under a formal Corporate Governance Policy. Ausbil see voting as an important part of its fiduciary duties. In the absence of any other guidance or in any instance whereby voting authority has been delegated by the client in writing, we will direct votes in a manner consistent with the investment interests, objectives, and particular preferences, if stated or known, of the investor.

ESG RESEARCH DISCPLINES IN THE AUSTRALIAN EQUITY PROCESS

History and Background
All Ausbil staff, including senior management and investment professionals, participated in annual offsite workshops in both 2007 and 2008 that provided comprehensive overviews of both the UN PRI and the Enhanced Analytics Initiative. The integration of ESG disciplines has been an ongoing feature of our regular Equity Process Forum whereby all investment professionals discuss (and monitor the progress of) any enhancements to the investment process. Led by senior members of the investment team, the Equity Process Forum has been the key medium for the establishment of our internal ESG philosophy and analytical methodology.

Through our association with Dexia Asset Management, Ausbil has garnered a comprehensive understanding of ESG analysis through the free exchange of SRI research papers and annual site visits to Brussels to meet with Dexia's ten-strong dedicated sustainability analyst team. Within Australia, we have additional in-house expertise through our Investment Specialist, Global, who represents Dexia's ESG capabilities in the Australian market.

Investment Process Application

Ausbil's investment process considers macro-economic, investment market and sector dynamics and developments. We are therefore well placed to include any additional macro developments such as Climate Change issues or the Government's Carbon Pollution Reduction Scheme (CPRS) into our exiting investment process as this scheme market develops and evolves. In addition, each analyst is monitoring their sectors and stocks, using our relative earnings based assessments. That is, we are able to review any potential scheme as it affects the earnings of individual companies.

Formal consideration of ESG factors is undertaken at an analyst level relating to the company being analysed. This data is sourced from our fundamental company visitation schedule, industry associations, government regulators and ESG research specific agencies. Ausbil also encourage ESG research from brokers via a meaningful weighting within our broker panel review matrix.

Within the framework for company analysis, we also believe that a company's understanding of and adherence to relevant ESG issues is an important indicator to the quality and the durability of that company (and hence its earnings profile). It also allows us to form a view on the company's potential to identify, manage and monitor opportunities and risks that can have serious impacts to both short and long term earnings; for instance compliance/litigation avoidance, reputation risk, product innovation and improved business processes. In addition, an increasing focus on ESG issues by the institutional investment community is likely to see such metrics priced into company valuations (and sentiment), which presents additional value adding opportunities for analysts who can identify these at an early stage.

The key ESG considerations Ausbil has incorporated into our investment process framework is outlined below:

PROCESS STAGE	ESG ELEMENT
MACRO ANALYSIS	▪ "Emissions specialist" analysis responsibility (G.Petroni) – Climate change issues – Carbon trading/taxes – Effects on market earnings/pricing
SECTOR ANALYSIS	▪ Potential for major structural change – Alternate energy sources (eg. wind farms) – Agriculture business dynamics – Industry specific emissions schemes
STOCK SELECTION	▪ Analysis of ESG influences on earnings drivers ▪ Active voting and selective engagement ▪ ESG scoring in FERRET ranking model
PORTFOLIO CONSTRUCTION	▪ Broker voting matrix includes a rating for ESG research

Resourcing

The nature of infusing ESG disciplines into the process is such that all team members are effectively responsible for ESG research.

That said, we have specifically appointed one of our equities analysts, Graeme Petroni, as Ausbil's internal macro expert on greenhouse gases emissions and emissions trading. This internal expertise is then utilised by all members of the team when considering impacts on their individual stocks and sectors. In addition, a member of the Portfolio Construction Committee, Adam Dixon, is specifically responsible for voting and Corporate Governance matters. We also have an internal Corporate Governance Committee.

Proxy Voting Procedures

Our overarching policy is to vote in favour of agenda items unless an item is unclear or contentious. Depending on the extent to which a resolution will have a damaging effect on the long-term interests of the shareholders, we abstain or vote against the item put forward by the Board(s). In general, we abstain on items where there is no clear-cut answer concerning the detrimental impact of the resolution or where its impact is fairly negligible. Prior to recommending a vote, Ausbil ensures that we have obtained all the information it requires to justify its decision. Where there is not enough information, we ask the company for more. A lack of response will lead - depending on the significance of the impact of the voting item - to a recommendation to abstain or to vote against.

In voting decisions, where relevant, we examine and consider the recommendations of independent third parties but nevertheless retain full independence when casting votes. Ausbil's voting policy is regularly assessed at the meetings of the Corporate Governance Committee, which has the power, where necessary, to alter the proxy voting policy, and/or the way it is applied.

Ausbil currently provides clients with Voting Activity reporting upon request or as agreed to within the terms of the Investment Management Agreements. As an institutional asset manager, Ausbil is flexible in its reporting requirements and is able to work closely with clients in response to specific requests. Any additional reporting requirements will require further discussion and clarity before any commitment is undertaken.

The table below provides a summary of our proxy votes for the calendar year to December 2009.

	Resolutions	For	Against	Abstain	No Action
Number	447	411	36	0	0
%	100%	92%	8%	0%	0%

Engagement

Ausbil formally engages with companies on a range of issues, particularly governance. In the last financial year we conducted over 600 company visits and management one-on-ones which allowed us to raise ESG issues directly at the decision-making level. Engagement at the company level is typically led by both a portfolio manager and the relevant stock analyst.

Ausbil engages in several forms of direct contact with all investee companies in order to exercise the right of ownership on behalf of clients. Ausbil is an informed professional Investor and considers that communication with investee companies is an important mechanism to provide feedback to corporations regarding Corporate Governance issues as well as the company's overall market standing, valuation, stock performance, performance relative to peers and the impact of analysts' reports.

Direct contact includes, but is not limited to, the following avenues:

- Written communication to the CEO or Board of Directors of the investee company;
- Investee company presentations to the Ausbil Dexia Equities team;
- Attendance and participation at company AGMs (where practical and possible);
- Attendance and participation in institutional presentations delivered by the investee company;
- Attendance and participation in investee company-sponsored site visits;

Specific examples where companies have been engaged on a case by case basis on issues identified by the analyst team include:

- ★ - Engagement with the Chairman and CFO regarding executive remuneration and performance metrics.
- ★ - Engagement with the Chairman and CEO regarding the ★ bid, recapitalisation options post ★ bid withdrawal and the ★ proposal.
- ★ - Engagement with the Chairman, CEO and CFO regarding management incentive plans, senior management changes, corporate governance and the impact of Carbon Emissions trading.

★ Exempt s43

Membership of ESG Organisations

Ausbil Dexia have participated in a number of ESG initiatives including:

- as a founding signatory to ESG Research Australia,
- the FINSIA SRI Senior Industry Roundtable, and
- active membership of the Responsible Investment Association of Australasia (RIAA).

Exempt s43

From a governance perspective, we also receive shareholder advisory voting advice from * (via *) and * . Mandated clients are able to direct voting for their underlying shares, where desired. Otherwise, it is our policy to vote in the best interests of the investment.

Exempt s43

Ausbil's joint venture partner, Dexia Asset Management is a signatory to the UN PRI from which we are able to leverage knowledge and draw upon certain developed processes/methodologies. In addition to signing the UNPRI, Dexia Asset Management is a member of:

- SRI working groups within asset management associations such as BEAMA (Belgian Asset Managers Association) and AFG (French Asset Management Association)
- SRI associations and forums such as Eurosif and several national SIFs such as Belsif (Belgium), Swesif (Sweden) and VBDO (the Netherlands)
- Diverse knowledge centres on sustainable developments such as ORSE

Dexia Asset Management is a sponsor of research initiatives on SRI such as:

- 'Prix du FIR' organised by the French SIF
- Chaire 'Finance Durable et Investissement Responsible' organised by AFG

Dexia Asset Management is a signatory of the following initiatives:

- UN PRI
- European SRI Transparency Guidelines
- Investors' Statement on Transparency in the Extractives Sector
- Carbon Disclosure Project
- Investor Statement on Sustainability Reporting in Emerging Markets 1 – Proxy Voting

*Exempt s43

Broker Engagement on ESG issues

Ausbil engages international institutional stockbrokers (notably * and *) who are active in ESG research, as well as rating all brokers on their ESG research. This rating feeds into an overall score, which then serves to guide the allocation on trades (and hence brokerage). The importance of ESG research within the context of this matrix is openly communicated to brokers.

As mentioned previously, we are a foundation member of ESG Research Australia, and are actively involved in its aims and objectives, particularly by way of encouraging and funding relevant broker based research.

INTRODUCTION

Ausbil Dexia Limited ("Ausbil") has developed a corporate ESG policy consistent with the principles applied within our investment processes. Our ESG disciplines also incorporate the underlying approach used by Dexia Asset Management in their sustainability analysis.

As institutional investors, Ausbil has a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these principles may better align investors with broader objectives of society.

In parallel to our responsibilities as an institutional investor, Ausbil management believes that it is incumbent upon the Company to consider its own behaviour in a similar light.

THE POLICY

Ausbil is committed to upholding the Principles for Responsible Investment by incorporating them into our investment process to the extent possible whilst also adopting similar principles of good citizenship into Ausbil's internal processes and working environment.

Implementation

Using the framework established by Dexia AM's Sustainability Analysis stakeholder approach, we have identified the following Interested Parties as beneficiaries of our ESG Policy:

Interested Parties	
Shareholders	Society
Employees	Environment
Customers	Suppliers

The domains of these Interested Parties are further described below:

- **Shareholders**: The shareholder domain encompasses the decision-making structures and rules of how Ausbil is governed (corporate governance) as well as the long-term prospects of the company to sustain its profitability.

- **Employees**: The employees' domain refers to any policy towards employees, particularly those below the Executive level. It should be noted that employment aspects related to the supply-chain are considered within the Suppliers Stakeholder Domain.

- **Customers**: The customers domain deals with ensuring customer satisfaction at every point of interaction; be it pricing, accurate and fair advertising and marketing, or the provision of high quality products/services.

- **Society**: The society domain refers to our interaction with our external social environment. The focus is on our impact upon the communities in which we operate and how these interactions with social institutions (local/global NGOs, industry bodies, governments) are managed and mediated.

- **Environment**: The environment domain is defined as the natural environment/surroundings in which we operate, including air, water, land, natural resources, flora and fauna etc. This concerns all the stages of the value chain and considers the interactions we have (e.g. from the sourcing of materials, business processes, or from our products/services) with the natural environment.

- **Suppliers**: A supplier is a person or entity that provides us with products and/or services integral to, and utilised in/for, the production of our services or the delivery to clients. This also broadly includes:
  - o Contractors: person or entities that, as part of an independent business, contracts with us to provide products and/or services for a defined price.
  - o Business alliance co-partners (e.g. platforms).

In relation to each Interested Party domain, we identified sub-domains together with various criteria which we consider in determining our own behavior.

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SHAREHOLDER DOMAIN

SUB-DOMAIN	THEME	AUSBIL ACTIONS
CORPORATE GOVERNANCE	Board accountability	Ausbil Dexia is a private organisation with representation across the major shareholders. Representation on the Board is also across the various functions of the business
	Audit & reporting	External audit of trusts and company is performed by separate, independent organisations. The company is also subject to regular Dexia Internal Audit
	Shareholder rights	The limited shareholder register allows direct interaction between Board members and shareholders
	Remuneration	All remuneration is at the discretion and approval of the Board, who represent major shareholders
SUSTAINABLE GOVERNANCE	Sustainability strategy	Various Board members are intimately involved with the concepts of sustainability (eg. Wim Vermeir was an early architect of Dexia's processes). The approach to sustainability is informed through the detailed knowledge of key investment and sales individuals
	Sustainable profitability	The business is heavily focused on mid-term profitability including Return on Equity (ROE) measures

EMPLOYEE DOMAIN

SUB-DOMAIN	THEME	AUSBIL ACTIONS
COMMERCIAL PRACTICES	Anti-competitive practices	A Code of Conduct and Code of Ethics is enshrined in the Ausbil Compliance Manual; Regular internal and external audits are performed reviewing processes and procedures; Oversight is the responsibility of the External Compliance Committee
	Commercial behaviour	Ausbil have extensive policies promoting fair dealing across portfolios; Compliance perform transparent and daily pre/post trade compliance checks; We are a Member of Financial Ombudsman Service; Oversight is performed by External Compliance Committee;A Complaint Register is maintained and addressed; We ensure Fact-based advertising; We have formal Personal Dealing Rules
QUALITY ASSURANCE	Quality assurance	Regular reviews of Ausbil products by third party reviewers ensure quality and pricing

SOCIETY DOMAIN

SUB-DOMAIN	THEME	AUSBIL ACTIONS
COMMERCIAL PRACTICES	Socio-economic interactions	Donations policy in place; Reduced fee scales offered for certain non-profit organisations
	Access to products/services	All products are available to general public but subject to minimum application amounts
QUALITY ASSURANCE	Compliance	Regulatory timetables met for statutory and other lodgements; Prompt response to communications from Regulators; Regular internal and external audits reviewing processes and procedures; Oversight by External Compliance Committee

DEXIA
Ausbil Dexia Limited
Australia

ENVIRONMENT DOMAIN

SUB-DOMAIN	THEME	AUSBIL ACTIONS
PROCESS-RELATED ENVIRONMENTAL IMPACTS	Water consumption & related emissions	Waterless urinals installed; Double-sided printing; Natural bio-degradable cleaners
	Energy & climate change	'Lights Off' policy; A/C switched off evenings/ weekends; Carbon Tax credits purchased on flights; Heat-reflecting blinds installed
PRODUCT-RELATED ENVIRONMENTAL IMPACTS	Use	Promoting on-line access; Reduce print runs; Double-side printing PDS and related high volume documentation on recycled paper
	Disposal & recycling	Recycling bins for glass/paper/plastics; Electronic equipment/ printer artridges sent to recycling; Bulk purchase to reduce packaging; Food waste is composted

SUPPLIER DOMAIN

SUB-DOMAIN	THEME	AUSBIL ACTIONS
PRACTICES OF SUPPLIERS	Labour practices of suppliers	Monitor staff turnover of major outsource provider
	Environmental practices of suppliers	Encouragement and preference given to suppliers using sustainable materials
SUSTAINABLE RELATIONSHIPS	Sustainable relationships	Payment of invoices promptly; regular review of amounts owing to suppliers

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ACT Department of Treasury

ESG Questionnaire

May 2010

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ESG

1. **In the previous ESG questionnaire response in 2009 Ausbil made reference to their joint venture partner, Dexia Asset Management, having signed the PRI. Has this assisted Ausbil in any way during the 2009-10 financial year?**

Ausbil has utilised the in-house expertise of Dexia in incorporating ESG factors into our investment process – this is outlined in Q3 below.

2. **In the previous ESG questionnaire response in 2009 Ausbil made reference to finalising a standalone ESG policy. Has Ausbil now finalised this policy? Is Ausbil able to provide a copy of this policy to the ACT?**

Our finalised ESG policy is attached for your reference. We have also implemented a corporate ESG policy for our business, which is also attached.

3. **How will the finalised policy address the incorporation of ESG factors into Ausbil's investment decision-making process? Has Ausbil developed a documented approach for their analysts when engaging with the management of companies, not just on future financial risks and returns, but ESG as well?**

Through our association with Dexia Asset Management, Ausbil has garnered a comprehensive understanding of ESG analysis through the free exchange of SRI research papers and annual site visits to Brussels to meet with Dexia's ten-strong dedicated sustainability analyst team. Within Australia, we have additional in-house expertise through our Investment Specialist, Global, who represents Dexia's ESG capabilities in the Australian market.

Consistent with Ausbil's process of infusing ESG disciplines into the investment process, one of our equities analysts, Graeme Petroni, has been appointed as Ausbil's internal macro expert on greenhouse gases emissions and emissions trading. This internal expertise is then utilised by all members of the team when considering impacts on their individual stocks and sectors.

Ausbil's existing investment process considers macro-economic, investment market and sector dynamics and developments. Therefore, we are well placed to include any additional macro developments such as Climate Change issues or the Government's Carbon Pollution Reduction Scheme (CPRS) into our exiting investment process as this scheme market develops and evolves. In addition, each analyst is monitoring their sectors and stocks, using our relative earnings based assessments. That is, we are able to review any potential scheme as it affects the earnings of individual companies.

Formal consideration of ESG factors is undertaken at an analyst level relating to the company being analysed. This data is sourced from our fundamental company visitation schedule, industry associations, government regulators and ESG research specific agencies. Ausbil also encourage ESG research from brokers via a meaningful weighting within our broker panel review matrix.

Within the framework for company analysis, we also believe that a company's understanding of and adherence to relevant ESG issues is an important indicator to the quality and the durability of that company (and hence its earnings profile). It also allows us to form a view on the company's potential to identify, manage and monitor opportunities and risks that can have serious impacts to both short and long term earnings; for instance compliance/litigation avoidance, reputation risk, product innovation and improved business processes. In addition, an increasing focus on ESG issues by the institutional investment community is likely to see such metrics priced into company valuations (and sentiment), which presents additional value adding opportunities for analysts who can identify these at an early stage.

The key ESG considerations Ausbil has incorporated into our investment process framework is outlined below:

PROCESS STAGE	ESG ELEMENT
MACRO ANALYSIS	▪ "Emissions specialist" analysis responsibility (G.Petroni) – Climate change issues – Carbon trading/taxes – Effects on market earnings/pricing
SECTOR ANALYSIS	▪ Potential for major structural change – Alternate energy sources (eg. wind farms) – Agriculture business dynamics – Industry specific emissions schemes
STOCK SELECTION	▪ Analysis of ESG influences on earnings drivers ▪ Active voting and selective engagement ▪ ESG scoring in FERRET ranking model
PORTFOLIO CONSTRUCTION	▪ Broker voting matrix includes a rating for ESG research

4. **As this policy was stated as a priority for Ausbil, will Ausbil be considering signing the PRI in the future if the ESG policy is now finalised?**

We continue to have internal discussions about the benefit of Ausbil being a signatory (above what we already do in the ESG space). Dexia Asset Management, our joint venture partner is already a signatory and as a result, Ausbil benefits from this association.

5. **Does Ausbil continue to use external service providers/stock broking firms to access information and research in relation to the identification and assessment of ESG?**

*Exempt s43

Ausbil engages international institutional stockbrokers (notably * and) who are active in ESG research, as well as rating all brokers on their ESG research. This rating feeds into an overall score, which then serves to guide the allocation on trades (and hence brokerage). The importance of ESG research within the context of this matrix is openly communicated to brokers.

Ausbil is a foundation member of ESG Research Australia, and is actively involved in its aims and objectives, particularly by way of encouraging and funding relevant broker based research.

In addition, we are currently in the process or evaluating independent ESG research providers as an additional source of information and input into our process. It is expected that we will appoint a provider in Q2/Q3 2010.

6. **In the previous ESG questionnaire response in 2009, Ausbil indicated that staff has participated in offsite workshops in relation to the PRI and the EAI. Ausbil further outlined the appointment of John Honan and discussed the role of the Investment Specialist, Global. What, if any, developments at Ausbil have resulted from these actions?**

In terms of ESG developments within the investment team, analysts assess ESG considerations as part of their stock selection due diligence, please refer to the response to Q3 above.

With respect to John Honan, ESG factors have been incorporated into Ausbil's investment process as outlined in question 3 above, ESG research has also become a criteria for the assessment of, and ranking of the broker panel, represents Ausbil with respect to Research Australia.

The Investment Specialist, Global continues to receive updates from Dexia regarding enhancements and improvements to their ESG process.

Proxy Voting

1. **Has Ausbil's proxy voting policy and procedures changed over the last 12 months? If yes, please provide a revised copy to the ACT.**

Ausbil's proxy voting policy and procedures have not changed in the last 12 months. However, they are currently under review. * *Exempt s43

2. **Does Ausbil continue to use both * and * in relation to advice about the execution of proxy voting? Does Ausbil see value in these services?** *Exempt s43

No. Ausbil receives shareholder advisory voting advice from * and * (via *).

Ausbil has long operated under a formal corporate governance policy. Ausbil see voting as an important part of its fiduciary duties. In the absence of any other guidance or in any instance whereby voting authority has been delegated by the client in writing, we will direct votes in a manner consistent with the investment interests, objectives, and particular preferences, if stated or known, of the investor.

Our overarching policy is to vote in favour of agenda items unless an item is unclear or contentious. Depending on the extent to which a resolution will have a damaging effect on the long-term interests of the shareholders, we abstain or vote against the item put forward by the Board(s). In general, we abstain on items where there is no clear-cut answer concerning the detrimental impact of the resolution or where its impact is fairly negligible. Prior to recommending a vote, Ausbil ensures that we have obtained all the information it requires to justify its decision. Where there is not enough information, we ask the company for more. A lack of response will lead - depending on the significance of the impact of the voting item - to a recommendation to abstain or to vote against.

In voting decisions, where relevant, we examine and consider the recommendations of independent third parties but nevertheless retain full independence when casting votes.

3. **In the previous ESG questionnaire response in 2009 Ausbil indicated that no shareholder resolutions were proposed. Has Ausbil proposed any shareholder resolutions, or voted in favour of any shareholder resolutions, in the past twelve months?**

Ausbil has not proposed any shareholder resolutions. However, Ausbil's aggregate proxy voting decisions relating to Australian equites holdings for the 12 months to June 2009 were as follows:

	FOR	AGAINST	ABSTAIN	NO ACTION
Number	377	38	0	33
Percentage	84%	9%	0%	7%

4. **What does Ausbil think about the effectiveness of shareholder resolutions as a means for company behavioural change?**

It depends on the nature of the resolution. Over the past twelve months, resolutions relating to the remuneration arrangements and performance hurdles for executives were of particular interest. There were instances whereby company boards had to reconsider the remuneration proposals and the related performance hurdles.

As shareholders, we generally prefer to affect company behavioural change out of the public arena through direct engagement at one-on-one meetings.

Interaction and Engagement with Companies

1. **How many company meetings did/will Ausbil undertake in the 2009-10 financial year?**

The 2010 financial year is not complete, however, during the 2009 financial year, Ausbil's investment team had 610 company meetings (i.e. Site visits, management one-on-ones).

2. **Does Ausbil currently have any significant investments in listed companies in Australia i.e. shareholding above 5 per cent of issued capital? Please outline the magnitude and number of companies.**

Ausbil does currently have significant shareholdings (above 5% of company issued capital). The extent of these shareholding's appear below:

COMPANY	% of company issued capital
Exempt s43	8.58%
	7.74%
	6.73%
	6.67%
	6.45%
	6.26%
	5.68%
	5.49%
	5.48%
	5.30%
	5.29%
	5.07%

3. **Can Ausbil provide any specific examples of where their analysts have raised and discussed ESG issues with company management over the past twelve months?**

In recent months, Ausbil had to examine its proposal for Seven Network to buy WesTrac, a related business privately owned by Mr Kerry Stokes (Seven Network Chairman). Ausbil is a significant shareholder in SEV, and as such were heavily involved in discussions with the company, which included direct engagement with members of the Board and management, site visits to WesTrac and discussions with other relevant parties (such as Caterpillar).

Following the initial proposal, we spend a significant amount of time with Seven (notably Mr Kerry Stokes), with the outcome being that they agreed to a number of concessions to the deal. These concessions relate to the appointment of independent directors to the combined entity (governance related) and the addition of downside protection for existing Seven shareholders (financial related).

Various independent governance researchers (namely *Exempt s43) had published opinion on the transaction. Their commentary revolved around 2 key concerns; namely independence and valuation. Notably, they were generally supportive of the quality of the * business. We were similarly concerned with the independence of some Directors on the board of * , particularly with regard to the length of tenure. Following ongoing discussion with * and * , Ausbil received commitments that the Board will be renewed through the appointment of two additional independent directors at the forthcoming AGM. A search for nominees is still being undertaken, but we remain comfortable that this search will put forward appropriately qualified and independent individuals. Under these circumstances, we felt this would provide minority shareholders with additional independent Board representation, and thus adequately address governance issues.

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4. **Does Ausbil encourage companies to improve their level of reporting disclosures, including disclosures on ESG?**

Many of the investee companies Ausbil deals with already provide ESG reporting. In discussions with each company, we discuss ESG matters where relevant. As more managers and underlying investors continue to seek disclosure on ESG matters, we believe companies will increasingly focus on this type of disclosure.

Stakeholder Engagement

1. **Is Ausbil still a member of ESG Research Australia and the Responsible Investment Association of Australia (RIAA)? If so, can Ausbil outline any outcomes or developments, as well as the benefits, from maintaining membership of these current groups?**

Yes, Ausbil continues to be a member of ESG Research of Australia and the Responsible Investment Association of Australia. As an active member of ESG Research of Australia, Ausbil has actively participated in voting that has resulted in expanded ESG services from the institutional broking community, namely, * and * as well as * and * Ausbil has also been an active supporter of the RIAA for over 6 years. Ausbil Dexia Limited is also the responsible entity for the Dexia Sustainable Global Equity Fund (DSGEF) managed by our joint venture partner, Dexia Asset Management which has been certified by the RIAA. Through membership, conference sponsorship, sponsorship of the Responsible Investment Benchmark Report and supporting the establishment of the RI Academy, Ausbil has been exposed over many years to Australian and global leaders in the field of ESG research and analysis

* Exempt s43

2. **Has Ausbil participated in any other public debates, research initiatives, or external forums, in relation to the discussion and promotion of ESG and the incorporation of ESG into the investment decision-making process over the past twelve months?**

Ausbil has not made public comment regarding discussion and promotion of ESG and its incorporation into the investment decision making process. However, Ausbil continues to have regular dialogue with our clients and their asset consultants in relation to our ESG views.