

+ Voting principles

August 2025



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Introduction

This document outlines Magellan Global Equities and Magellan Listed Infrastructure strategies' voting principles considered by the investment team in engagement and voting. This policy is approved by the Investment Committee. The proxy voting process is outlined in the Proxy Voting Policy. This reflects our fiduciary duty to clients and is guided by our philosophy that material environmental, social and governance factors can impact shareholder value.

We intend to vote in a manner that is in the best interests of its clients and that is most likely to protect and promote the long-term economic value of the companies in which we invest. These principles are intended to serve as a framework and are not intended to limit the analysis of, and the way in which we respond to individual proposals or resolutions. We evaluate each proposal, considering the specific ask, the materiality to long term cashflows and the company's management and mitigation of the risk.

This document addresses specific stewardship principles across Environmental (Section 1), Social (Section 2) and Governance (Section 3) topics.

1. Environmental principles

The Board of invested companies should acknowledge and disclose the material environmental risks. These will differ by company and may include for example, climate, circular economy, water, natural capital and biodiversity.

The Board should consider these material risks and opportunities when appointing directors with relevant skills. Disclosure of information should be transparent for investors to assess the risks.

Where deemed material to the company, targets and metrics should be disclosed over the short, medium, and long term. Targets are the acknowledgement by the Board that the topic is a priority for management and assist investors in holding management to account.

- Where the risk is deemed material, we will consider support for proposals which encourage companies to acknowledge, and report on environmental risks and opportunities. This may include proposals which urge companies to evolve their current approach where enhancements are warranted.
- We may also consider whether remuneration should be linked to these targets.

1.1. Climate change

A separate Climate Stewardship Strategy is available on the website (magellaninvestmentpartners.com/responsible-investing/). Engagement with companies on climate risks and opportunities, including the alignment of the company with the attainment of net zero, is the initial focus of the stewardship strategy. Voting, as outlined in the Climate Stewardship Strategy, will be utilised as a tool after engagement with the company. We will consider voting against management proposals, directors or remuneration resolutions, where climate change is a material risk for the company, no progress is made towards net zero alignment criteria and the related engagement objective.

We will consider supporting shareholder proposals which encourage companies to acknowledge, consider, and report on climate risks and opportunities where current ambition, targets, strategy and disclosure are not sufficient. This may include proposals which urge companies to evolve their current approach where enhancements are warranted to improve alignment with net zero.

The following table outlines our climate related voting framework. Each proposal will be considered on a case-by-case basis.

Vote	Net zero policy and actions	Criteria for consideration
Director	Consider voting against Chair or director where no progress is made towards net zero alignment and related engagement objective.	<ul style="list-style-type: none"> • Net zero target. • Interim targets & external accreditation. • Progress against targets. • TCFD alignment. • Actions including capital allocation alignment.
Remuneration	Consider voting against remuneration report where climate change is a material risk for the company and an engagement objective to link remuneration to climate targets has not been met in the specified timeframe.	<ul style="list-style-type: none"> • Analyst assessment of climate risk on future strategy. • Incorporation of climate targets in remuneration. • Credibility of climate strategy. • Actions including capital allocation alignment.
Mergers and Acquisitions	Consider voting against merger and acquisition related resolutions if it is detracting from alignment to net zero.	<ul style="list-style-type: none"> • Analyst assessment of new asset and alignment to net zero or ability to transition.
Say on Climate	Consider voting against management proposal where engagement objectives have not been met.	<ul style="list-style-type: none"> • Alignment to net zero using our net zero alignment assessment, guided by NZIF. • Progress on climate related engagement objectives.
Shareholder Proposals	Consider supporting proposals that improve alignment with net zero where the current ambition, targets, strategy and disclosure are not sufficient.	<ul style="list-style-type: none"> • Alignment to net zero using our net zero alignment assessment, guided by NZIF. • Progress on climate related engagement objectives.

1.2. Circular economy

Consideration for the circular economy is essential for long-term sustainability and material to some industry sectors. This requires companies to have consideration for waste, recycling and product design. It is the responsibility of the Board to consider risks and opportunities related to the circular economy. Targets on waste management and recycling, as well as disclosure of waste generated and waste reduced, are important to reducing the burden on natural capital.

1.3. Nature and biodiversity

The management of nature-related risks and opportunities should be considered by Boards and management teams, where material, particularly where supply chains are reliant on certainty of supply. Companies are encouraged to continuously improve disclosure of the risks and management of nature related risks.

2. Social principles

The Board of investee companies should acknowledge material social risks and opportunities. These will differ by company and may include for example, labour management, employee and customer safety, diversity, equity and inclusion, supply chain standards including human rights.

- The Board should consider these material risks and opportunities when appointing directors with relevant skills.
- Disclosure of information should be transparent for investors to assess the risks and opportunities.
- Where deemed material to the company, targets and metrics should be committed and disclosed over the short, medium, and long term. Targets are the acknowledgement by the board that the topic is a priority for management and assist investors in holding management to account.

We will consider this when reviewing shareholder proposals which encourage companies to acknowledge, consider, and report on social risks and opportunities. This may include an independent third-party report where risks are material or controversies ongoing. Where material we will also consider whether remuneration is linked to these targets.

2.1. Diversity, equity and inclusion (DEI)

Diversity of skills, experience, gender and ethnicity can benefit companies through broader discussion potentially leading to greater innovation and improved risk management. Directors should also represent the diversity of the community in which they operate and will be a consideration for voting.

A company should provide diversity disclosure across gender and ethnicity for the board of directors as well as employee segments at differing levels of management.

Boards are expected to consist of at least 40% female directors and at least 40% male directors or have in place plans to achieve this. We will engage to encourage improvement towards 40% of directors of each gender and

have an expectation of a minimum of one director of each gender. We also have an expectation of a minimum of one director representing the diversity of the customer base.

2.2. Human rights

2.2.1 Supply chain

We support the identification, risk assessment and mitigation of material human rights issues in the supply chain through the setting of policies, targets and commitments. This can include mitigation of forced labour in the supply chain or the encouragement of more sustainable practices with suppliers. An independent third-party report will be encouraged where disclosure could be improved for investors to assess the mitigation and management of the human rights risk.

2.2.2 Content and user safety

We expect technology providers and companies implementing technology solutions, including Artificial Intelligence (AI) to take reasonable measures to protect the fundamental human rights of users, particularly at-risk groups such as minors. These mitigating practices should be disclosed with progress reported on regularly. These measures include but are not limited to, appointing board members and executive teams with relevant skills and experience to provide oversight, adequate investment in resources such as safety, ethics and oversight teams and systems to remove and take down misinformation or harmful content. Consideration for the company's role in the design of the technology, materiality to cashflows and regulatory risk will be incorporated into expectations. An independent third-party report will be encouraged where disclosure could be improved for investors to assess the mitigation and management of the human rights risk related to the deployment of technology and provision of content.

3. Governance principles

Independent boards with separation of Chair and CEO enables separation of powers, improved risk management and representation of minority shareholder interests. Balanced compensation, with an emphasis on risk mitigation and management incentivisation, can support the company strategy and creation of long-term shareholder value.

3.1. Board of directors

3.1.1. Chair and CEO separation

We view that separation of Chair and CEO is best practice. Role separation allows for independence of thought and improved accountability. A board is established to provide a separation of powers between the governance and the executive management functions. The company will be encouraged to separate the roles of Chair and CEO with orderly succession planning with a policy for separation of the roles drafted by the company as a first step.

While our preference is for separation of Chair and CEO, until this occurs, we expect the appointment of a lead independent director to improve governance and representation of minority shareholders. Lead independent directors should have less than 10 years tenure to be viewed as truly independent and representing minority shareholders.

3.1.2. Chair independence

Chair independence is preferred. A lead independent director should be appointed where the Chair is not independent. The lead independent director should be appointed by the independent directors. Lead independent directors should have less than 10 years tenure to be viewed as truly independent and representing minority shareholders.

3.1.3 Board independence

We believe a company's board of directors should be comprised of at least 75% independent directors. Common impediments to director independence include employment by the company as a senior executive within the previous three years, substantial business or personal relationships with the company or the company's senior executives; and any other relationship or dependency that could interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

We factor tenure into our consideration of board independence particularly for the lead independent director. Independent directors should have less than 10 years tenure to be viewed as truly independent and representing minority shareholders. This is a minimum requirement for lead independent directors and reviewed case by case for other directors. We look favourably on directors and nominees that are aligned with shareholders through equity ownership (refer principle 3.1.8).

The annual election of directors is viewed as best practice to provide shareholders with a vote each year.

3.1.4. Board sub-committees

All of the board's key committees should be comprised of at least a majority of independent directors and have relevant experience for its purpose. The compensation committee should be 100% independent. Sub-committees should comprise of at least three directors to ensure good governance and due process. The Chair of the sub-committees should be independent.

3.1.5. Capacity of Directors with active C-suite responsibilities

We have a preference for companies to appoint non-executive directors that do not have active C-suite executive roles given concerns over capacity to fulfil their role as a director of another company. If they are appointed, the number of sub-committees should be limited, and they should not be appointed the Chair of a sub-committee. We also view that in appointing a new director, consideration should be given to the number of external commitments.

It is best practice for a company to have a policy limiting the number of external board positions for a non-executive director with an active C-suite role. Our view is active C-suite executives should be limited to two external directorships outside of their own company where they sit as an executive.

3.1.6. Board composition and skills

In appointing new directors, the director's skills and experience must be relevant to the execution of the strategy, whether this be financial, strategic or ESG risks or opportunities.

3.1.7. Board diversity

Diversity of skills, experience, gender and ethnicity can benefit companies through broader discussion potentially leading to greater innovation and improved risk management. Boards are expected to consist of at least 40% female directors or have in place plans to achieve this. We will engage to encourage improvement towards 40% female directors and have an expectation of a minimum of one female director. Directors should also represent the diversity of the community in which they operate and will be a consideration for voting.

3.1.8. Director alignment with shareholders

Non-executive directors and named executives should have ownership in the company, as we consider that stock ownership improves alignment with shareholders. While we do not have a definitive policy with regards to the level of ownership that should be maintained by directors, we consider that a shareholding at least equivalent to the director's annual remuneration is reasonable, after two years of being appointed.

3.1.9. Proxy contested director elections

We will consider director nominees in contested elections on a case-by-case basis, considering the following factors:

- Long-term financial performance of the target company relative to its industry
- Management's track record.
- Background to the proxy contest.
- Nominee qualifications, relevant skills and any compensatory arrangements.
- Strategic plan of dissident slate and quality of critique against management.
- Likelihood that the proposed goals and objectives can be achieved (both slates).
- Stock ownership positions; and
- Whether the nominee is independent or, if not, the impact on the independence of the board if the nominee was elected.

3.1.10. Proxy access

We will review proxy access proposals on a case-by-case basis, taking into consideration concerns around the current board of directors and if the proposal is appropriately structured. We generally do not support proposals that could expose the company to distraction by investors who lack a meaningful long-term interest in the company.

3.1.11. Major voting

We generally support director election by majority vote in uncontested elections. Majority voting standards support director accountability to shareholders. In contested elections, where there are more nominees than there are board seats, we support a plurality voting standard.

3.2. Compensation

The following principles are assessed:

- Balanced compensation, with an emphasis on risk mitigation and the creation of long-term shareholder value. Pay practices must be designed to attract, retain and motivate key executives. We consider both the structure and merit of compensation and the absolute level of compensation.
- Compensation should be structured to balance individual performance and firm-wide performance.
- Performance metrics in Short-term incentives (STI) and / or Long-term incentives (LTI) should be aligned to the strategy and consider financial and ESG related metrics that are material to the business.
- Performance hurdles must be sufficiently challenging, with incentive payments adjusted for below threshold outcomes. Sufficient disclosure should be provided on metrics and hurdles for investors to determine that they are genuinely at risk.
- One-off payments at the discretion of the board are not encouraged. Remuneration for executives should be managed through appropriately structured STI and LTI programs. Where the board considers an award is required for retention in addition to the STI and LTI awards then we believe that such one-off payments should be subject to performance tests at vesting.
- Maintain an independent and effective Compensation Committee to provide necessary oversight.

3.2.1. Compensation structure

We take a holistic review of the remuneration structure and performance incentives genuinely at risk.

- The structure of the overall remuneration for named executive officers (NEOs) should be weighted towards LTI relative to base and STI to align to shareholders over the long term.
- The proportion overall of equity should exceed cash at target.
- Performance linked incentives (PSUs) are preferred to options and Restricted stock units (RSUs).
- We exclude options from the definition of performance incentives at risk if they have no performance metrics. Options linked to performance metrics are accepted if tied to strategy and hurdles are stretch; PSUs are preferable to options.
- Restricted stock units (RSUs) that are subject only to time-based vesting are also excluded from incentives genuinely at risk.

We have two principles to determine at risk pay:

- Target LTI should have at least 50% linked to performance incentives, this does not include stock options or restricted stock units with only time vesting.

OR

- Total target remuneration should include at least 50% of target total executive remuneration linked to performance incentives. Performance incentives include STI if it is linked to performance metrics and the performance linked component of the LTI.

While 50% is the minimum threshold, companies are encouraged to incorporate greater than 50% performance metrics at risk to align executives with minority shareholders.

The total quantum of remuneration and incentives will also be considered. In instances of low relative quantum, exemptions to this principle of at risk pay will be allowed.

3.2.2. Base salary

Base salary should be reasonable and reflect the executive's role and responsibilities. Quantum is assessed relative to peers.

3.2.3. Short-term incentives (STI)

Short-term incentives are an effective way to remunerate executives for performance on an annual basis. If short-term incentives are paid in cash, sufficient equity alignment should be included in the LTI. We are supportive of partial deferral in either cash or stock. Performance hurdles must be sufficiently challenging, with incentive payments adjusted for below threshold outcomes. Sufficient disclosure should be provided on metrics and hurdles for investors to determine that they are genuinely at risk. Short-term incentives should be withheld if threshold or target measures are not met. Companies are encouraged to include ESG related targets and/or risk management initiatives where material ESG risks or opportunities are material and aligned to the strategy.

3.2.4. Long-term incentives (LTI)

An appropriately structured long-term equity award program is an effective way to align the long-term interest of management with the interests of shareholders. The structure of the overall remuneration for named executive officers (NEOs) should be weighted towards LTI to align to shareholders. Performance hurdles must be sufficiently challenging, with incentive payments adjusted for below threshold outcomes. Sufficient disclosure should be provided on metrics and hurdles for investors to determine that they are genuinely at risk. We will assess whether LTI is truly at risk and aligned to shareholders using principle 3.2.1.

3.2.5. Stock based compensation

Stock-based compensation (SBC) is a common form of remuneration, and real economic expense for a company. Excluding SBC from operating expenses creates misalignment between how the business is managed and the expenses that impact shareholders.

Stock based compensation (SBC) expenses should be included in operating profit (rather than adjusted out) as this is a real employee expense. While it does not impact cash, it dilutes shares and should not be used as a performance metric.

3.3 Shareholder Rights

3.3.1 Amend charter/ articles/ bylaws

Shareholder rights are a fundamental privilege of stock ownership and key tenet of corporate governance. We do not support amendments to the company's charter, articles or bylaws in any manner that would reduce shareholder's rights.

3.3.2 Shareholder rights plans

We do not support shareholder rights plans, such as a poison pill, and will review on a case-by-case basis, focusing on the features of the plan. We are not supportive of the issue of preference share which can have a similar outcome to a poison pill and reduce shareholder rights.

3.3.3 Shareholder ability to act by written consent or to call special meetings

We support shareholders' ability to act by written consent or to call special meetings, considering any waste of corporate resources in addressing narrowly supported interests. We will also consider the corporate governance framework of a company to assess whether these abilities will materially improve its practices.

- A 10% threshold with no consideration on holding period is considered too low and will be distracting to management. A 10% threshold with a 12-month holding period protects the company against short term holders that could distract the company.
- A threshold of 15% without a holding period consideration to be sufficient to not distract management.

3.3.4 Dual class structure & voting rights

We oppose dual classes of voting shares and support equal voting rights for all shareholders. Allowing one vote per share allows all shareholders.

We do recognize and evaluate companies with existing dual class structures. Notwithstanding the prior paragraph, we may conclude that the overall investment case is attractive. In these instances, valuable rights attach to the 'A class' and it could have net negative share price implications for existing 'B class' shareholders to buy out the owners of the 'A class' rights. We encourage companies to have clauses and a transition plan for the dual class shares, particularly in an instance where the founder steps down from an executive role.

3.4 Other governance related

3.4.1 Audit

Quality and accurate financial statements are critical to assessing a company's financial condition. We expect the Audit Committee to oversee the audit function at a company and facilitate quality, independent auditing. We expect the Audit Committee to comprise at least one financial expert in order for the Committee to have sufficient understanding of the financial issues unique to public companies.

The auditor is expected to offer objective, competent and diligent assessment of financial accounts to ensure transparency and accuracy for shareholders. Independence, integrity and objectivity is enhanced with audit firm rotation; we encourage rotation of the firm providing the auditing services at least every 10 years.

3.4.2 Lobbying

Our view that it's best practice for companies to disclose donations, lobbying, and political expenditures. A reasonable threshold should be applied when disclosing trade and political associations. For issues such as climate transition, the company should assess the trade association's alignment to their own climate goals and strategy.