

Magellan  
Global  
Equities

Distributed by  
**Magellan** Investment  
Partners

# Stewardship Report 2025

Magellan Global Opportunities



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# Meet the team

## Portfolio Managers



**Alan Pullen**

Portfolio Manager



**Ryan Joyce, CFA**

Deputy Portfolio Manager

## ESG Team



**Amy Krizanovic**

Head of ESG



**Elisa Di Marco**

Investment Director, ESG



**Jacqueline Stokes**

ESG Analyst

## ESG Philosophy

Magellan Investment Partner's internally managed investment strategies seek to identify high quality investments and acquire such investments at a discount to our assessment of intrinsic value. As part of the assessment of a company's intrinsic value, we seek to consider issues that may materially affect the investment outcomes for a company. ESG issues affect the investment outcomes for a company and the team specifically considers these issues as part of its analysis of quality.

ESG issues are considered as part of our investment process. Gaining a robust understanding of these is a key part to assessing

the outlook for future cash flow generation, the risks and opportunities facing investors. Our investment process seeks to identify high quality companies and consider material risks that could impact future cashflows.

Our ESG team is responsible for oversight of the implementation of stewardship execution. For further information on our policies:

- [ESG policy](#)
- [Proxy voting policy](#)
- [Climate stewardship strategy](#).

# Executive summary

## Dear Investor,

We are pleased to provide an update on our proxy voting and engagement activities in relation to the Magellan Global Opportunities strategy for the year to 30 June 2025. This report sets out the philosophy and implementation of our stewardship activities along with the primary details and statistics on our engagement and proxy voting activities.

We are committed to responsible investment, our philosophy is to focus on financial materiality of environmental, social and governance (ESG) factors over the long term. We believe that successful investing is about identifying quality companies, trading at a discount to intrinsic value and investing for the long term. As long-term owners we look for unique attributes in our companies that enable them to protect and grow earnings into the future. This includes material ESG factors that may impact the sustainability of future cashflows. As a result, we integrate ESG factors into our investment process, exercise our proxy voting rights and engage with portfolio companies on a broad range of issues to manage risk for our investors and identify opportunities. Our integrated ESG team within the investment team allows us to undertake deep analysis and prioritise engagement with companies on ESG factors that we identify as material to future cash flows.

In December 2024, we enhanced our voting principles, prioritising board governance, remuneration, climate change, human rights, diversity and inclusion. We have prioritised these principles because we believe they align with best practices and have the potential to enhance long-term shareholder value creation. We recognise the varying expectations of stakeholders globally, particularly in the current environment. Despite potential short-term challenges, we remain committed to our long-term focus and view these principles as integral to supporting our clients.

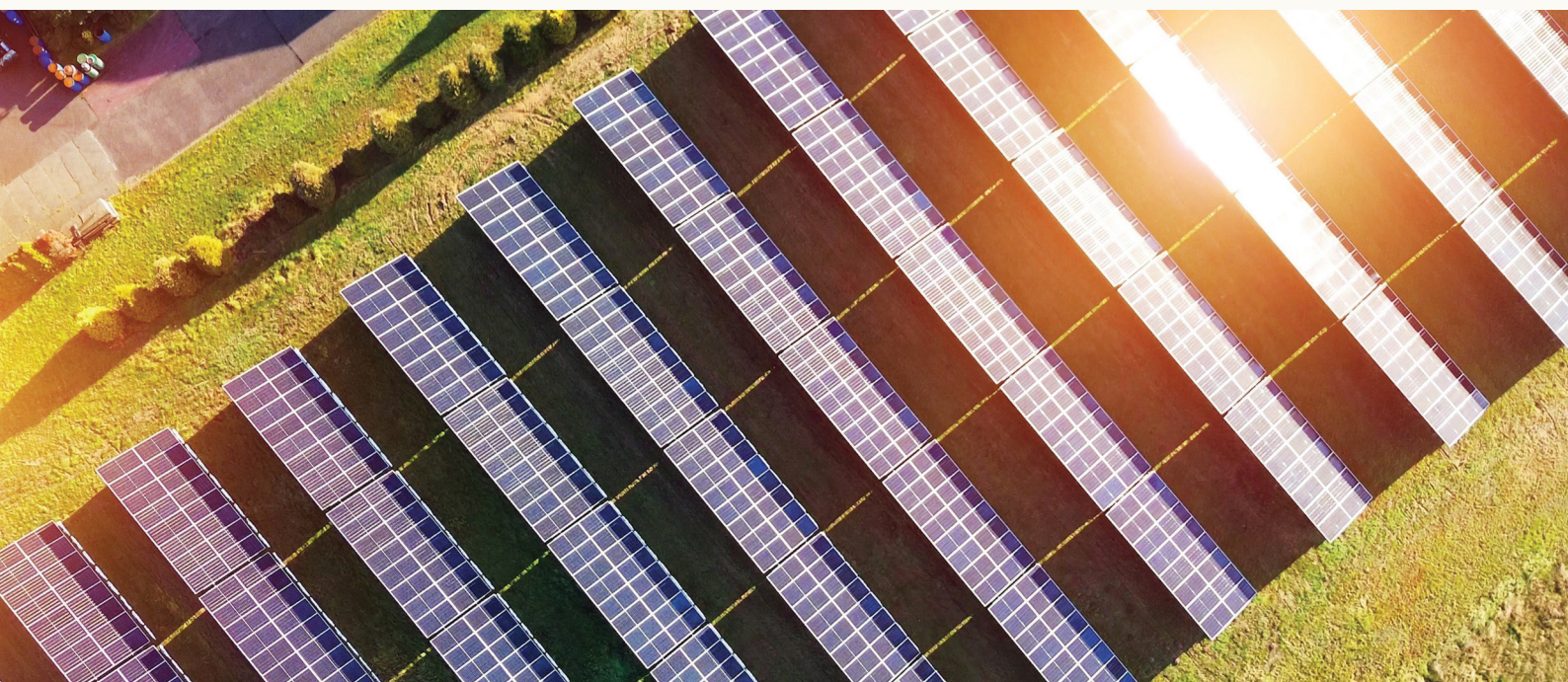
We continue to embed our Climate Stewardship Strategy which starts with our net zero alignment assessment, using the analysis to assess company resilience and mitigation to transition risks including ambition of company targets and credibility of strategies to achieve them. We outline the results of this in the climate risk update of this report. At a group level, we have published our second MFG Climate Report aligned to the pillars of governance, strategy, risk management, metrics and targets. We are pleased to share this with clients on our [website](#).

We continue to broaden our research on topics such as climate, human rights and nature through our involvement in industry working groups and conferences through RIAA and the Investor Group on Climate Change (IGCC).

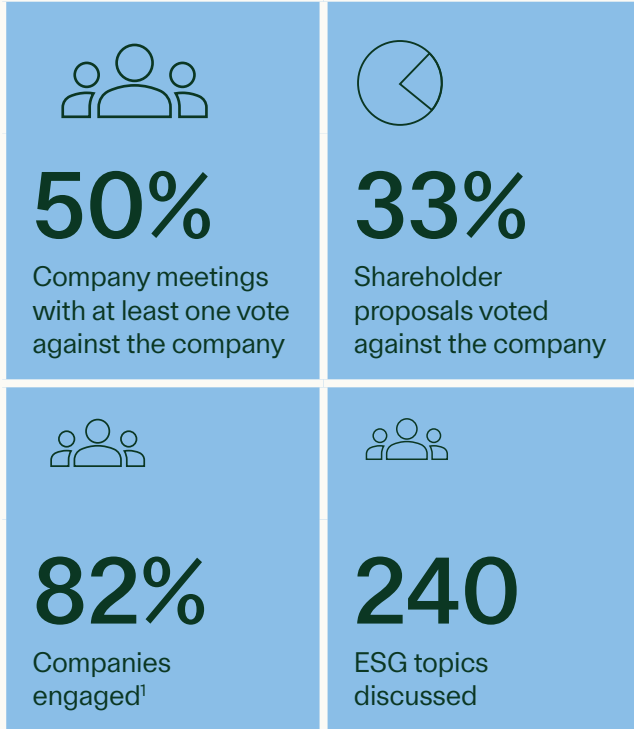
Whilst this report highlights case studies of positive outcomes from our engagements and voting, we acknowledge positive outcomes can be a result of many stakeholder's voices including regulators and customers. The rapid growth in AI is driving higher energy demand, although this is a challenge for the technology companies, they continue to make progress towards their climate targets through reliable, renewable energy solutions. We are also focused on responsible governance of AI systems embedded across advertising, social platforms, cloud infrastructure, and media distribution to manage reputational, regulatory, and operational risk. Other topics engaged where progress is ongoing includes improved structuring of remuneration to better align with shareholders, advocating for additional disclosure and commitments to plastic and packaging as well as the mitigation of cyber related incidents. We will continue to engage with portfolio companies as we endeavour to secure acknowledgment of the materiality of issues raised and advocate for prudent management of associated risks. Where progress is not achieved, we will consider invoking our ladder of escalation.

Throughout this report, we present some examples of our stewardship with portfolio companies and we continue to share regular updates, thought pieces and insights on our [Responsible Investment website](#). We welcome and will respond to any feedback, which can be emailed to [esg-team@magellangroup.com.au](mailto:esg-team@magellangroup.com.au).

Kind regards,  
**The Magellan Global Equities and ESG team**



## Stewardship highlights for FY25



## MFG's PRI Assessment Summary Scorecard

We continue to enhance our ESG integration, stewardship, and client communication, which has been recognised by the Principles for Responsible Investment (PRI) in our most recent [2023 assessment](#).

	Module Score and Star Score	
<b>Policy Governance and Strategy</b>	90	★★★★☆
<b>Direct - Listed Equity - Active Fundamental AUM Coverage &gt; 50%</b>	93	★★★★★
<b>Confidence Building Measures</b>	89	★★★★☆

<sup>1</sup> Number of portfolio companies engaged as at 30 June 2025.

# Investment process



**“Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society<sup>2</sup>.”**

The focus of this report is on our stewardship activities related to our proxy voting and engagement activities, within the 'management' and 'oversight' components of this industry-accepted definition of stewardship. These activities enhance long-term value for our investors by seeking to reduce risks and enhance opportunities both prior to investing and during our period of ownership.

Our portfolio managers' capital allocation decisions to continue holding or sell also reflects stewardship considerations. From time to time, and if risks are considered unacceptable, the allocation decision may result in divestment.

Stewardship is a critical element of our investment process. Stewardship is the foundation that underpins our investment objectives, starting with our investment philosophy. The five elements of stewardship within our investment process are outlined on the following page:

<sup>2</sup> The UK Stewardship Code – The Financial Reporting Council Limited



## Philosophy

From the beginning, our stewardship philosophy has been to focus on all material factors, considering both risks and opportunities that may influence cash flows and valuations of our investments within our investment time horizon.

We firmly believe that long-term investors need to consider material ESG factors to form a holistic perspective on the risks and opportunities that may bear upon cash flows and the valuation of investments. The investment team aims to engage with portfolio companies on a broad range of themes as identified by the ESG team and investment analysts and assessed as material to those companies.

Our long-term investment horizon, and typically long-term relationships with companies in our investment universe, enhance our ability to engage with companies over an extended period on material issues, work closely to achieve positive outcomes and thereby influence to protect and create shareholder value.

Our stewardship philosophy is documented and approved by the Investment Committee (IC). While our stewardship philosophy has remained unchanged since implementation in 2009, we are constantly learning and listening to industry experts, responsible investment associations, companies and our clients to evolve our thinking to ensure our philosophy is in sync with the forefront in the industry.



## Execution and implementation

We execute our stewardship philosophy throughout our investment process. Implementation can be summarised into a four-step cycle:

### 1. Fit for investment universe

We review candidate stocks for the strategy's "Approved List" for material factors. If the factors present excessive risks, then stocks will not progress to approval. Factors reviewed for materiality include ESG factors outlined in our policy (such as, climate risk and opportunities, labour management, safety, waste management and board composition). The investment analyst

is responsible for the investigative work, which is then tested by colleagues and subject to review by the IC.

### 2. Risk and opportunities assessment

Stocks on the approved list are regularly assessed and monitored by the investment analyst across material ESG risks and opportunities. Analysts use Magellan Global Equities proprietary ESG risk assessment framework to assess and score those risks and opportunities. We believe our analyst's knowledge of companies and industries provides a deeper level of analysis with regards to materiality of the risk and the impact to cash

flows. The framework considers companies' exposures to risks and opportunities and how companies are managing those exposures. The analysts liaise with the ESG team, when assessing the company's management of the material risks or opportunities and subsequently determining ESG scores. The final assessments and scores are reviewed by the IC, with a member of the ESG team always an active participant at the IC meetings

We believe climate change is a particularly important environmental issue for global businesses and investors to consider. In order to enhance assessments of the company-specific risks and opportunities associated with climate change, the ESG team have implemented 'net zero alignment assessment' ("the assessment"), which has been guided by the Net Zero Investment Framework.

As outlined in MFG's Modern Slavery Statement, additional analysis is done for all portfolio companies on modern slavery risk. Each company is assessed for exposure to modern slavery risks and management of this risk exposure.

The ESG team undertake to provide internal and external training on relevant topics to continue to enhance these assessments.

### 3. Portfolio construction

Our portfolio managers consider ESG scores and qualitative assessments of ESG risks and opportunities when considering the purchase, sale, and sizing of stock positions within the portfolio. All else being equal, a more positive ESG assessment would contribute to a larger portfolio position and vice versa.

### 4. Active stewardship

We generally engage with companies prior to the purchase decision to discuss our assessment of material risks and opportunities. Once we invest in a company, we increase our engagement and ensure management's understanding of our stewardship policies. The main purpose of these engagements are to deepen knowledge of the company's approach, provide our perspectives, and seek to positively influence the management of risks and opportunities, as appropriate. We also review all proxy voting items at General Meetings.

We expect elements of this execution process to change from time to time, incorporating best-practice learnings from industry associations as well as rapidly evolving regulatory requirements. While there will be execution changes from time to time, it is important to note that the overarching goals, as encapsulated by our stewardship philosophy, will remain true to protecting and enhancing our clients' wealth.



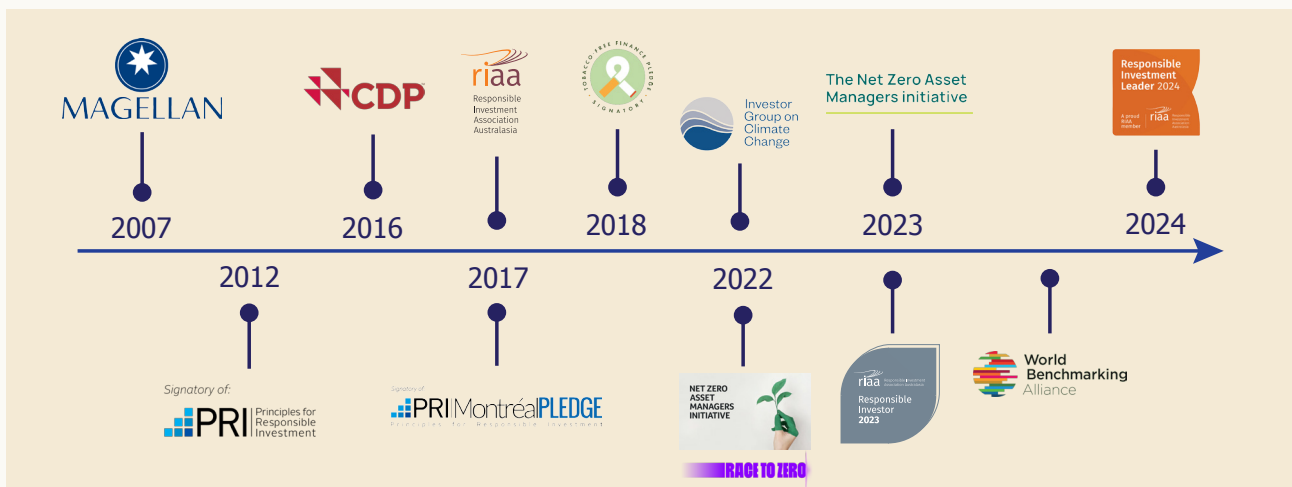
## Industry recognition and initiatives

MFG is a signatory to a number of industry initiatives and associations that support our commitment to responsible investment, transparency to stakeholders and ability to elevate key company and industry issues such as human rights, climate change and nature.

In the last year, we:

- received improved RIAA recognition as a Responsible Leader
- achieved uplift in our CDP score to 'B', based on our most recent submission
- were an active member of the RIAA Human Rights Working Group, which informs and enhances the assessment of human rights, including modern slavery, across our internally managed investment strategies
- participated in RIAA's Nature Working Group, which has strengthened our assessment of nature related dependencies and impacts across high impact sectors and reinforces our priorities to further develop our nature and climate frameworks
- contributed to additional industry roundtables and working groups, providing feedback to peers, regulators and other key stakeholders on the mandatory reporting requirements related to financed emissions for asset managers
- continued to implement the Net Zero Investment Framework, which guides the implementation of our Climate Stewardship Strategy
- maintained our membership of the World Benchmarking Alliance (WBA) through the Collective Impact Coalition for Ethical Artificial Intelligence.

## Best Practice Leadership and Collaboration





## Engagement with companies

Our long-term investment horizon gives us the opportunity to engage with companies over an extended period on issues that are important to protecting and creating shareholder value. We aim to engage with portfolio companies on a broad range of ESG themes, as identified by the investment team, that investment analysts assess to be material to those companies within our proprietary ESG risk and opportunities assessment framework.

Engagement has two primary objectives, designed to have a positive impact on shareholder returns over time:

### 1. Risk assessment and management

Continue to expand our knowledge and understanding of the risks and opportunities through discussions. As long-term investors, we build up knowledge and insight, which we discuss, and challenge management during

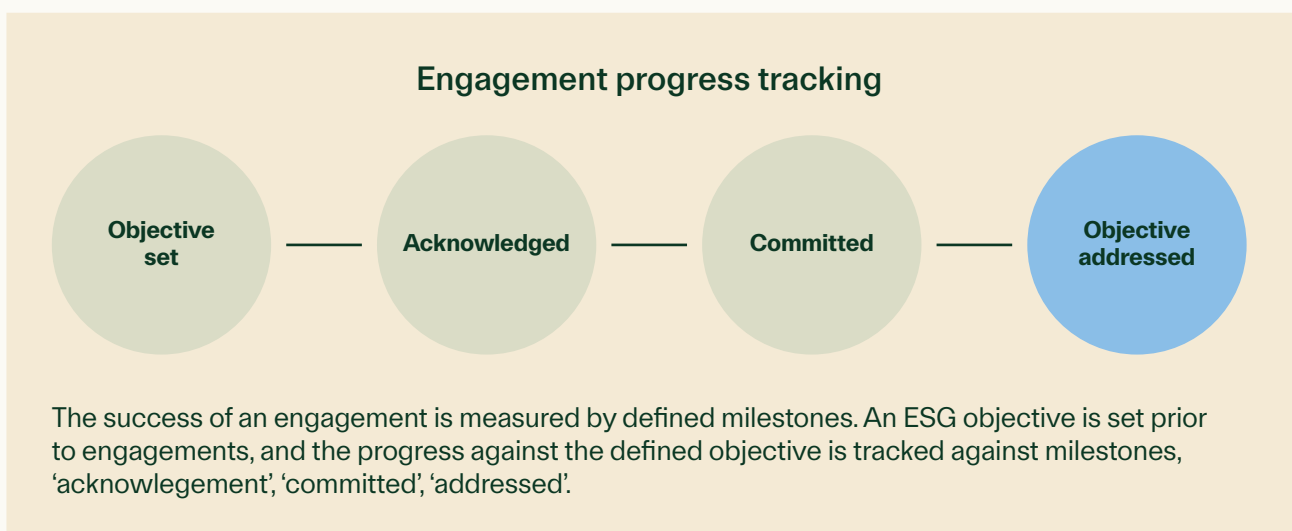
engagements. These discussions deepen our understanding within and across industries.

### 2. Influence

Encouraging and supporting change to a company’s approach or the setting of targets as required. As long-term investors, we build constructive relationships that better enable us to drive positive change at the company.

The investment team identify key risks and opportunities at the company level. These are then aggregated to identify common themes at industry and portfolio level.

The level of engagement is also considered in the context of the relative size of our investment. We will seek a deeper level of engagement with firms when we own a greater portion of a firm’s equity, and we therefore have greater sway, and responsibility to engage.



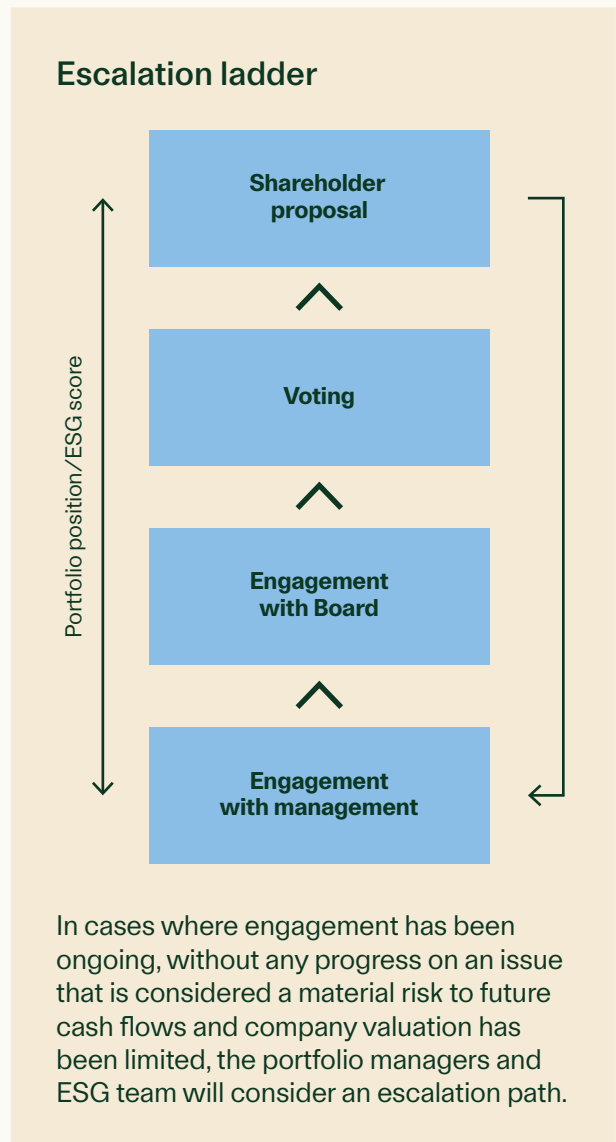


## Proxy voting

At Annual and Extraordinary General Meetings, as specified in our Proxy Voting Policy, we vote on all proxy resolutions for investments that we directly hold on behalf of our investors. We believe that proxy voting underpins our role as stewards of our clients' capital, with the power to vote for or against agenda items. We have a principles-based proprietary proxy voting policy that requires us to vote our investment securities in a timely manner and make voting decisions that are intended to maximise long-term investor value.

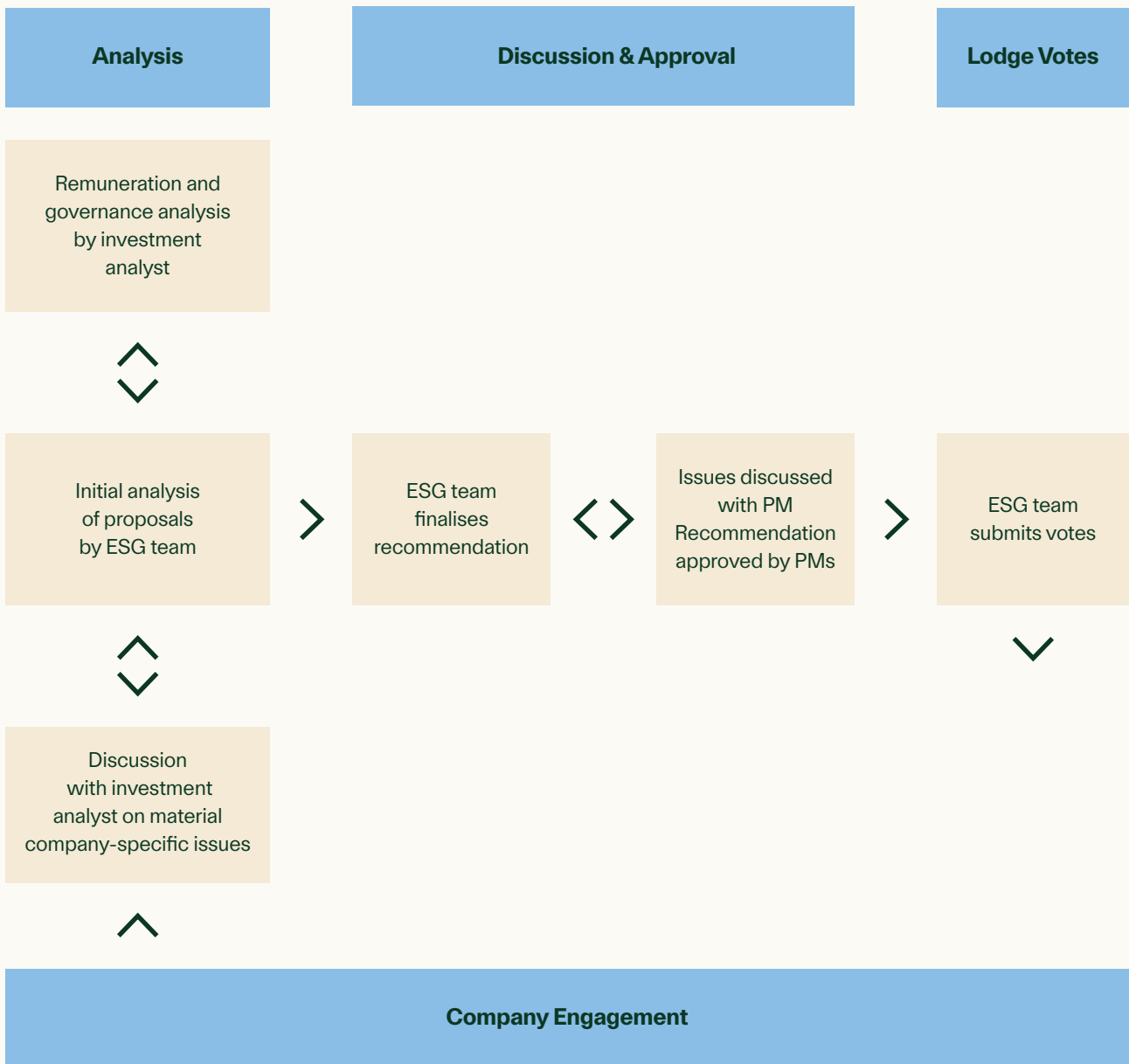
Our ESG team is responsible for the analysis of proxy proposals assisted by the investment analysts. Each proposal is reviewed carefully by the ESG team together with the investment analysts. We consider the validity of the proposal, whether the risk identified is sufficiently material to either the company or industry to warrant the proposal, how the Board and executives manage the risk and whether the proposal enhances the transparency, management or understanding of the risk.

The ESG team consults the investment analysts and other industry experts, as well as the proponent where necessary, and drafts recommendations for approval by the strategy's portfolio managers. Following review and approval by the portfolio managers, the ESG team will submit the votes. This process is outlined in our Proxy voting policy on our website. The investment analysts provide detailed input into the proxy voting analysis.



Engagement with portfolio companies is undertaken throughout the voting process to better understand shareholder proposals put forward and management perspectives on how they are managing the risks and opportunities being considered within the proposals. Ongoing engagement is important as change can take time. This includes communicating votes that differ from the company recommendation and following up on issues raised throughout the year.

### Proxy voting process

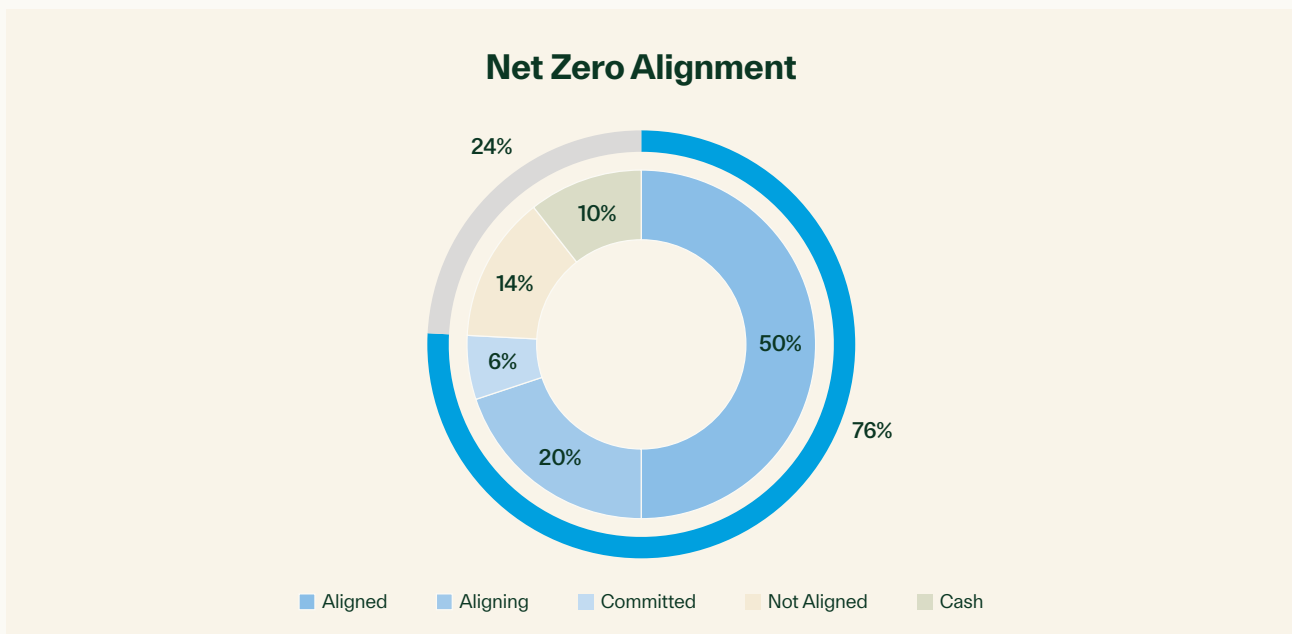


## Update on climate risk management

There was a continued focus on climate transition risk with discussions on company climate strategy, including short-, medium- and long-term targets and projects. These were key inputs into the assessment of alignment to net zero using the Net Zero Investment Framework to prioritise engagement with companies.

### Climate risk assessments

Over the past year, we continued to strengthen our work on climate risk, applying the net zero alignment assessment, guided by NZIF 2.0. As of June 2025, approximately **76% of holdings by weight were assessed as either aligned, aligning, or committed to aligning under our Net Zero alignment assessment.**



As at 30 June 2025

## Climate stewardship

Our long-term investment horizon support meaningful stewardship engagements on climate issues, enabling us to monitor and influence climate strategies over time. The finding of this year's analysis confirms the majority of our investee companies demonstrate robust decarbonization plans and favorable business positioning in an economy transitioning to net zero.

We will continue to use our climate risk assessment frameworks to prioritise engagement with companies to ensure their strategies remain credible, ambitious and consistent with protecting and creating long term shareholder value.

Further information is available in our [2025 Climate Report](#) on our website.

# Engagement outcomes



Over the financial year, the investment team engaged with a range of stakeholders relevant to our investable universe. This included companies within the portfolio, potential new investments, companies within industries of interest, industry experts and regulators.

Across the entirety of our engagements, over 150 included ESG.

## Across our investable universe<sup>3</sup>

**>430**

Engagements

**21**

With the Board

**96**

With C-Suite

**253**

With senior management

**820**

ESG discussions

<sup>3</sup> During FY25

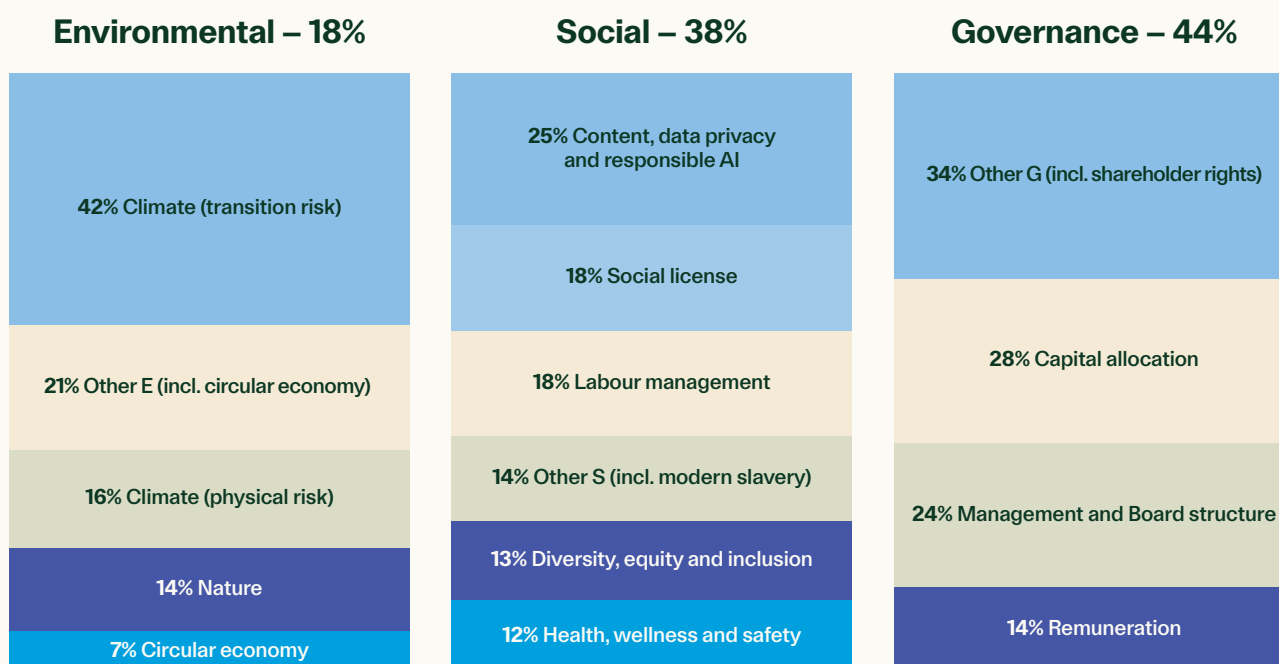
While the investment team engages with the broader investable universe, the key focus is on companies held in the Magellan Global Opportunities strategy, with most portfolio companies involved in over 116 meetings in FY25. Most interactions were with the senior leadership team, including the CEO, CFO, other executives, corporate responsibility officers and other relevant senior team members. In some cases, where companies had not made progress on a particular ESG topic, we escalated the issue to the Board of Directors.

## 2025 Engagement by Theme and Focus Areas

Magellan Global Opportunities strategy – Companies held in the portfolio in FY25				
<b>116</b> Engagements	<b>4</b> With the Board	<b>14</b> With C-Suite	<b>71</b> With senior management	<b>240</b> ESG discussions

## ESG Topics

Our FY25 engagements focused on the following ESG topics:



# Increased energy use in Big Tech and AI



## Industry: Technology

**Background:** Data centres have become one of the fastest-growing sources of electricity demand globally, driven by the rapid growth in AI model training and implementation. Data centres already account for an estimated 1 - 1.5% of global electricity use, and this share is rising rapidly with AI adoption. A 2024 report<sup>4</sup> prepared by Berkley for the US Department of Energy found that data centre consumption in the US has tripled over the past decade and is projected to double or triple by 2028.

Cloud service providers and AI platforms are scaling capacity while maintaining climate commitments through large renewable energy partnerships.

Credible climate strategies require companies to consider the significant incremental energy demands of AI. Without a clear strategy to expand renewable supply and invest in efficiency innovation, these companies face heightened risks to their decarbonisation targets, cost structures, and stakeholder trust.

## ESG assessment & voting:

**Objective:** Understand the energy demands driven by the increase in AI adoption and the implications for a company's climate strategy and climate related goals.

Our rationale for supporting shareholder proposals requesting additional reporting on data centre climate impacts included the

need for greater transparency on energy use, renewable energy sourcing, and alignment with net-zero commitments.

### 1. Future renewable energy availability

We have seen delayed closure of fossil fuel utilities to in the US, (Virginia) to meet customer energy demands.

### 2. Reliance on Renewable Energy Certificates (RECs/ offsets)

While RECs can play a role in supporting renewable energy development, overreliance on them may signal a less credible climate strategy, as it can deprioritize actual emissions reductions. It's also essential to assess the quality and transparency of the REC and offset programs being used.

### 3. Climate risk assessment

Our climate assessment considers the credibility of company's climate strategy and how they integrate projected AI-driven energy demand into their climate transition strategies and if this aligns with company climate goals and targets.

**Outcome:** We voted in support of the shareholder proposal for additional reporting on impacts of data centers on the company's climate commitment for Amazon and Meta. Analysis and climate assessments helped to inform our voting outcome. We will encourage further change and ongoing disclosure of their climate strategies.

<sup>4</sup> 2024 US Data Center Energy Usage Report

# 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.



We consider:

- Alignment with regulation and industry standards
- Practical recyclability and use of recycled content
- Credibility of claims and risk of greenwashing

## Case Study: Nestlé

**Industry:** Food & Beverage

**Objective:** Assess Nestlé's progress on packaging waste reduction.

We engaged with the company to better understand the approach of the company towards future investment in sustainability, in particular plastic and packaging. Nestlé continues to invest in sustainability where it reduces regulatory risk and aligns with consumer expectations. The company has reiterated the importance of ensuring sustainability investments are return-focused, signalling that capital allocation will continue where regulation and consumer demand support value creation.

Nestlé's allocation of sustainability spend is divided between continuation of existing projects (such as scaling recyclable packaging formats) and new innovation (developing biodegradable and reusable solutions). For example:

- Nestlé's Dolce Gusto NEO compostable coffee pods where they break down in 45 days and produce high quality fertilizer.

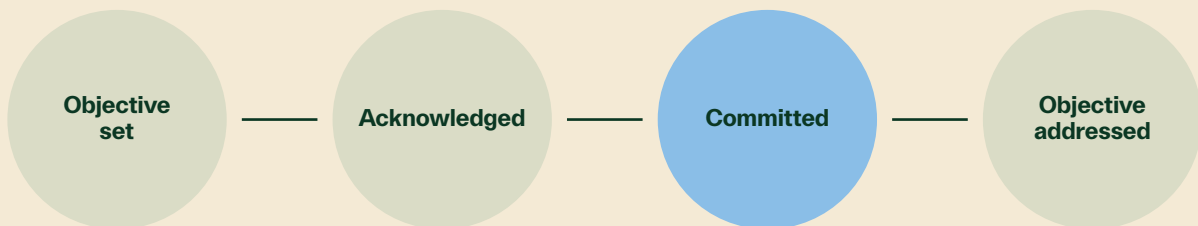
- Maggi noodles packaging in Australia which is now sourcing 90% less virgin plastic and using recycled plastic.

Regulation remains a key driver and pleasingly the company appears prepared for increasing regulation in the EU and US. In the latest disclosures from the company, we have seen:

- a reduction in the use of virgin plastic by 21% relative to a 2018 baseline;
- an improvement in the proportion of packaging that is recyclable, reusable or compostable to 89.5% in 2024; and
- an uplift to 14.7% of recycled content in plastic packaging in 2024 from 9.3% in 2023.

We continue to monitor this data to ensure progress each year, noting deteriorating trends in waste generation.

**Outcome:** We have confidence that Nestle will continue to prioritise investment and innovation in plastic and packaging waste. We continue to monitor the company's progress to ensure a balance between packaging innovation to reduce plastic and packaging waste while maintaining food quality and managing cost pressures.



**Link to Investment Case:** Packaging sustainability is financially material due to increasing global regulation, consumer expectations, and litigation risks. Companies with credible, transparent, and science-based circular economy strategies are better positioned to mitigate regulatory and reputational risks while protecting long-term brand trust and shareholder value.

# Diversity, equity and inclusion

Diversity, equity and inclusion (DEI) can improve decision making and innovation, and broaden the labour pool.



We consider:

- Diversity at the Board, management and company level
- Pay equity
- Culture that supports all employees to speak up

## Case Study: SAP – Diversity

**Objective:** Assess the potential impact of U.S. executive orders on SAP’s DEI commitments, particularly those related to internal targets and incentive structures.

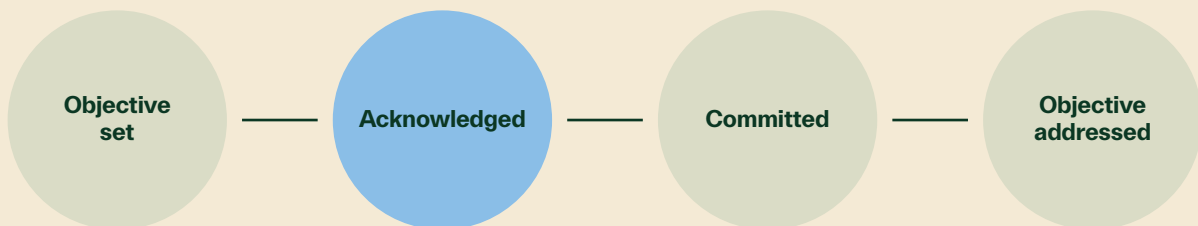
In engagement, we highlighted the benefits of diversity and our preference for at least 40% of directors from each gender. It was important to engage with the company to better understand the structure of German boards and the appointment of directors. Directors are appointed with consideration for skills, expertise, tenure and diversity of gender and background.

SAP is navigating complexity in expectations related to DEI across Europe and the US. In Germany, there is a requirement for companies to ensure at least 30% of supervisory board seats are held by directors of each gender, while in the US a key area of regulatory scrutiny and

executive orders relates to DEI-linked metrics in executive remuneration.

SAP indicated that they would review DEI-linked metrics in remuneration to ensure compliance with stakeholders and regulations.

**Outcome:** SAP continues to prioritise people and labour management as a material ESG factor in their executive KPIs. However, in May 2025, they announced that the metric, Women in Executive Roles, would be replaced with a broader measure of ‘Business Health Culture Index (BHCI)’. *“SAP remains committed to creating an inclusive workplace where all employees have equal opportunities, so that the company fully complies with the legal requirements in every country in which it operates.”* We will continue to engage with the company to ensure that diversity and inclusion remains embedded in their people strategy given the importance of retention and attraction of skilled employees in the software industry.



**Link to Investment Case:** Diversity of thought can lead to innovation and better risk management. A 2019 McKinsey<sup>5</sup> study highlights that companies in the top quartile of gender diversity on executive teams were 25% more likely to experience above average profitability than peer companies in the 4th quartile.

<sup>5</sup> How diversity, equity, and inclusion (DE&I) matter | McKinsey

# Cyber security

Cyber security has become an increasingly material ESG risk, with the rise of AI and other advanced technologies heightening the potential for sophisticated cyberattacks. Companies are expected to demonstrate strong governance and resilience measures to protect their systems, data, and stakeholders from these evolving threats.



We consider:

- Skills and board experience
- Through engagement, we assess board fluency on cyber and emerging AI trends
- Appropriate disclosure following exposure to cyber related events or attacks
- Policies and procedures
- Executive remuneration alignment to management of business risks

## Case Study: Microsoft

This year, we have seen an increase in companies using technology to strengthen cybersecurity, manage large amounts of data, and improve processes efficiency. This creates opportunities for scale growth and drive innovation, but also comes with risks, partially around cyber threats and data privacy.

Managing new and emerging technology, is a topic relevant to nearly all companies, with approaches to risk management varying and often difficult to assess. The increased use of AI has coincided with more cyber-related events and attacks which we have monitored in news flow. This trend has been reflected in increased company disclosure around cyber security, including references in proxy statements as well as sustainability and impact reports.

Data privacy has similarly increased as a risk, driven by the AI investment trend, expanding storage and use of big data and advanced technologies. Continued regulatory scrutiny and customer focus mean that this remains an area of heightened attention.

### Engagements:

**Objectives:** Ahead of voting in the December 2024 AGM, we engaged with the company to understand Microsoft's Board oversight in relation to cyber risks and their governance around potential reputational and financial impacts from AI-driven cyber security attacks.

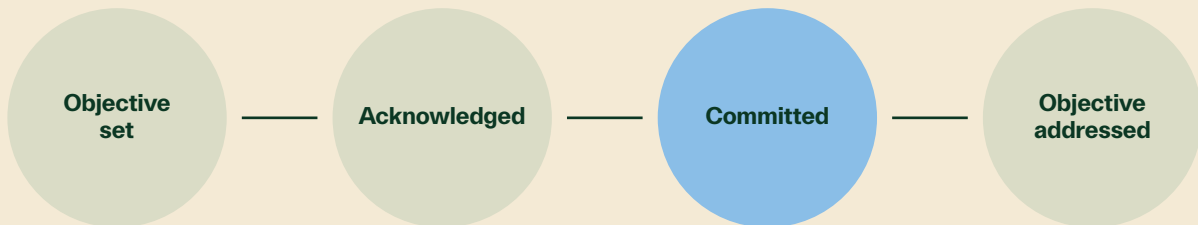
Microsoft confirmed that cybersecurity is a Board-level priority, with reviews completed at least quarterly. The company emphasised that customer trust, data security, and protection of its cloud platforms are essential to its reputation and long-term financial resilience.

Microsoft has demonstrated the importance of cybersecurity throughout the organisation, with accountability reinforced for their C-suite executives.

In 2024, CEO Satya Nadella acknowledged the strength of the company's overall performance but emphasised his personal accountability for the focus and speed required for the changes that today's cybersecurity threat landscape showed were necessary.

While the Board believes Mr. Nadella provided exceptional leadership, they approved a reduced cash incentive of \$5.2 million USD, representing a more than 50% reduction compared to what he would have been awarded the short-term incentive based on their performance assessment.

**Outcome:** The 2025 executive remuneration is highly aligned with the increasing business risk of cyber security risk. A third of each executive's individual annual performance will be based exclusively on cybersecurity.



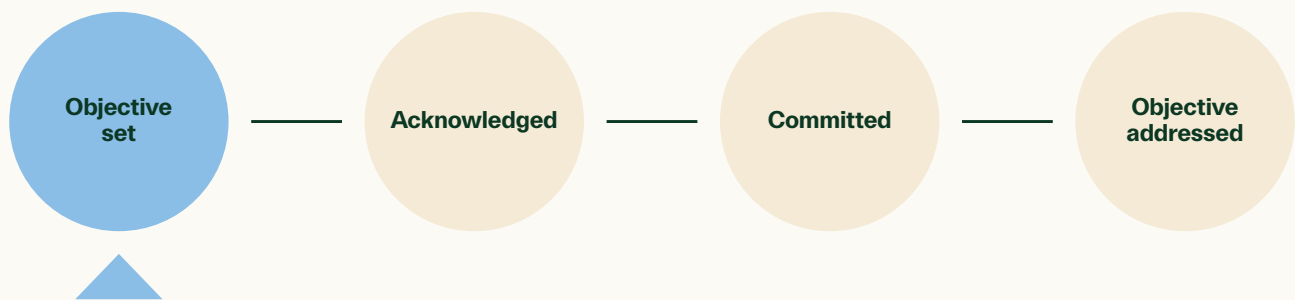
**Link to Investment Case:** Cybersecurity is increasingly material to the investment case as it directly influences operational resilience, regulatory compliance, and customer trust, all of which can impact long-term value creation. Companies that demonstrate strong cyber risk management are better positioned to avoid financial losses, reputational damage, and business disruptions.



# Ongoing engagement



We set engagement objectives on material ESG topics with clear milestones for the company. The following examples outline topics where objectives have been set and engagement is ongoing.



**Environment**



**Climate**

- Engagement to encourage commitment to long-term, net zero emission targets. Examples include: American Tower, Dollar General Corp. and Ulta Beauty Inc.
- Prioritisation of companies in high-impact material sectors to ensure alignment with net zero emissions by 2050 and progress towards interim targets. For example: Eversource.

**Social**



**Diversity, Equity and Inclusion**

- Encouraging companies to improve gender diversity at the board level in line with our new voting principle, 2.1. Examples include: SAP, Alphabet, and Meta.

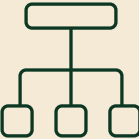
**Content and data privacy**

- Ensuring the longevity of the moat and sustainability in the business that is dependent on trust in the platform.
- Increased focus this year regarding the risks with the growth in generative AI. These risks include misinformation, copyright, data privacy, security, labour, and human rights and environmental impacts. The focus is on Microsoft, Meta and Alphabet with consideration for the corporate users of this technology in terms of risks and opportunities.

**Role of franchisors**

- Ensuring the management, education and oversight of employees, supply chain and social licence within the franchisees. We see the franchisors as having a role to play to provide sufficient training and support to franchisees to attract and retain employees. An example is Yum!Brands.

**Governance**



**Board structure**

- Continuing to engage with companies to improve Board structure encouraging improved independence overall, an independent Chair or a lead independent director at a minimum. We supported shareholder proposals for Eversource to encourage the separation of Chair and CEO.

**Executive remuneration**

Continuing to engage regarding:

- Remuneration structures to increase performance hurdles that appear insufficiently challenging and ensure alignment to sustainable growth.
- Structure of remuneration including the balance between performance-linked incentives vs time-based incentives and options.
- The inclusion of meaningful incentive targets related to emissions reduction or social initiatives where relevant. We are advocating for change at Amazon, United Healthcare, Eversource, and Meta.

# Proxy voting outcomes



Annual General Meetings (AGMs) give our investee companies the opportunity to present their performance and give shareholders the opportunity to vote on ballots, which are comprised of both company proposals and shareholder proposals. This year we supported more shareholder proposals where the ask of the resolution was aligned with our engagement objectives.

<b>Shareholder meetings (22)</b>	
<b>Proposals (343)</b>	
<b>Company Proposals (301)</b>	<b>Shareholder Proposals (42)</b>
<b>Votes against company recommendation</b> (6% of ballots)	<b>Votes against company recommendation</b> (33% of ballots)
<b>Voted against company</b> (10% of ballots; 50% of meetings)	

## Proxy Voting Statistics in detail – FY25

The Global Opportunities strategy voted on 343 proposals. We voted against the company's recommendations on 10% of all proposals and cast a vote against the company's recommendations on at least one proposal item at 50% of shareholder meetings. We continued implementing our proxy voting policy and withheld from voting one meeting where market restrictions (share blocking) could have impacted client objectives.

During the year, we voted against several management proposals on executive compensation where the structure was not aligned with our Voting Principles. For companies with ongoing engagement that failed to improve their remuneration structure, we voted against the incumbent members of the compensation committee, in line with our escalation process.

Category	Number of proposals	With the company	Against the company
<b>Company Proposals</b>	<b>301</b>	<b>94%</b>	<b>6%</b>
• Board related	204	97%	3%
• Compensation	31	74%	26%
• Audit/ financials	35	89%	11%
• Capital management	21	100%	0%
• Other	10	100%	0%
<b>Shareholder Proposals</b>	<b>42</b>	<b>67%</b>	<b>33%</b>
• Environmental	11	73%	27%
• Social	22	77%	23%
• Governance	9	33%	67%
<b>Total Proposals</b>	<b>343</b>	<b>90%</b>	<b>10%</b>



# Governance and updated voting principles



Following updates to our voting principles and proxy policy in 2024, we have had a productive year of company engagements, which has influenced our voting outcomes. Key enhancements to the voting principles include:

- **Environment:** addition of climate, circular economy and biodiversity along with nature-based principles.
- **Social:** expectations for companies regarding diversity, mitigation of human rights risks in the supply chain and the implementation of AI.
- **Governance:** minimum expectation regarding executive pay linked to performance.

For more information, please refer to our Voting Principles.

## Lead independent director:

A principle we have long advocated for is our preference for a governance structure separating the roles of Chair and CEO. This year, we continued our company engagements to strengthen governance structures by appointing a lead independent director, particularly where the roles are combined, or the Chair is not independent.

We view it as best practice for the lead independent director to have a tenure of less than 10 years to maintain genuine independence. Prolonged tenure can compromise objectivity and diminish the effectiveness of this crucial governance role. We encourage boards to adopt a formal policy limiting the tenure of lead independent directors to promote greater accountability and objectivity. **We voted against a board related resolution for Amazon and Eversource where the tenure of the lead**

**director has deemed them affiliated and no longer independent.**

## Audit firm rotation:

We view the role of external auditors as essential for ensuring transparency and accuracy in company public disclosures for shareholders. To ensure the independence of the audit service, **we encourage rotation of the firm providing the auditing services at least every 10 years.** Our engagement and voting efforts were focused on audit firms that had excessive tenure. In our engagements, we considered if audit firm contracts have been tenured to the market or appropriately assessed by the audit committee. **We voted against four companies** for their vote on ratification of auditor, in many cases, following multiyear engagements on this topic.

# Governance

A well-governed company with independent board can make decisions in the best interests of all stakeholders.

Compensation should motivate, incentivise and aim to retain key management personnel. It should also align with shareholder experience and support the delivery of the strategy.



We consider:

- Chair and CEO separation; Chair and board independence
- Shareholder alignment
- Remuneration structure and performance linked incentives.

## Case Study: Eversource

**Industry: Utilities**

**Objective:**

1. Remuneration: Improve the structure and performance hurdles of executive remuneration.
2. Directors: Ensure all sub-committee Chair trustees are independent.

We were pleased to see the appointment of a lead independent trustee in 2024 who was also appointed as Chair of the Compensation Committee. While we acknowledge small improvements to the hurdles for the long-term incentive (LTI), we continue to engage to encourage a more substantial improvement to the remuneration structure.

In 2025, we increased the frequency of engagement with Eversource on these topics, sharing our updated voting principles.

1. Remuneration: While we acknowledged downward discretion that was applied for the second consecutive year, we did not consider that the overall payout for executives aligned with shareholder outcomes over the period. We have encouraged a more substantial review of the remuneration structure including hurdles and maximum payouts to ensure final outcomes align with shareholders.
2. Directors: We highlighted areas where the company can improve alignment to our principles.

### **Principle: 3.1.4 Board Sub-Committees**

Chair of the sub-committees should be independent. Independent directors should have less than 10 years tenure to be viewed as truly independent and representing minority shareholders. We encourage consideration for rotation of the Chair of the Nominations committee.

### **Principle 3.1.1 Combined Chair and CEO**

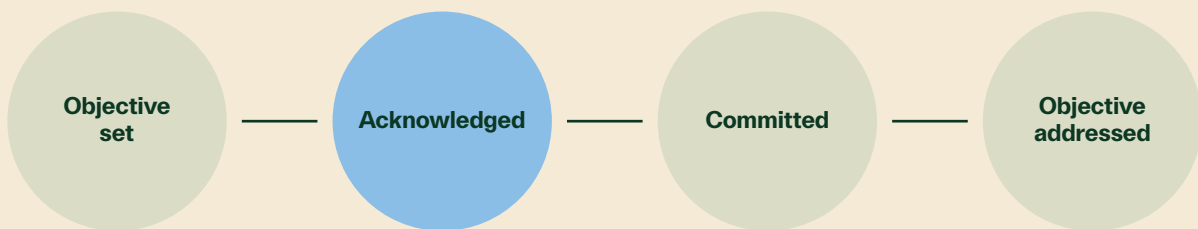
We view separating the Chair and CEO roles as best practice.



We followed up our engagement meetings with a letter to be shared with the Chair of the Compensation committee. Following our engagement process and escalation, we voted against the company on the advisory vote on executive compensation and the Chair of the Nominations committee.

**Outcomes:**

1. Remuneration: Eversource acknowledged and will pass on our feedback. We will continue to monitor the structure of executive compensation.
2. Directors: We escalated through voting to encourage a rotation of the Chair of the Nominations committee, in line with our principles.



**Link to Investment Case:** Independent boards with separation of Chair and CEO supports 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.

# Responsible AI

Artificial Intelligence (AI) presents transformative opportunities across the technology sector, but with elevated governance, privacy, and human rights risks. For companies with future growth driven by AI, AI governance will have a significant impact on long-term value preservation.



We consider:

- Board oversight and executive accountability for AI governance
- Safeguards for user privacy, misinformation, and at-risk groups
- Alignment of AI practices with shareholder interests, cashflow sustainability, and long-term risk mitigation

## Case Study: Meta and Alphabet

### Industry: Technology & Communications

**Objective:** Promote responsible governance of AI systems embedded across advertising, social platforms, cloud infrastructure, and media distribution to manage reputational, regulatory, and operational risk.

Responsible AI is financially material to Meta and Alphabet given the integration of AI within their core platforms which generate advertising revenue; advertising accounted for approximately 99% of Meta's global revenue in 2024 and approximately 75% of Alphabet's global revenue in 2024. Mismanagement of AI risks such as bias, privacy violations, or misinformation could impact cashflows through regulatory fines, reputational damage, or reduced advertiser spend.

At the 2025 AGMs, we supported shareholder proposals at both Alphabet and Meta calling for expanded disclosures, such as a third-party human rights impact assessment of AI-based advertising at Alphabet and demands for transparency about deepfake-identification technology and child safety measures at Meta.

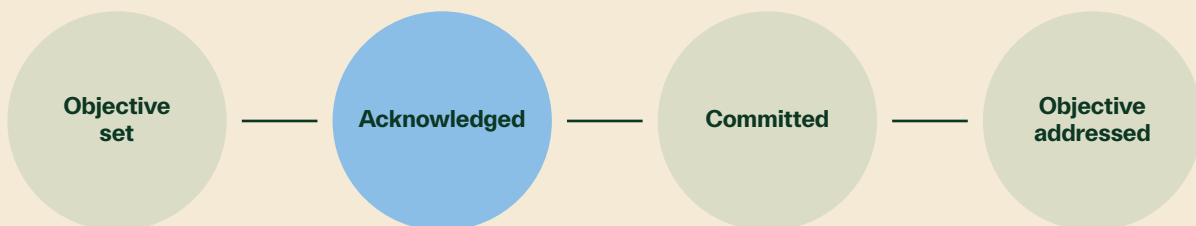
These actions were consistent with our recently updated governance principle:

### 2.2.2 Content and user safety

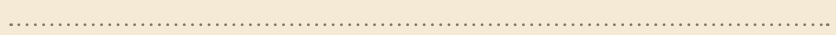
We expect technology providers and companies implementing technology solutions, including Artificial Intelligence (AI) to take reasonable measures to protect the fundamental human rights of users, particularly at-risk groups such as minors.

While Alphabet and Meta provide baseline AI governance reporting, additional transparency around project-level safeguards, board-level oversight of AI risks, and human rights audits would improve investor visibility and risk oversight.

**Outcome:** We voted 'for' both proposals to reinforce the strategic importance of AI oversight and encourage robust disclosure frameworks. These decisions align with our stewardship principle that responsible AI management is a material factor for long-term returns and reputation.



**Link to Investment Case:** Responsible AI governance is a material concern due to growing regulation (e.g. EU AI Act), increased litigation, and heightened public scrutiny. Firms that proactively invest in governance structures, transparency, and safety protocols are better positioned to safeguard user trust, manage systemic risks, and sustain long-term performance.



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Contact the Magellan ESG team  
[esg-team@magellanfinancialgroup.com](mailto:esg-team@magellanfinancialgroup.com)