

QIC'S ENGAGEMENT PROGRAMME

QIC RESPONSIBLE INVESTMENT

QIC believes that environmental, social and corporate governance (ESG) factors can have a material impact on the long-term returns of investment portfolios. Considering ESG factors is part of our investment decision-making process and we are committed to delivering strong, long-term investment performance to our clients.

QIC became a signatory to the United Nations-backed Principles for Responsible Investment Initiative (UNPRI) in 2008. Principle 2 of the UNPRI suggests an approach of engagement and active ownership with companies that we invest in:

We will be active owners and incorporate ESG issues into our ownership policies and practices.

APPROACH TO ESG ENGAGEMENT

Our objective is to enhance and protect the value of our client's assets. For that reason company engagement is a fundamental part of QIC's responsible investment effort. We believe the key to engagement is constructive and private communication with companies to influence better corporate practices. Engagement lets us share our philosophy and approach on specific investment and ESG factors with portfolio companies and use our influence to enhance their understanding of our objectives. Equally, we believe it gives us an opportunity to improve our understanding of investee companies.

QIC's engagement programme works on several levels:

- Engagement directly with the companies and with fund managers that we invest with; and
- Participating in collaborative initiatives with other institutional investors.

QIC engages with companies directly and also directs our fund managers to engage on our behalf. We also collaborate with other institutional investors to have greater influence on ESG issues. We believe having a larger investor voice on important issues is better than a lone voice. QIC participates with the following institutions on ESG engagements:

- The United Nations backed – Principles of Responsible Investment (UNPRI)
- Responsible Investment Association of Australasia (RIAA)
- Investor Group on Climate Change (IGCC)

QIC also exercises proxy voting rights either internally or via our external managers. QIC's principles and responsibilities on proxy voting can be found at: <http://www.qic.com/about-qic/corporate-information/responsible-investment>.

ESG FOCUS AREAS

Having a focus towards company engagement helps QIC understand and facilitate better risk assessment and valuation of key ESG factors impacting a company's valuation. Our engagement focus is grouped in the following three ESG themes.

1. Severe environmental damage
 - Climate change risk management
2. Human rights abuses
 - Child labor
 - Supply chain risks
3. Corporate governance
 - Bribery and corruption
 - Deception/fraud

We recently signed up to the services of MSCI ESG as our external ESG data provider. In addition, our own portfolio monitoring process assists us in identifying companies that have breached – or might breach recognised ESG standards. We then assess this information, along with data from other sources (eg Bloomberg), and own desk top research to determine whether we should include the company in our Engagement Focus List.

CONTACT US

● E: esg@qic.com

ENGAGEMENT FOCUS LIST

Our engagement focus list is a list of companies we seek improvements from in our listed equities investments, whereby we play a role in trying to influence change. Where companies breach or appear to breach our ESG standards we analyse:

- Significance of issue and if it is our priority issue - e.g. severe environmental damage, human rights or governance
- Materiality of holding – what is our holding in the company?
- Likelihood of success – can an outcome be achieved?
- Significance of the breach:
 - Long-term or short-term
 - Historic or ongoing
 - Isolated or endemic
 - Impact on long-term portfolio risk or return
- Ability to collaborate with other investors or engage directly with the company
- Resources required.

This portfolio screening process and further analysis gives direction on how many companies we should target to engage with annually.

DIRECT INVESTMENTS

QIC are also active in influencing and creating change across our direct investments. We place a very strong emphasis on governance. Board representation is most commonly a requirement for direct equity investments made, although our preference is for our clients and funds to collectively have control or significant influence in the portfolio company. This provides us with greater ability to influence management on ESG initiatives and issues. We focus on ensuring appropriate composition of the board, improving risk management (systems, culture and compliance) and reporting on portfolio companies. Well-governed companies will usually have appropriate ESG policies and procedures in place and the board of directors of those companies will oversee these risks and policies.

For more information on QIC's engagement programme, please contact: esg@qic.com.

ABOUT QIC

We were born with one objective – to deliver investment outcomes for our clients. Created in 1991 by the Queensland government to serve its long term investment responsibilities, we have grown into a Global Diversified Alternatives business. Spanning infrastructure, real estate, liquid strategies, private equity, and multi-asset solutions, we adapt our approach to suit our clients and the investment context. Predictability has built our reputation. It's in our DNA, embedded in our asset classes and delivered in our returns. It's what we pursue day in, day out for clients and why over \$74 billion¹ dollars of people's dreams are entrusted with us. QIC. Pursuing Predictability.

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¹ As at 30 September 2015.

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