

4. Environmental, Social and Governance (ESG) Policy

Introduction

The continuing and increasing importance of Environmental, Social and Governance (ESG) issues in everyday life ensures they must be considered at both a corporate level in addition to investment decisions and investment management.

Madigan is committed to integrate ESG considerations into its operations, investment management strategies, processes, and practices in the belief that these factors benefit investment performance and contribute to the wellbeing of society and sustainability of the environment as well as address the ESG expectations and commitments of its investors, clients, partners and staff.

In pursuing this commitment, Madigan prioritises ESG themes based on investment materiality and fulfilling Madigan's fiduciary obligations as a responsible investor.

Madigan can influence positive ESG outcomes at both the corporate and investment level, and both internally and relevant external parties.

This ESG policy is constantly evolving as Madigan seeks to continuously improve every aspect of its operations.

Madigan Corporate

At the corporate level, the three key areas of influence relate to the:

- Environment: Physical offices and other workspaces
- Social: Staff wellbeing
- Governance: Good management and sound decision-making processes

Physical Office

Madigan occupies a building that is institutionally owned, with the owner's vision being to keep the precinct's environmental footprint as small as possible via ongoing sustainable practice and energy efficiency. Governor Phillip Tower currently has a 5-star NABERS Energy rating.

NABERS is a national rating system that measures the environmental performance of Australian buildings and tenancies. NABERS measures the energy efficiency, water usage, waste management and indoor environment quality of a building or tenancy and its impact on the environment. 5-stars is the second highest rating provided by NABERS and is classified as Excellent.

Staff Wellbeing

Madigan encourages a healthy and enjoyable workplace. Initiatives include:

- Work from home considerations
- Madigan provided leave days over the Christmas and New Year holiday period
- Regular virtual or physical social connections during work hours
- Team building and learning & development activities and opportunities
- Flexibility around work hours
- Recognition across the whole team of work contributions and achievements
- Short term and long-term incentive payment structures

Good Management

Madigan promotes a flat management structure that avoids hierarchies and encourages meaningful contribution and initiative from all members of the team, which is recognised by the whole team.

As a relatively small team, all members are required to understand and assist, when appropriate, other team members whose key function relates to an area of specialty particular to that person. This ensures consistency of operations, but also allows every staff member to grow as they learn and appreciate new skill areas.

Madigan also seeks to apply appropriate management strategy transparency, ensuring staff have



visibility over the business's and broader purpose and mission, aiding in staff alignment and role fulfilment.

Madigan Investments

At the investment level, key ESG assessments are made at the time of investment, and then managed during the term of the investment.

Stewardship and active management

Madigan engages directly with investors and other clients regarding key ESG related matters, identified adopting materiality assessments. Madigan monitors and track progress against this over time and will escalate if appropriate. As required, Madigan engages more broadly with stakeholders to understand, monitor and track ESG matters.

Exclusions

Madigan primarily seeks to manage ESG risks through its active ownership investment approach and generally avoids investment or other opportunity exclusions. Any decision to divest an existing investment is not taken lightly and exclusions are only considered (and put in place) where it is believed that there is no other option by which to manage or ameliorate any material ESG risks involved. In this regard, it is noted that Madigan excludes investments where it is aware these involve thermal coal mining, tobacco product production and cluster munitions manufacture or storage.

Given the nature and target markets for Madigan's investments (being in Australian real estate debt), Madigan does not anticipate many (if any) exclusions would be enlivened for its investment activities.

Environmental

Madigan engages with its borrowers in connection with their environmental sustainability policies and strategies. Areas of focus include:

- Climate change & resilience: Greenhouse gas emissions, energy consumption and efficiency
- Energy efficiency: Water consumption and management, raw material use
- Pollution and Waste management: Contaminated land, hazardous and non-hazardous waste

Madigan requests and, where these exist, reviews and considers each borrower's sustainability policy as part of its due diligence, in addition to including a series of questions in our requests for information.

When assessing any potential investment, Madigan will consider both physical and transition risks that could arise from climate change including:

A. Physical Risks

- Physical risks emanating from climate change that are event driven such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires)
- Longer term shifts in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise).

B. Transition Risks

- Transition risks that come from policy, legal, technology and market changes occurring in the shift to a lower-carbon global economy
- Policy constraints on emissions, imposition of carbon tax, water restrictions, land-use restrictions or incentives, market demand and supply shifts, and reputational considerations.

Madigan may require an environmental review of any underlying real estate collateral if it identifies there is a risk of any environmental contamination being present and the possible remedial options. A property condition assessment is also required which identifies physical deficiencies at the property, including any safety or accessibility concerns.

Social



Madigan's business supports the creation of vibrant communities and workplaces. It is important to Madigan that the social aspects and wellbeing of its stakeholders are considered during these business activities. Areas of attention include impacts on:

- Employment and Working Conditions
- Occupational Health and Safety
- Modern Slavery and Human Rights
- Local Community Impact, Urban Cohesion, and Aesthetics.

Occupational Health and Safety (OH&S)

Key principles of occupational health and safety policies from Madigan's perspective are:

- Avoidance of hazards
- Safe technology
- Optimisation of working conditions
- Integration of production and health and safety activities.

To the extent possible, Madigan performs due diligence on builders and/or developers where it intends to provide finance for property development/construction projects to assess the OH&S track record of the borrowing entity.

Factors to be considered include:

- Compliance with relevant OH&S Laws, Regulations, and the Construction Work Code of Practice
- Industrial relations track record
- History of issues with industry regulators
- Details of any OH&S related litigation
- Relevant insurances held; and
- The standard of projects previously completed.

Site visits, searches and other methods of inquiry are made to ascertain compliance with the above. See below for further detail on enquiries regarding borrower conduct.

Modern Slavery and Human Rights

Madigan is committed to promoting and supporting a culture of corporate compliance and ethical behaviour. It endorses the implementation and promotion of ethical business practices to protect workers from being exploited and abused. For more details, please see Madigan's Modern Slavery Policy.

Local Community Impact, Urban Cohesion and Aesthetics

Madigan acknowledges the impact that its financing of real estate assets can have on local communities and the aesthetic of a neighbourhood. This may be in the form of urban design outcomes, social connectivity, and employment opportunities. We consider these contributions and / or impacts when we underwrite the loan.

Governance

Madigan is committed to good governance and since its inception has focused on building a transparent and straightforward structure that incorporates independence and alignment to investor outcomes wherever possible.

The Corporate Governance Policy and Compliance Program is the core document outlining Madigan's approach to governance and compliance. It is reviewed and, if appropriate, updated periodically.

The key bodies established to govern and implement Madigan's corporate policies and investment strategies comprise:

- Madigan Board
- Madigan Investment Committees.

Corporate and Financial Compliance

Madigan's corporate and financial framework is governed by the requirements of the Corporations Act,



requirements prescribed by regulatory bodies (e.g., ASIC, ATO, APRA) as well as requirements under relevant company and fund vehicle constituent documents.

Conflicts of Interests and Related Party Transactions

Madigan recognises the importance of a formalised framework for best practice in managing conflicts of interests and related party transactions. As part of the AFSL regime and ASIC Regulatory Guidance, Madigan is required to have adequate arrangements in place for the management of conflicts of interests that may arise wholly, or partially, in relation to activities undertaken as part of the financial services business.

Madigan's framework is outlined in its Managing Conflicts of Interest and Related Party Transactions Policy.

Madigan maintains a position of impartiality with respect to party politics and does not make political contributions or expenditure/donations for political purposes to any political party, politician, elected official or candidate for public office in any country.

Borrower Reputation

Madigan considers the reputation of its borrower counterparties as part of our due diligence. This can include gaining information on past investments and projects, credit reference checks, online searches with ASIC and other relevant regulatory bodies and anecdotal evidence provided by materials suppliers, subcontractors and other parties having dealings with the borrower.

Madigan is a reporting entity under the AML/CTF Act and has a Joint AML/CTF Program in place covering Madigan, MFM and MADPL. This includes procedures for undertaking Know Your Client (KYC) and Anti-Money Laundering (AML) checks in respect of the designated services that are provided.

If this due diligence reveals that there are questionable practices in which the borrower may have been involved these findings are flagged and escalated for discussion and Investment Committee and/or CIO signoff before any lending approval is considered. An evaluation of the seriousness of any such issue will be considered as part of this signoff process.

Fraud and Corruption

Madigan has a zero tolerance for fraud and corruption. Civil and criminal penalties exist for both companies and individuals who engage in fraudulent and corrupt activities. Fraud and corruption by their nature can be difficult to detect and despite the checks and balances existing in both the industry and the regulatory environment there is still a risk of such practices going undetected. Madigan conducts due diligence on all prospective borrowers to seek to ensure, to the extent reasonably possible, that none of its counterparties have been involved in fraudulent or corrupt practices.

Further detail can be in Madigan's Anti-Fraud and Corruption Policy.

Proxy Voting Guidelines

Where relevant, Madigan will consider voting in line with this policy across environmental, social and governance factors.

United Nations Principles for Responsible Investment

In 2021 Madigan became a signatory to the Principles for Responsible Investment (PRI). Madigan will use the following six principles as a framework to further develop its ESG policy across investment activities:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into our ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which we invest.
4. Promote acceptance and implementation of the principles within the investment industry.
5. Work together to enhance our effectiveness in implementing the principles.
6. Report on our activities and progress towards implementing the principles.



Madigan will review its continued adherence to these principles on a periodic basis, including through evaluating activities undertaken each year and identifying ways in which the business can enhance its ESG risk management.

Policy Owner: Chief Investment Officer

