



MaxCap
Investment Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE &
RESPONSIBLE INVESTMENT POLICY

(“ESG POLICY”)

OCTOBER 2023

CONTENTS

Introduction	2
Our Values	2
Scope	3
Our Commitment to ESG Principles	3
Environmental, Social, and Governance Beliefs	3
Integration of ESG Factors in the CRE Credit Investment Process	4
Sustainability and Climate Change	5
Diversity, Equity, and Inclusion	6
Governance and Oversight	7
Risk Management and Compliance	7
Ethical Conduct and Integrity.....	7
Transparency and Disclosure.....	8
Industry Engagement and Collaboration	8
Continuous Improvement and Evaluation	9
Building MaxCap ESG Capability.....	9
Review	9
Appendices	10
APPENDIX A: ESG Integration in our Credit Investment Process.....	10
APPENDIX B: Governance Structures & Application of the ESG Policy.....	11
APPENDIX C: Definitions.....	11

Introduction

MaxCap Group (“MaxCap”, “We”, “Us”, “Our”) is an Australian commercial real estate (“CRE”) Investment Manager that invests on behalf of wholesale investors in private real estate credit¹ and equity. The purpose of this Policy is to outline MaxCap’s approach to environmental, social, and governance (“ESG”) factors in our decision-making and processes at the investment and firm level.

As we navigate an increasingly interconnected and complex world, the need for sustainable and responsible business practices has become paramount. At MaxCap, we recognize that our actions today have profound implications for the future, both environmentally and socially. We also recognize that ESG factors can increasingly impact financial and investment performance. Therefore, we are committed to integrating ESG considerations into our business operations and investment activities. By embracing ESG principles, we strive to not only create long-term value for our stakeholders but also contribute positively to the communities we serve, and the environment in which we operate.

Our ESG & Responsible Investment Policy (“ESG Policy”)² serves as a guiding framework that aligns our business strategy with the broader goals of promoting environmental stewardship, fostering social well-being among our staff and stakeholders, and ensuring transparent and ethical governance.

Investor expectations for businesses to invest responsibly and consider ESG factors in their investment decisions are rapidly evolving. We are committed to creating sustainable long-term value and establishing enduring relationships with our investors through our disciplined approach, industry-leading investment management, and proactive response to ESG risks and opportunities.

MaxCap considers that the integration of ESG considerations into our investment activities is a natural extension of our disciplined approach to risk management and is consistent with our central mission of delivering superior risk-adjusted returns to investors. Our ESG integration is centred around risk assessment, right from the start, by assessing ESG factors in our investment decision-making processes; helping us deliver high alpha, risk-adjusted returns to our investors.

Our Values

- **Success.** We think strategically and act deliberately to innovate, challenge the status quo, and deliver on our promises.
- **Ownership.** We empower our highly talented team to step up, take responsibility, and get the job done. We don’t walk past a problem, and we never make excuses.
- **Agility.** We act with initiative to remain proactive in changing market conditions, anticipating and responding to challenges.
- **Relationships.** Our community, clients, and stakeholders are the lifeblood of our organisation; we make every decision with their best interests in mind.
- **Integrity:** We act responsibly and diligently, making decisions that are transparent, fair, and aligned with best practices.

MaxCap’s ESG Policy recognizes the importance of sustainable and responsible business practices in today’s investment landscape. The Policy aligns with our core values of integrity, success, ownership, agility, and relationships in the following ways:

1. **Success:** We understand that long-term success requires considering environmental and social factors alongside financial performance and as a factor on which financial performance is itself increasingly dependent. The Policy formalises an approach to (1) identifying potential ESG risks and opportunities across both our business operations and investment activities, and (2) contributing to the overall success of our organisation.

¹ Throughout this Policy, the terms credit and debt are used interchangeably.

² This Policy is a replacement and amalgamation of the MaxCap Responsible Investment Policy and Corporate Sustainability Policy (dated October 2020).

2. **Ownership:** We believe in being accountable to our investors, stakeholders, and the broader community. The Policy outlines key accountabilities and demonstrates our commitment to working towards best practices in ESG and responsible investment.
3. **Agility:** We value agility in adapting to changing market dynamics. The Policy supports our ability to address evolving investor expectations and regulatory requirements, enabling alignment with emerging ESG trends and practices.
4. **Relationships:** We recognise that strong relationships with our investors, clients, and other stakeholders are essential for long-term success. The Policy demonstrates MaxCap's commitment to building and maintaining trusted relationships by addressing environmental and social considerations, and promoting responsible business practices that resonate with stakeholders' values and expectations.
5. **Integrity:** Our commitment to integrity extends to our ESG approach. The Policy promotes ethical conduct, adherence to regulations, responsible and transparent decision-making, and strong governance practices.

Scope

This Policy applies to MaxCap Group and its wholly-owned subsidiaries, and all credit and direct equity investments originated and managed by MaxCap Group and/or its subsidiaries.

All staff are required to follow the requirements of this Policy. Breaches of this Policy by a staff member may result in disciplinary action and repeated breaches may result in termination of employment.

Our Commitment to ESG Principles

In 2020, MaxCap became a signatory to the United Nations-supported Principles for Responsible Investment (PRI). As a signatory, MaxCap reports pursuant to the PRI reporting requirements and has committed to the following principles:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the PRI within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the PRI.

Environmental, Social, and Governance Beliefs

ESG integration forms a key part of our approach to responsible investment in our CRE credit investment activities. We believe the consideration of ESG risks and opportunities in our investment processes and business activities will contribute to the long-term performance and resilience of our portfolio, our business, and by extension our enterprise value.

MaxCap's key ESG beliefs are outlined below:

Environment:

We believe that integrating climate change resilience and mitigation analysis into our CRE credit investment decisions will enhance the quality and breadth of MaxCap's due diligence and, by extension,

our risk management. Climate change presents a number of risks to real assets, which are relevant to us as a commercial real estate investment manager. The transition to a lower carbon and nature-positive economy is underway and gathering momentum across Australia at all levels of government, investment, and business, driving the development of a 'green' built environment. As an investor, we work to contribute to a more sustainable built environment.

Social:

We believe that diversity of thought and ideas will lead to better decisions. Diverse teams bring together individuals with unique perspectives, experiences, and backgrounds, which fosters creativity and drives innovation. In an increasingly globalized world, MaxCap must cater to diverse markets and demographics, and we believe that communities are essential stakeholders in how we invest and operate.

We believe that people in both our workplace and supply chain should be safe from physical and mental harm when they are at work. When employees feel valued, supported, and psychologically safe, they are more likely to be engaged in their work, committed to the organization, and satisfied with their job.

We believe that social risks, such as modern slavery, rights of Indigenous Peoples, and labour rights are risks that should be addressed across both the workplace and supply chain. As an investor, we work to manage our flow of capital in a manner that seeks to minimise adverse impacts on people or the environment.

Governance:

We believe that acting transparently will hold us to account. Being accountable to our ESG Policy will uphold the trust of our stakeholders including our investors, staff, and community.

We believe in appropriate risk and compliance systems across our organisation. Robust governance structures ensure that decisions are made in a transparent and accountable manner, taking into consideration the interests and needs of all stakeholders.

We believe that having a core alignment of incentives for staff and stakeholders across our business will deliver for our investors. Our clients, investors, and stakeholders are the lifeblood of our organisation, and we make every decision with their best interests in mind.

We believe that fostering a culture of cooperation, constructive challenge, and ethics will enhance our performance across ESG factors, while also ensuring we uphold a culture of integrity and efficiency.

Part of a strong governance structure includes ensuring diverse opinions and thoughts are included at various governance levels in an organisation. We believe that diversity of thought and ideas across our governance structures will enable us to make better decisions in the longer term.

Integration of ESG Factors in the CRE Credit Investment Process

We are committed to incorporating ESG factors throughout our investment process, to the point reasonably practical and to the extent there is no adverse impact on our fiduciary duty and provisions to maximise returns for our investors. We believe the integration of ESG is an essential component of our investment process for several compelling reasons.

Firstly, by considering ESG factors, we aim to identify and mitigate potential risks that may impact investment performance and value. Environmental risks, such as climate change or regulatory changes, can impact the long-term viability and profitability of physical real estate assets, as well as the financing of credit investments. Social risks, such as community backlash or labour disputes, can harm a project's reputation and disrupt operations. Governance risks, such as inadequate oversight or unethical practices, can lead to legal and financial consequences. By integrating ESG principles in our investment process, MaxCap ensures a more comprehensive and holistic risk assessment, ultimately protecting our investors' capital.

Secondly, ESG integration enables MaxCap to identify investment opportunities aligned with emerging CRE market trends and investor preferences. The growing demand for sustainable finance opportunities and real estate assets presents a significant market opportunity; investors increasingly seek investments that deliver financial returns while addressing environmental and social concerns. By incorporating ESG criteria, we can position ourselves to capture these opportunities, attract investors aligned with our ESG values, and generate long-term risk-adjusted returns.

Thirdly, integrating ESG principles aligns with our commitment to responsible and ethical investing. It reflects our values and demonstrates our dedication to environmental stewardship, social responsibility, and good governance. By incorporating ESG considerations, we promote positive social and environmental impacts, and support the transition towards a more resilient and equitable future. We are also taking a leadership position to influence behavioural change in the mid-market commercial real estate sector.

Lastly, integrating ESG principles enhances transparency and accountability. It enables MaxCap to provide investors and stakeholders with clearer and more comprehensive information regarding the environmental and social impact of our investments. This transparency builds trust, strengthens relationships with investors, and attracts capital from responsible and ESG-focused investors who value transparency and accountability.

Overall, by integrating ESG principles into our investment decision-making process, we strive to improve ESG risk management, capture market opportunities, align with our firm values, and enhance transparency and accountability – ultimately delivering sustainable and responsible investment outcomes for our investors.

Using a phased-in approach, we seek to thoughtfully integrate and manage ESG factors across our investment process through a robust ESG Credit Due Diligence and Risk Assessment framework that we have developed for our credit investments, which comprise the majority of our investment portfolio. We intend to refine and expand our ESG Credit Due Diligence and Risk Assessment process for our direct real estate equity investments during FY24. For details on the framework, including how we are integrating ESG into our investment process and which ESG factors we consider in our due diligence, please see [Appendix A](#).

As a CRE credit investment manager, it may not always be possible for us to control the outcome of developments and projects from an ESG perspective. Where possible, we will seek to work with our borrowers/sponsors to promote and influence heightened ESG outcomes. We will also work to effectively integrate ESG factors into our investment process and, over time, look to increase and preference sustainable finance opportunities and product development in CRE.

Sustainability and Climate Change

Climate change presents material financial risks and opportunities for MaxCap across our business operations and investment activities. We are on a journey to identify and mitigate climate change risks that could affect our business and investment performance and to continuously enhance the integration of climate issues across both our firm and investment strategy.

MaxCap supports the objectives of the Paris Agreement, under which governments have committed to reducing emissions to a level consistent with limiting global warming to well below 2°C above preindustrial averages, and to pursue efforts to limit warming to 1.5°C. MaxCap supports the objectives of the Paris Agreement and has set a Board-approved net zero GHG emissions target for 2050 across MaxCap's business operations and investment portfolio. The Board has requested Management to develop interim emission reduction targets for MaxCap's corporate and portfolio emissions over the coming 24 months. We have engaged leading consultants, including legal practitioners with sector expertise, for the development of our emission reduction targets as well as a roadmap to achieving our targets.

We are continuously undertaking to climate change risk capacity-building for our Board, Executive leaders, and staff. To further integrate consideration of climate change risks across our firm and investment strategy, we are undertaking a periodic review and refinement of our climate change risk management framework for implementation across our Enterprise Risk Management program.

As an office-based organization, we recognize that we have limited impact on the environment through our operations (i.e., our Scope 1, 2, and Scope 3 operational emissions). As is the case with the investment management industry, most of our environmental impact is attributed to our investment portfolio (i.e., Scope 3 financed emissions). Notwithstanding this, we are committed to reducing our operational carbon emissions where possible, in support of a just transition to a lower carbon economy. Since 2021, MaxCap has been certified as a carbon-neutral organisation by Climate Active for our business operations via the purchase of carbon offsets. We intend to uphold our status as a carbon-neutral organisation for our business operations and are committed to purchasing only Australian Carbon Credit Units, given the high level of governance and measurable social co-benefits. As a member of Climate Active, we are required to lodge an annual Public Disclosure Statement, which is available on the Climate Active website.

We continue to explore ways to reduce our carbon emissions beyond offsets; we are committed to reducing our emissions by preferencing office premises that have sustainability attributes, managing and reducing waste, reducing electricity consumption, and minimising business travel.

In 2022, the **MaxCap Climate Change Risk Governance Policy** was developed, which outlines our climate change risk governance objectives and commitments and provides guiding principles for the integration of climate change risk governance practices into MaxCap's risk management framework, operations, and investment activities. Further details can be found in our **MaxCap Climate Change Risk Governance Policy**.

Diversity, Equity, and Inclusion

We believe that diversity of thought and ideas will lead to better business decisions and performance. We also believe our people will excel when they are included, have a voice, and are heard. A truly inclusive workplace is one where people feel respected, connected, supported, and valued throughout their careers. As such, we seek to attract, recruit, develop, and retain our people in a culture that embraces and harnesses the power of individual differences.

We are committed to fostering Diversity and Inclusion (DE&I) in our workplace through our **Diversity, Equity, and Inclusion Policy**, various DE&I programs and initiatives, as well as frequent training to our staff on DE&I topics to foster awareness and dialogue on DE&I. We are committed to fairness within our recruitment practices and remuneration policies, and continuously strive to uphold our workplace environment where all employees are treated fairly and with respect, as governed by our **Anti-Discrimination Policy**. We also formalize our approach to staff inclusion and well-being via other firm-level policies, including our **Staff Wellbeing Policy**, **Sexual Harassment & Bullying Policy**, **Workplace Health & Safety Policy**, **Learning & Development Policy**, **Study Assistance Policy**, and **Parental Leave Policy**.

As we look to expand our focus on DE&I over the coming 12 months, a key focus will be on the development of a Modern Slavery and Supply Chain Procurement strategy, as well as First Nations Reconciliation education and engagement for staff.

Governance and Oversight

MaxCap's approach to Responsible Investment, ESG, and Sustainability is supported by our Board³. This support is evidenced by the Board approving and adopting this Policy and by delegating authority to the Chief Operating Officer (COO) to implement, maintain, and report on the risks and effectiveness of our ESG Strategy to the Board, the MaxCap ESG Advisory Committee (ESG AC), and the Audit Risk and Compliance Committee (ARCC), where relevant.

The COO and Management are ultimately responsible for the discharge and implementation of MaxCap's ESG Policy, for ensuring there are adequate resources to implement the policy, and for reporting to the Board on compliance with the Policy. Please see [Appendix B](#) for a visual representation of our governance structures in place for the ESG Policy.

Our ESG Advisory Committee was established to further enhance oversight of our ESG strategy. The ESG AC supports the advancement of MaxCap's ESG strategy⁴ and consists of members from diverse disciplines, including experts in responsible investment practices and climate change. The ESG AC is also intended to ensure MaxCap remains a leading commercial real estate manager through the design and execution of ESG strategies and policies, which are closely aligned with the requirements of our current and targeted investor base.⁵ The Committee meets on a quarterly basis and the COO has been delegated to Chair the ESG AC.

We understand the need to undertake continuous improvement across our ESG-related governance, strategy, risk management, assurance, and disclosure practices. As such, the ESG AC will review this policy on an annual basis.

All staff of MaxCap are expected to follow the requirements of this Policy and are expected to implement this Policy relative to their roles and responsibilities within MaxCap, where relevant and feasible.

Risk Management and Compliance

We take a proactive approach to ensure the protection of our investments and stakeholders from financial losses and reputational damage.

Our robust risk management decision-making processes enable MaxCap to make informed choices based on a comprehensive understanding of potential risks and rewards. Our compliance systems aim to ensure adherence to regulatory requirements, reducing the risk of non-compliance penalties.

Ultimately, MaxCap aims to ensure that these systems enhance the overall stability and resilience of MaxCap, and foster trust and confidence among investors, clients, and regulatory bodies.

Ethical Conduct and Integrity

Ethical conduct and integrity are foundational principles that enable MaxCap to make sound investment and business decisions and ensure long-term success for MaxCap. By upholding high ethical standards, we establish a reputation of trustworthiness and reliability.

The staff of MaxCap are required to read and adhere to the policies listed below. Periodic training is provided to staff on relevant policies.

- **Anti-Corruption, AML, and Trade Control Policy**
- **Code of Conduct Policy**

³ Board approval by circular resolution of Directors that was formally approved on 4 April 2020.

⁴ Refer to ESG Advisory Committee Charter.

⁵ The ESG Advisory Committee is not responsible for the development of Sustainability-themed CRE credit investment products, which is a responsibility of Management.

- [Compliance Management Policy](#)
- [Conflicts Framework & Management Policy](#)
- [Fraud and Theft Policy](#)
- [Gifts & Benefits Policy](#)
- [Incidents & Breaches Policy](#)
- [Whistleblower Policy](#)
- [Diversity & Inclusion Policy](#)

Transparency and Disclosure

Transparency and disclosure are crucial elements for delivering sound investment returns and fostering confidence among investors and stakeholders of MaxCap. By implementing robust transparent practices, we can create an environment that promotes trust, mitigates risks, and enhances decision-making processes.

We believe that better reporting and disclosure can facilitate knowledge sharing and industry collaboration. By openly sharing insights, market research, and performance data, we can contribute to the growth and development of the investment community. This exchange of information can attract like-minded investors and stakeholders, opening avenues for collaboration, partnerships, and shared learning.

As part of our membership to the PRI, we have committed to providing annual reporting on our responsible investment activities via the PRI reporting framework.

We will work closely with investors and other stakeholders to share relevant, accurate, and timely material, as and when requested. MaxCap tailors monitoring and reporting practices to the specific needs and preferences of stakeholders. Many of these documents will incorporate key ESG items of relevance.

Some of these reports include:

- **Investment Performance Reports:** Regularly providing comprehensive reports detailing the performance of individual investments or portfolios.
- **Investor Updates:** Holding periodic meetings or sending newsletters, updates, or emails to investors to provide updates on investment activities, market trends, and performance.
- **Financial Statements:** Issuing audited financial statements on an annual or quarterly basis to provide a clear overview of the financial performance, balance sheet, and cash flow of underlying investments.
- **Compliance and Regulatory Reporting:** Complying with regulatory requirements, such as filing reports with relevant regulatory bodies.
- **Voluntary ESG Reporting:** Publishing reporting in alignment with industry organisations such as the PRI, Investor Group on Climate Change (IGCC), and Climate Active.

Industry Engagement and Collaboration

MaxCap's membership in industry organizations and engagement with partners on critical issues is driven by the recognition that collaboration and collective action are essential for addressing complex challenges and driving positive change.

By participating in industry organizations, we can stay updated on industry trends, best practices, and regulatory developments; enabling us to adapt and innovate on ESG factors. Engaging with industry partners allows us to leverage expertise, share knowledge, expand our network, and collaborate on critical issues related to ESG.

MaxCap is a signatory and/or active participant in the following ESG-oriented organisations:

- United Nations-supported Principles for Responsible Investment (PRI)
- Responsible Investment Association of Australasia (RIAA)
- Investor Group on Climate Change (IGCC)
- Property Council of Australia (PCA) ESG Working Group
- Climate Active
- Property Council of Australia (PCA) Diversity, Equity, and Inclusion Subcommittee
- Diversity Council Australia
- Women in Banking and Finance

Continuous Improvement and Evaluation

Building MaxCap's ESG Capability

All staff will receive ongoing education related to ESG matters, with reference to relevant global best practice examples and reporting frameworks. Staff will be encouraged to consider ESG principles in their daily tasks and business operations.

Training is tailored to suit the position and responsibilities of staff and is intended to equip staff with the necessary resources and knowledge to integrate sustainability practices into their daily tasks. Training is provided on induction and our ESG education program includes quarterly training through platforms such as lunch and learns, workshops, and webinars.

The Investment and Risk Teams are required to review and implement (if applicable) the ESG Policy and its undertakings when preparing Information Memoranda for CRE credit investments.

We are continuing to engage climate risk experts and advisers to undertake climate change risk capacity building for the Board, executive, and employees. Given the dynamic and evolving nature of climate change and ESG-related policy shifts and expectations, we are committed to providing ongoing capacity-building sessions for our Board and staff periodically.

Review

The ESG Policy will be reviewed at least once each calendar year, or more frequently, as required.

Appendices

APPENDIX A: ESG Integration in our Credit Investment Process

Pre-investment, we will conduct an ESG due diligence, risk assessment, and risk rating process to identify and assess ESG risks and opportunities associated with an investment. For our credit investments, if any material ESG risks are identified, they will be communicated to our Investment Committee for review. Where relevant, ESG factors will be included in our deal terms and/or documentation. Further, investor reporting will include disclosure of ESG performance.

During the term of the investment, we will monitor any material ESG issues associated with the investment and request the borrower/sponsor to disclose if a material ESG incident occurs, including steps they have taken or plan to take to remediate the issue. The Debt Investment Team is primarily responsible for executing our ESG Credit Due Diligence and Risk assessment process, with support and partnership from our internal ESG team and external support, as required.

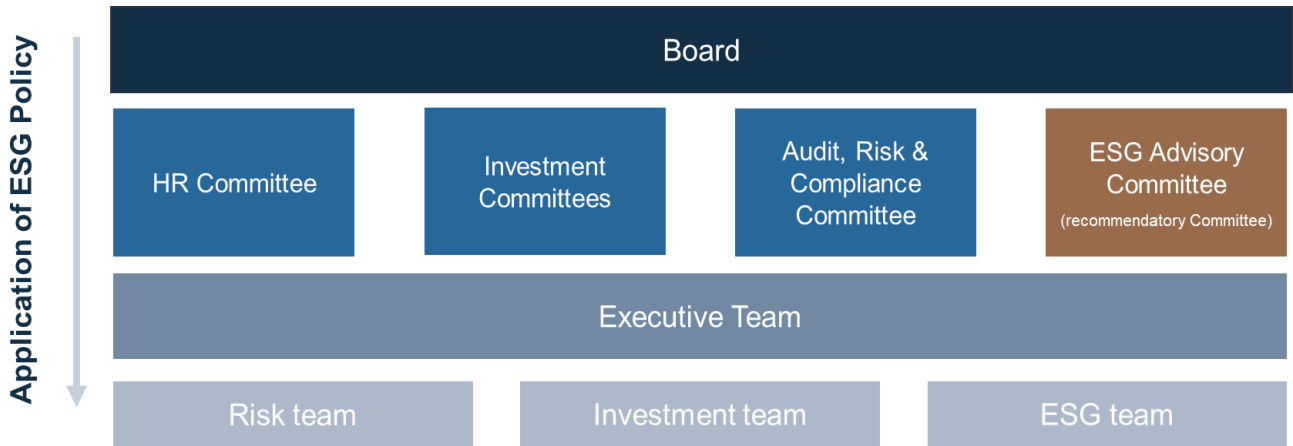
As a CRE credit investment manager, it may not always be possible for us to influence the outcome of developments and projects from an ESG perspective. Where possible, we will make reasonable efforts to effectively integrate ESG factors into our investment process and, over time, look to increase and preference commercial real estate sustainable finance opportunities and product development.

As of now, the majority of our engagement with our borrowers/sponsors is via our ESG Credit Due Diligence process, where we request information on a range of ESG factors material to the real estate industry. Where possible, we engage in discussions with borrowers/sponsors to address and mitigate ESG concerns. However, due to the nature of private real estate credit, we have limited influence over our borrowers/sponsors. Where we identify material ESG issues, we will commit to engaging with borrowers/sponsors to the best of our ability; at a minimum working to increase awareness of ESG issues through avenues such as our ESG Due Diligence Questionnaire.

In assessing investments, we utilise an in-house ESG evaluation process and consider the following factors in our due diligence.

Environmental Risk Assessment	Social Risk Assessment	Governance Risk Assessment
<ul style="list-style-type: none"> • Climate Change • Energy Efficiency • Water Management • Waste Management • Environmental Regulations & Compliance • Biodiversity Conservation 	<ul style="list-style-type: none"> • Community Impact • Workplace Health & Safety • Modern Slavery • Diversity, Equity & Inclusion • Responsible Procurement • Cybersecurity & Data Privacy 	<ul style="list-style-type: none"> • Corporate Governance • Business Ethics & Transparency • ESG Compliance & Controversies

APPENDIX B: Governance Structures & Application of the ESG Policy



APPENDIX C: Definitions

Term	Definition
ESG Factors	<p>Factors related to environmental, social, and governance risks and opportunities that may impact the value of MaxCap, its investors, and/or its borrowers. Factors can include, but are not limited to:</p> <ul style="list-style-type: none"> • Environmental and social factors can present risks and opportunities to a business, including sector and industry-specific issues, as well as issues that are sector-agnostic, such as climate change and diversity, equity, and inclusion. • Governance factors are issues related to the oversight, including ESG-specific oversight, of company strategy, Board and management quality, risk management and performance, and transparency and accuracy of disclosure.
ESG Integration	<p>The practice of systematically incorporating material ESG factors into the investment decision process.</p>



MaxCap
Group

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