

Responsible Investment Policy

December 2022



ClearBridge Investments Limited (CIL)

ClearBridge RARE Infrastructure International Pty Limited (CBI RIPL)

ClearBridge Investments (North America) Pty Limited (CINA)

(the above entities are referred to as “ClearBridge” for the purposes of this policy.

ClearBridge and ClearBridge Investments, LLC. are collectively referred to as
“ClearBridge Investments”.)

Document Owner: Head of Legal, Risk & Compliance

Responsible Investment Policy

Since inception, the inclusion of sustainability and environmental, social and governance (**ESG**) factors has been a core part of our infrastructure investment process, and we have always approached the ownership of equity in listed infrastructure companies from a long-term perspective, acknowledging the impact ESG factors can have on value. We do not defer sustainability analysis to a dedicated ESG analyst, rather it is a responsibility of all investment team members. Our team believes that integrating sustainability into the investment process supports our responsibility to our clients in achieving their investment goals and acts in the best interests of future generations.

As well as being a signatory to the United Nations Principles for Responsible Investment (see below), ClearBridge also supports the principles of the UN Global Compact and does not seek to invest in companies that violate those principles. Our investment process also considers the Sustainable Development Goals (**SDGs**) by mapping issuers against each one of the SDGs as a proxy for determining a positive Environmental or Social contribution.

This policy highlights our commitment to responsible investment and should be read in conjunction with ClearBridge's Proxy Voting Policy, our Code of Ethics, and voluntary Modern Slavery Statement.

Responsible Investment: UNPRI

ClearBridge Investments is a signatory to the United Nations Principles for Responsible Investment (**UNPRI**) and is guided by the following six principles:

Principle 1: Incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: Be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: Seek appropriate disclosure on ESG issues from the entities in which we invest.

Principle 4: Promote acceptance and implementation of the Principles within the investment industry.

Principle 5: Work together to enhance our effectiveness in implementing the Principles.

Principle 6: Report on our activities and progress towards implementing the Principles.

ClearBridge Investments reports annually to the UNPRI on the implementation of these Principles and will make the UNPRI's assessment report available on request.

Responsible Investment: Governance

The ClearBridge Sustainability Committee comprises of two Portfolio Managers and a Senior Portfolio Analyst. It is responsible for oversight of the sustainability process within the infrastructure Investment team.

The Sustainability Committee is responsible for:

- ❖ managing the overall sustainability process
- ❖ defining the sustainability factors and weighting for each subsector in ClearBridge's proprietary scorecard
- ❖ reviewing and ensuring consistency of company scoring across the investment universe
- ❖ elevating debate surrounding sustainability within the Research team and ensuring ad-hoc data points such as company alerts and key policy announcements are appropriately considered and addressed.

Responsible Investment: Proprietary Sustainability Scorecard

ClearBridge has developed a Proprietary Sustainability Scorecard that combines:

- ❖ internal research and analysis
- ❖ supplementary information and data obtained from a variety of third-party research providers, such as MSCI, Sustainalytics, ISS and Bloomberg
- ❖ engagement with company management and non-executive directors and other industry experts.

The proprietary scorecard assesses and scores sustainability risks and opportunities across a range of factors. Depending on the infrastructure subsector, these factors are weighted according to importance and broadly focus on:

- ❖ **Environmental factors** such as a GHG emissions, environmental practices and physical asset risk
- ❖ **Social factors** such as community relations, safety, and employee practices

- ❖ **Governance** risk including management, board and operational risk as well as alignment with minority shareholders.

By weighting these factors across subsectors, the importance of specific risks or opportunities are reflected as well as a company's exposure to them. This system also enables comparability across the investment universe. Individual factors and their weightings are reviewed periodically by the Sustainability Committee.

Factors and weightings by subsector are outlined at Annexure A.

Responsible Investment: Integration into Investment Decision Making

ClearBridge uses a fundamental bottom-up investment process to measure and analyse global listed infrastructure securities. Our investable universe selection process first seeks to exclude companies where the assets are not predominantly infrastructure.

To do so, we screen the global universe of listed equity securities for infrastructure companies. The process aims to focus our research on companies where infrastructure is the primary driver of fundamental valuation, and the predictability and stability of cash flows meet investors expectation of core infrastructure. Assessing sustainability factors is an integral part of our investment process. Our screening excludes companies for:

- ❖ Exposure concerns, where the assets are not predominantly infrastructure.
- ❖ Additional screening that applies:
 - companies that derive more than 10% of their revenue from the extraction or production of fossil fuels;
 - companies which generate more than 5% of revenue from tobacco;
 - companies that generate 10% or more of their turnover from the production and/or distribution of conventional weapons;
 - companies that generate any turnover from:
 - banned weapons according to (i) The Convention of the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction and (ii) The Convention on the Prohibition of Cluster Munitions and
 - weapons classed as either B- or C- weapons pursuant to the United Nations Biological Weapons Convention and the United Nations Chemical Weapons Convention respectively; and
 - companies assessed as "Fail" under the UNGC.
- ❖ Quality concerns, where we assess the company's business model and operating environment, including:
 - Sovereign interests (authoritarian or oppressive regimes)
 - Legal environment
 - Regulatory environment.

We then assess ESG factors through a proprietary analytical framework that is applied to each potential investment via three main pillars:

- ❖ **Valuation (cash flow forecasts)** – where appropriate, our Analysts incorporate sustainability into our cash flow and terminal value forecasts. Examples include the cost of transitioning from fossil fuel generation for large power utilities, the cash flows related to asset-based growth from storm hardening investments or the impact of technological innovation on the useful life of existing assets. Sustainability research may directly affect our valuation of companies to the extent that it affects our assessment of cash flows. For example, companies may need to invest in mitigating the impact of climate change, and such investments need to be reflected in financial forecasts as a part of scenario analysis. In most cases, the majority of the Sustainability IRR impacts are captured via cashflow adjustments.
- ❖ **Risk pricing (required return adjustment)** – where we cannot accurately capture sustainability considerations into cash flows, we will adjust the company's required return or hurdle rate. As part of this assessment, we make explicit adjustments for sustainability risks and opportunities as determined by our proprietary scorecard. For the top ESG rated company we apply a reduction to the required return to capture the improved risk profile and for the lowest rated we increase the required return. For companies in between we scale the required return adjustment relative to their ESG rating.
- ❖ **Engagement, proxy voting and controversy monitoring (active management)** – the ability to engage with company management teams is paramount and, as a result, ClearBridge does not invest in securities issued by companies with which its Portfolio Managers and Research Analysts cannot engage. ClearBridge's investment team thinks of "active ownership" as the supporting of good corporate governance and the pursuit of change where ClearBridge believes sustainability practices are weak or less than ideal. In the latter circumstances, ClearBridge may still purchase and/or retain a security provided that company management are positively engaged, and provided that this decision is consistent

with the overall investment objective and strategy. As part of its engagement process, ClearBridge continues to monitor for alerts and controversy data and factors this into its investment decisions. We also participate in proxy voting in accordance with our policy and our individual client investment management agreements.

Responsible Investment: Climate Change

ClearBridge recognises that climate risks and opportunities, and other sustainability factors, may impact investment risks and returns. By integrating ESG analysis into our investment process across the firm, we believe we are equipping ourselves with the tools to address increased client focus on climate change and environmental and social issues more broadly.

For general climate-related risk information we use the same approach as for all research at the firm – our Analysts use their specialist in-depth knowledge of companies and infrastructure subsectors, along with management engagement and input from external sources such as MSCI, Sustainalytics, ISS and Bloomberg as well as from sell-side firms, to assess sustainability risks and opportunities across a range of factors material to infrastructure.

Our climate change risk assessment is generally aligned with the Task Force on Climate related Financial Disclosure (TCFD) with a strong focus on expected forward emissions profile and climate change mitigation actions.

Responsible Investment: Community

ClearBridge recognises the importance of engaging with the community, bringing its specialist investment knowledge and expertise to the fore in supporting community-based infrastructure projects. To that end, since 2013, ClearBridge has partnered with WaterAid to fund sustainable infrastructure projects that bring safe water, sanitation and hygiene education to villages in Timor-Leste (East Timor). This is a long-term partnership where the infrastructure initiatives have impacted almost every aspect of life for the people in these villages, improving health, increasing school attendance, empowering women and girls, and providing income through produce gardens.

During 2019, ClearBridge Investments broadened this corporate partnership to underwrite a critical project in Colombia to bring water to the village of La Guajira. Knowing that ClearBridge is making such a meaningful difference in improving people's lives, creates strong client and staff engagement for our organisation.

Responsible Investment: Modern Slavery

ClearBridge recognises the potential for modern slavery practices to be present in companies within its underlying investment portfolios and in its own supply chains. ClearBridge is committed to operating its business ethically, from an employment, investment management and supply chain perspective.

ClearBridge takes a risk-based assessment to its voluntary annual review – refer to the Modern Slavery Statement for further details.

Responsible Investment: Evolution of Sustainability Process

ClearBridge has continually evolved its sustainability processes and methodologies, since initially incorporating a governance factor at inception in 2006. This was expanded to 'ESG factors' in 2012 through the appointment of Sustainalytics, as their first Australian client. Since introducing our proprietary scorecard in 2020, we remain responsive to enhancements in the qualitative and quantitative data underpinning our research as well as other developments that facilitate our understanding of ESG risks and opportunities in the investment process.

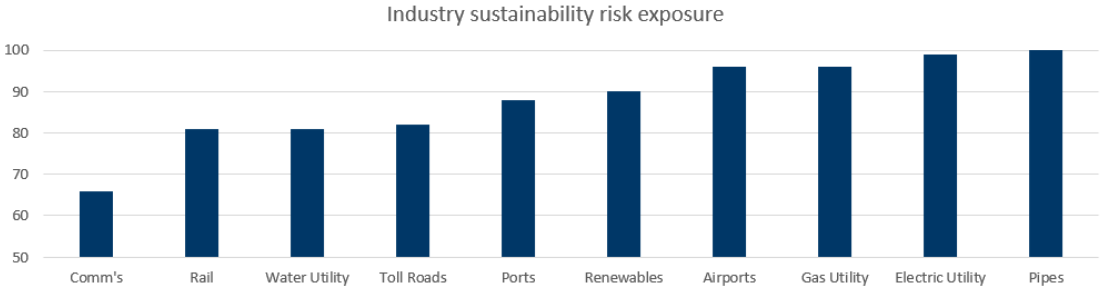
Assisting us in this process are the following policies and documents:

- ❖ ClearBridge Code of Ethics
- ❖ ClearBridge Proxy Voting Policy
- ❖ ClearBridge Modern Slavery Statement
- ❖ ClearBridge Supplier Code of Conduct – Modern Slavery
- ❖ ClearBridge Supplier Questionnaire – Modern Slavery
- ❖ Franklin Resources, Inc. Code of Ethics and Business Conduct
- ❖ Investment Capabilities
- ❖ Infrastructure Sustainability

ESG is a rapidly evolving area and ClearBridge remains responsive to the challenges this presents as we continue to evolve our practice in meeting our key investment management, investment advisory, operational and strategic goals.

ClearBridge Infrastructure Scorecard Overview

Sustainability factors are weighted by sub-sector



Factors – Environmental & Social

- Physical Asset Risk (climate change impact/preparedness)
- Harmful Air Emissions (i.e. GHG, energy use/generation)
- Fossil Fuel Reliance / Decarbonisation Opportunities
- Environmental Practices
- Employee Management (Safety & Human Capital)
- Community Relations

Factors – Governance

- Minority Misalignment
- Management quality (incl incentive alignment)
- Board effectiveness (quality, integrity, diversity)
- Operating Excellence & Risk Control (ops reliability, asset safety/maint/incidents, cyber security, tax)
- Political & Statutory Bodies Relationship/Risk
- Disclosure