

Responsible Investment Policy

October 2021



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

As an investment manager with a long-term investment horizon, ClearBridge recognises that responsible investment enhances investment decision making.

Sustainability is often referred to as environmental, social and governance (**ESG**) factors. However, for our specialist infrastructure investment team, it also includes other long-term factors, such as disruption. Accordingly, our investment strategies ensure that sustainability risks and opportunities are systematically factored into the risk-return assessment.

Sustainability principles are not merely a screen or an overlay, but form part of how we conduct fundamental research and our approach to stock selection for our client portfolios. Our clients, whether or not they desire an explicit sustainability mandate, all have long-term investment goals. We believe that companies who care about the environment, their employees, their customers and their community, are more likely to provide the kind of performance our clients need to meet their long-term goals.

This policy highlights our commitment to responsible investment.

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.

This Responsible Investment Policy should be read in association with ClearBridge's Proxy Voting Policy.

Responsible Investment: Governance

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

The Sustainability Committee is responsible for:

- ❖ managing the overall sustainability of the infrastructure investment 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.

Our portfolio analysts conduct ESG research and make recommendations to the portfolio managers who thereafter review and incorporate, as appropriate, into trading decisions. To develop portfolio analysts' knowledge and understanding of ESG risks and opportunities, we facilitate training and access to specialist information providers. ClearBridge uses Sustainalytics, a third-party research provider, to assess sustainability risks and opportunities. This assessment is captured in a 'Proprietary Scorecard' across 25 factors (see below).

Our local heads of investment, Shane Hurst and Charles Hamieh, report into the CIO Scott Glasser of ClearBridge Investments.

ClearBridge works with clients to understand and incorporate their ESG investment objectives, including but not limited to, the implementation of exclusion lists, bespoke proxy voting processes and tailored reporting.

We have a number of additional internal governing policies, including a Proxy Voting Policy, a Code of Ethics, and a Whistleblower Policy.

Responsible Investment: Integration into Investment Decision Making

We utilise the following three pillar process:

- ❖ **Valuation (cash flow forecasts)** – Where appropriate, analysts incorporate sustainability into our cash flow and terminal value forecasts. Examples include the cost of emitting carbon for large power utilities, cash flows related to asset-based growth from storm hardening investments, or the impact of technological innovation on the useable life of existing assets.
- ❖ **Risk pricing (required return adjustment)** – The expected internal rate of return from each infrastructure security is compared with a required return, or ‘hurdle rate’ for each investment. The required return captures sustainability factors that cannot be priced into cash flows (the standard discount rate in our financial models has reflected a rating for corporate governance and management since June 2006 and environmental and social factors since 2012).
- ❖ **Engagement (active management)** – Our team supports good corporate governance in companies. Our analysts and portfolio managers actively engage with company management and industry experts as well as via proxy voting at company meetings to influence change. The ability to engage with company management teams is paramount and, as a result, we do not invest in the securities issued by companies with which our analysts cannot engage. This is detailed below.

ESG research for each strategy is held in a database that is accessible by all investment professionals, including portfolio managers, relevant to that strategy.

Responsible Investment: Proxy Voting and Engagement

Proxy votes are cast by the portfolio managers of each ClearBridge strategy. In voting proxies, we are guided by the law and general fiduciary principles. Our goal is to act prudently and solely in the best interest of the beneficial owners of the accounts we manage. We attempt to consider all factors that could affect the value of the investment and will vote proxies in the manner that we believe will be consistent with efforts to maximise shareholder value. In the case of a proxy issue for which there is a stated position, we generally vote in accordance with the stated position.

ClearBridge also participates in industrywide discussions and initiatives to improve industry practices and collaborates with other asset owners, asset managers and organisations to address environmental, social and governance challenges.

Responsible Investment: Climate Change

ClearBridge acknowledges the science on climate change, and recognises that climate risks and opportunities, and other sustainability factors, may impact investment risks and returns.

From a client perspective, greater focus on climate change as a key issue may lead to clients considering the climate change impact of their investments and seek out investment managers who are actively engaged on this issue. 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 – it is internally generated based on analysts’ assessment of company filings, discussions with management and the analyst’s industry expertise, supplemented by third party research from sell-side firms, industry experts and other sources.

We undertake a bottom-up research approach with a focus on company-specific analysis and where relevant, engage with companies in relation to their broad climate scenario analysis and the tools they use to set their long-term business strategy.

Our climate change risk assessment is generally aligned with the Task Force on Climate related Financial Disclosure (TCFD) and considers the key recommendations around governance, strategy, risk management, and metrics and targets within its processes.

Responsible Investment: Proprietary Scorecard

ClearBridge has developed a Proprietary Scorecard which is used by the investment team in assessing the overall 'pricing' of ESG risks and opportunities across a range of factors. Depending on the infrastructure subsector, these factors are weighted according to importance. Broadly the factors focus on:

- ❖ Environmental practices (including GHG emissions) and climate change preparedness
- ❖ Social factors such as community relations, safety and employee practices
- ❖ Governance risk and 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: 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.

As a global listed infrastructure investment specialist, ClearBridge recognises the potential for exploitative practices, such as slavery, human trafficking, child labour and discriminatory employment, to be present in its business operations and supply chains. ClearBridge is committed to operating its business ethically, from an employment, investment management and supply chain perspective.

As such, ClearBridge's values, commitment and procedures when assessing and addressing modern slavery and other risks are reflected in how such adverse practices are identified, assessed and addressed in its company-wide processes.

