

Responsible Investment Policy

December 2023



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 investment processes, and we have always approached the ownership of equity in listed companies from a long-term and sustainability-driven perspective.

For ClearBridge Investments, the Chief Executive Officer (CEO), Chief Investment Officer (CIO), Head of Investment Risk Management, Director of Research, and the Head of ESG have direct oversight of the firm's ESG investment efforts. In Australia for the infrastructure strategies, this is supplemented by a Sustainability Committee and an approach where sustainability analysis is not deferred to a dedicated ESG analyst, rather it is a responsibility of all infrastructure investment team members.

For non-infrastructure strategies, ESG oversight and methodology is directed by the Head of ESG, who, with the collaboration of the ESG Strategy Team, oversees the firm's proprietary process of integrating ESG and fundamental research in stock selection.

ClearBridge Investments applies a Research Management System, comprised of the proprietary ESG Ratings Manager (**ERM**) and an ESG Engagement Management System which additionally features an Engagement for Impact (**EFI**) component, permitting the firm to track and monitor specific questions with the ESG goals of selected companies.

ClearBridge Investments believes that integrating sustainability into the investment process supports our responsibility to our clients in achieving their investment goals. This policy highlights our commitment to responsible investment across the ClearBridge Australia business and should be read in conjunction with other relevant policies including ClearBridge's Proxy Voting Policy, our Code of Ethics, voluntary Modern Slavery Statement and the UNGC Monitoring Policy.

UNPRI and SDGs

ClearBridge Investments is a signatory to the United Nations Principles for Responsible Investment (**UNPRI**) and reports annually on the implementation of those principles (available on request). ClearBridge Investments also supports the principles of the UN Global Compact (**UNGC**) and therefore we do not invest in companies that violate the ten principles in each of the four areas (human rights, labour, environment and anti-corruption) of the UNGC. Our Compliance team monitors UNGC compliance daily. If a violation is identified, any impacted portfolio/fund is required to sell out of the position.

As a signatory to the UNPRI, ClearBridge Investments 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.

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.

Infrastructure Strategies - Governance

The ClearBridge Infrastructure Sustainability Committee (**Committee**) consists of two Portfolio Managers as well as members of the global ESG strategy team. The 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 ERM;
- ❖ reviewing and ensuring consistency of company scoring across the investment universe;
- ❖ elevating debate surrounding sustainability and ensuring ad-hoc data points such as company alerts, and key policy announcements are appropriately considered and addressed; and
- ❖ discussing any new initiatives to enhance the ESG process to meet any regulatory or commercial requirements as they arise.

Proprietary ERM System

ClearBridge uses the ERM platform for building and internally sharing ClearBridge ESG ratings and their rationales. The platform allows for an easily accessible common language for ESG factors that provides transparency and consistency of methodology in assigning ESG ratings to companies across the firm. This system combines:

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

The ERM 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 company's environmental practices, GHG emissions and energy efficiency initiatives;
- ❖ **Social factors** such as a company's approach to community relations, employee health and safety and management; and
- ❖ **Governance factors** such as the governance structure of the company, our alignment (as a minority shareholder) with the management, board and other major shareholders of the company and management and board quality including operating excellence, diversity and remuneration practices, amongst others.

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.

Integration into Investment Decision Making

ClearBridge uses a fundamental bottom-up investment process to measure and analyse global listed infrastructure securities. Assessing sustainability factors is integral to this process.

To construct our investment universe or opportunity set, we start by screening 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 our investment objectives. As a result, we apply various screening processes to companies including for:

- ❖ Exposure concerns, where the assets are not predominantly infrastructure;
- ❖ Where main revenue sources are derived from:
 - conventional weapons (maximum 10% production and sale)
 - tobacco-related companies (maximum 5%); and
- ❖ Complete exclusions for certain other subset activities, such as controversial weapons.

We also take into account quality concerns, where we assess the company's business model and operating environment, including:

- ❖ Sovereign interests (authoritarian or oppressive regimes);
- ❖ Legal environment; and
- ❖ Regulatory environment.

We also apply client specific instructions which may include additional ESG restrictions.

Our investment team then incorporates sustainability analysis into the investment process and portfolio construction 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 emitting carbon for large power utilities, the cash flows related to asset-based growth from storm hardening investments or the impact of technological innovation on the useable 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)** – 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 had reflected a rating for corporate governance & management since June 2006 and environmental and social factors since 2012). As part of this assessment, we make explicit adjustments for sustainability risks and opportunities as determined by our ERM. 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 our 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.

Additional Company Initiatives

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 S&P 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.

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.

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.

Evolution of Sustainability Process

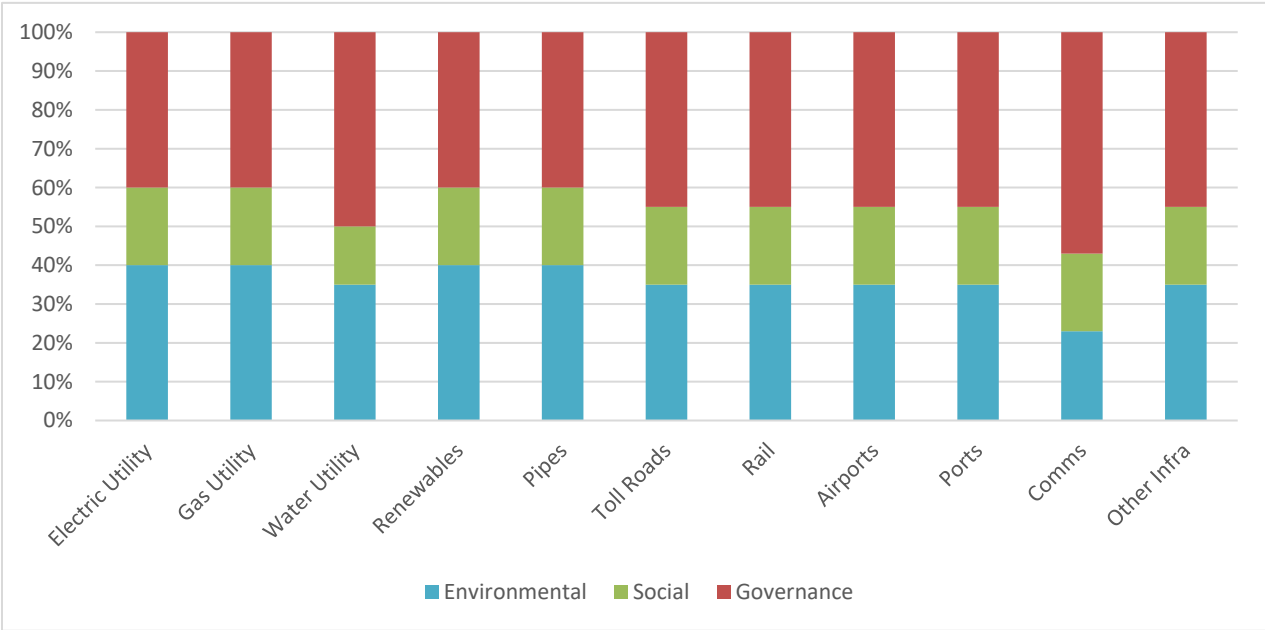
ClearBridge has continually evolved its sustainability processes and methodologies, since initially incorporating a governance factor at inception in 2006, expanding this to ESG factors as Sustainalytics first Australian client in 2012 and continuing to evolve the process to the current ERM. We will continue to enhance the process as information, opportunities and risks associated with sustainability change. 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
- ❖ ClearBridge Whistleblower Policy
- ❖ ClearBridge UN Global Compact (UNGC) Monitoring Policy
- ❖ Franklin Resources, Inc. Code of Ethics and Business Conduct
- ❖ Infrastructure Sustainability document
- ❖ Investment Capabilities document

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.

Factors and weightings by subsector can be seen as follows:



Factors – Environmental & Social
<ul style="list-style-type: none"> • Physical Asset Risk Management • Harmful Air Emissions • Decarbonisation Opportunities • Environmental Practices • Employee health & safety • Community Relations • Human capital management

Factors – Governance
<ul style="list-style-type: none"> • Shareholder rights and controls • Quality and integrity of management • Board effectiveness • Operating Excellence • Government & Related Agency Relations • Disclosure