

Federation Asset Management Pty Ltd

## Responsible Investment Policy Fact Sheet

Federation Asset Management Pty Ltd (“Federation”) is a responsible investor. By this, we mean that in addition to considering the standard financial investment assessment criteria, such as an investment’s risk profile and its anticipated financial returns, we will also consider the environmental, social and governance (“ESG”) aspects of the transaction.

Federation’s commitment to responsible investment is set out in a Responsible Investment Policy (“RI Policy”) that has been approved by the Board of Federation. The RI Policy is available on our [website](#).

Our RI Policy specifies what we can and can’t invest in through a system of “positive screens” and “negative screens”. The positive screen establishes the types of investment we will actively seek to make, and the negative screen sets out the types of investment we will avoid.

### *What can Federation invest in?*

The areas Federation can invest in include;

- Renewable energy generation including wind, solar, biomass and other renewable technologies;
- Renewable energy storage including batteries, hydro, hydrogen and other storage technologies;
- Sustainable infrastructure such as waste treatment, recycling, waste-to-energy, waste management facilities, desalination, water and sewerage treatment, telecommunications infrastructure;
- Social infrastructure including childcare, housing for the disabled, social and affordable housing, hospitals and healthcare facilities; and
- Property investments generally where there is a significant impact investing or environmental component; and embedded networks and micro-grid infrastructure where there is, or will be, significant use of renewable energy and/or efficiency gains.

### *What is Federation not permitted to invest in?*

Federation will avoid investing in the following activities;

- Fossil fuel-based electricity generation. There is an exception to this rule where the investment actually increases adoption of renewable energy or leads to reduction in CO2 emissions intensity. For example, a gas peaking generator can allow for more renewables to come into the electricity grid because it is available to provide backup generation during periods of low wind or solar generation. Gas emits about half the CO2 of coal fired generation, so the combination of renewables plus gas peaking displacing coal generation substantially reduces CO2 emissions;

- Nuclear power;
- Ports and airports, except where the investment serves to reduce emissions. For example acquiring an airport or port to upgrade and reduce emissions;
- Toll roads;
- Gas pipelines (other than gas pipelines, storage or other facilities that facilitate renewable energy sources including hydrogen and gas peaking for firming);
- Alcohol, tobacco (including the production of tobacco, manufacture of nicotine alternatives and tobacco-based products) and gaming;
- Armaments and militarism (including the development and production of controversial weapons, such as nuclear weapons);
- Live animal exports; and
- Non-sustainable forestry.

*What if an investment has an unintentional, indirect or immaterial exposure to a negative screening criterion?*

In certain situations, an investee company may have a small direct or indirect exposure to the negative screen activities - fossil fuels for example. In other situations, an investee company may take actions (beyond Federation's control) that creates an exposure to the activities in the negative screen list.

Federation's Investment Committee will address these situations on a case by case basis. As a general rule we will apply a materiality threshold, meaning that we could proceed with an investment provided the investee company or investment does not generate more than 20% of its revenue from the negative screen activity.

*What if the nature of the investment changes over time and no longer passes a negative screen criterion?*

Again, this will be assessed on a case by case basis by the Investment Committee. If the nature of an investment changes after we invest such that it becomes inconsistent with our RI Policy, Federation will use its governance rights to influence the investee company to change its behaviour. Ultimately if Federation is unable to achieve a satisfactory outcome through governance and negotiation, it has the ability to exit assets that are inconsistent with the RI Policy.