
Federation Asset Management Holdings Pty Ltd

Responsible Investment Policy

1 Introduction

- (a) The Board of Federation Asset Management Holdings Pty Ltd ACN 627 359 504 (**Company**) has committed to acting responsibly in its investment and operating activities.
- (b) The Company is a signatory to the UN Principles of Responsible Investment (**UNPRI**) and is a member of the Responsible Investment Association of Australasia (**RIAA**).
- (c) This Responsible Investment Policy (**RI Policy**) outlines the manner in which the Company will operate to ensure that we consistently meet and exceed leading Environmental, Social and Governance (**ESG**) standards.
- (d) The RI Policy has been developed and approved by the Board of the Company.
- (e) Responsible Investment is defined as “the integration of environmental, social and governance considerations into our investment decision making, and our asset management practices, in the belief that these factors can impact upon financial performance”. A broader categorization of ESG issues is contained in Appendix 1.
- (f) Unless the context requires otherwise, terms defined in the Shareholders Agreement relating to the Company dated 14 December 2018 (**Shareholders Agreement**) have the same meanings when used in the RI Policy.

2 Scope & Purpose

The RI Policy applies to all financial products and mandates managed by Federation Asset Management.

The purpose of the RI Policy is to set out the Company’s principles and commitments in relation to Responsible Investment.

Responsible Investment seeks to generate financial returns for our Investors while avoiding areas of the economy that would expose our Investors to;

- (a) Risks associated with climate change; and
- (b) Risks associated with practices that are harmful to society.

The Company’s RI Policy explains the integration of Environmental, Social and Governance considerations into our investment processes, decision making, and day to day operations.

Please refer to Appendix 1 for a list of ESG Issues.

We also commit to stewardship, meaning the use of our influence and voting rights to promote high ESG Standards within our investee companies, clients, investors and other stakeholders.

3 The Responsible Investment Guidelines

The company's approach to Responsible investment is aligned with the UN Principles for Responsible Investment to which we are a signatory. The six principles, to which the Company has committed are;

- (a) We will incorporate Environmental, Social and Governance into investment analysis and decision-making processes;
- (b) We will be active owners and incorporate ESG issues into our ownership policies and practices;
- (c) We will seek appropriate disclosure on ESG issues by the entities in which we invest;
- (d) We will promote acceptance and implementation of the Principles within the investment industry;
- (e) We will work together to enhance our effectiveness in implementing the Principles; and
- (f) We will each report on our activities and progress towards implementing the Principles.

4 Approach to Responsible Investing

4.1 *Screening*

The Company is committed to investing responsibly. We ensure our investing activities are responsible through positive and negative screening.

Positive screening

The Company may invest in sectors including, but not limited to, the following;

- (a) Renewable energy generation activities, including wind, solar and other renewable technologies, grid-scale, embedded, behind-the-meter;
 - (b) Renewable energy storage activities, including chemical, hydrological, pneumatic and other emerging storage technologies including hydrogen;
 - (c) Sustainable infrastructure including but not limited to waste treatment, recycling, waste-to-energy and waste management facilities, desalination, water and or sewerage treatment/networks, telecommunications infrastructure;
 - (d) Social infrastructure including, but not limited to, childcare, housing for the disabled, social and affordable housing, hospitals and healthcare facilities, aged care facilities, medical centres, schools and educational facilities, convention centres, sports stadiums, Student accommodation and other educational/university facilities; and
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- (e) 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.

Federation may invest in businesses operating in the areas set out above, and, subject to the negative undertakings below, in other any other sectors that the Investment Committee believes has a net societal benefit.

Negative screening

The Company shall not invest in the following sectors;

- (f) Fossil fuel-based electricity generation, other than where the investment;
 - (i) facilitates the increased penetration of renewable energy, and
 - (ii) leads to a material reduction in CO2 emissions intensity
- (g) Nuclear power;
- (h) Seaports;
- (i) Airports;
- (j) Toll roads;
- (k) Gas pipelines (other than gas pipelines, storage or other facilities that facilitate renewable energy sources including hydrogen and pumped air or water storage);
- (l) Alcohol, tobacco and gaming;
 - (i) Tobacco includes the production of tobacco, manufacture of nicotine alternatives and tobacco-based products
- (m) Armaments and militarism, including the development and production of controversial weapons, such as nuclear weapons;
- (n) Live animal exports; and
- (o) Old growth logging.

4.2 Deal Structuring & Execution

Federation uses a three-stage Investment Committee process for any new investment, variation to an existing investment, or sale of an existing investment. As part of the investment process, the Investment Committee is kept informed of investment opportunities being pursued by the team. The investment approval process broadly includes the following steps:

1. Initial Investment Committee - approval to commit to preliminary due diligence is initially sought from the Investment Committee. This approval is required before the team commits significant amounts of time to evaluate an investment.
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2. Formal Investment Committee - the next step is to seek approval to commit to confirmatory due diligence from the Investment Committee. This approval is required before the team commences formal due diligence and incurs material transaction costs.
3. Final Investment Committee - the final step is to seek approval to enter into a binding commitment from the Investment Committee. This step will occur once due diligence is complete, and the terms and conditions of the transaction have been materially negotiated.

Due Diligence

Federation will present its ESG due diligence findings to the Investment Committee. As part of its ESG due diligence, Federation will assess the likelihood and magnitude of associated ESG risks in the context of the potential investments, which will also guide Federation's monitoring and mitigation action planning during ownership. ESG related opportunities and value creation drivers will also be considered.

Federation will also aim to assess the environmental, social and governance impacts of any significant harm caused by the investee company's products, services or business practices. Federation will not invest where significant harm is evident and unlikely to be mitigated during ownership.

4.3 Stewardship & Engagement

Active participation in the management of portfolio companies is critical to achieving Federation's targeted investment returns. The Federation team will work closely with the investee companies, its management team, external stakeholders and other partners to improve investment outcomes throughout the hold period. The Federation team will also monitor and manage ESG risks and opportunities in its underlying investments in line with its ESG strategy. Where applicable, Federation will seek to implement ESG initiatives and collect ESG metrics from its portfolio companies.

Stewardship activities include monitoring and engaging with investee companies on matters such as strategy, corporate governance, culture and remuneration. Engagement is a purposeful dialogue with companies on those matters, in addition to issues routinely considered by the board of directors.

The Company will make full use of ownership rights by actively exercising votes with investee companies, and policy-makers on material ESG issues, particularly climate change, governance and harm avoidance.

Engagement

Engaging with investee companies is a vital part of maintaining investor oversight and ensuring that investor views are taken into account in the governance of companies and

their assets. We believe that by exercising these ownership rights and maintaining our 'seat at the table' we can help to ensure better value for our investors.

Direct Engagement

Where relevant and appropriate, the Company will engage directly with companies, with the aim to:

- a) Better understand the way a company is managing ESG issues;
- b) Encourage companies to improve their performance in an area of material concern; and
- c) Encourage the disclosure by companies of material ESG issues and support the use of relevant analytical tools and standards.

Collaborative Engagement

The Company recognises that engagement efforts may be more effective when combined with the engagement efforts of like-minded investors. This is particularly important when it comes to engaging on public policy issues, and in tackling systemic ESG issues such as climate change.

The Company aims to participate in relevant collaborative engagement initiatives, directly or through service providers. The Company will ensure that material ESG issues are targeted. This engagement may include:

- a) Holding constructive dialogue with listed companies;
- b) Encouraging the disclosure of material ESG issues, including climate change risk, across different asset classes;
- c) Supporting the development of disclosure tools and standards;
- d) Participating in the development of public policy on finance sector ESG issues; and
- e) Being a signatory to relevant ESG-related initiatives and statements

Voting

The Company will make use of the rights of ownership by actively exercising votes at company meetings and, where appropriate, proposing resolutions at shareholder meetings. This includes voting on investee company issues, constitutional changes and other material issues.

4.4 *Consultative review*

In the event the Company is unclear on whether an investment meets the negative undertakings, Federation will consult with experts and / or other ethical mandate investors before committing to the investment.

5 **Harm Avoidance**

Avoidance of harm is a key tenet of the Company's RI Policy. The principal tool in harm avoidance is the Negative Screen set out in Section 4.2.

Beyond the negative screening process the Company will actively seek to reduce harm in all of its activities including its day to day operations. This may include supply chain diligence to identify possible incidences of modern-day slavery.

6 **Reporting**

The Company commits to regular reporting of its ESG principles and our performance in regard to ESG Issues, in our shareholder communiques. As a signatory of the UNPRI the Company has reporting obligations, and the Company commits to publishing these reports on our website.

The Company also commits to stating its ESG principles and this RI Policy in Prospectus materials, and its Product Disclosure Statements.

7 **Review**

The Board will review this policy on an annual basis and make amendments as appropriate.

<p>Environmental</p>	<p>Climate change and its potential impact on investments, including:</p> <ul style="list-style-type: none"> (a) Exposure to carbon pricing and regulation to reduce carbon emissions; (b) Exposure to the physical impacts of climate change, such as potential sea-level rises, and increased frequency and intensity of severe weather events; (c) Reducing reliance on fossil fuels and generating energy from renewables sources; (d) Protecting the land and ecosystem in which Federation and its portfolio companies operate, including minimising the impacts to flora and fauna, avoiding contamination impacts and disturbances to ecosystems; (e) Reducing the generation of waste and ensuring proper management of hazardous waste; (f) Stranded asset risk; (g) The availability of potable water, and competition for the use of potable water; (h) Pollution and disposal of waste products; (i) The impact that a company and its operations have on the local environment; and (j) Future liability risk, arising from activities such as the disposal or spillage of toxic substances, or from contamination of areas or populations.
<p>Social</p>	<ul style="list-style-type: none"> (a) The effectiveness of the Company in maintaining its '<i>licence to operate</i>' – in other words, how well it manages its relationship with the community and civil society; (b) Effectiveness in constructively managing labour with its workforce; (c) Attracting and retaining a highly skilled workforce at Federation and its portfolio companies to maintain high performance; (d) Welfare Health Safety and Environment (WHSE) - the extent to which a company effectively

	<p>manages and provides transparency on the safety of its workforce;</p> <ul style="list-style-type: none"> (e) Investing in infrastructure and/or supporting companies which address a social or economic need in society, thus facilitating greater access to public goods such as healthcare and education; (f) Providing a workplace environment where employee physical and psychological wellbeing is prioritised; (g) Adherence to international conventions (such as those specified by the International Labour Organisation, the UN Declaration of Human Rights, and the OECD Guidelines for Multinationals); (h) Modern day slavery and/or forced labour in operations and supply chains; and (i) Workforce diversity, including gender diversity at senior levels within companies and on governing boards.
<p>Governance</p>	<ul style="list-style-type: none"> (a) Using all reasonable endeavours to ensure that stakeholders within our supply chain are adhering to our high environmental, social and governance standards; (b) Maintaining the highest ethical standards, with robust policies and practices in place to prevent fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice and other illegal activities; (c) The structure and composition of the board of directors, including an adequate number of directors who are independent from management, and the fitness and propriety of directors; (d) The structure and quantum of remuneration for directors and executives; (e) The provision of adequate transparency about the company's operations; (f) A governance structure that demonstrates appropriate accountabilities; and (g) The attitude and actions taken by a company to ensure that its officers are not involved in bribery or corrupt practices.