
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 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 Purpose

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 seeks to ensure 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 informed by 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 Screening

The Company is committed to investing responsibly. As outlined in our Product Disclosure Statement dated 29 July 2019 we ensure our investing activities are responsible through positive and negative screening.

4.1 *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 Alternative Investments 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.

4.2 *Negative screening*

The Company shall not invest in the following sectors;

- (a) 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
- (b) Nuclear power;
- (c) Seaports;
- (d) Airports;
- (e) Toll roads;
- (f) Gas pipelines (other than gas pipelines, storage or other facilities that facilitate renewable energy sources including hydrogen and pumped air or water storage);
- (g) Alcohol, tobacco and gaming;
- (h) Armaments and militarism;
- (i) Live animal exports; and
- (j) Old growth logging.

4.3 *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 **Stewardship**

5.1 *Objective*

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.

5.2 *Activities*

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
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5.3 *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.

6 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.

7 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.

8 Review

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

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| <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) Stranded asset risk; (d) The availability of potable water, and competition for the use of potable water; (e) Pollution and disposal of waste products; (f) The impact that a company and its operations have on the local environment; and (g) 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) Welfare Health Safety and Environment (WHSE) - the extent to which a company effectively manages and provides transparency on the safety of its workforce; (d) 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); (e) Modern day slavery and/or forced labour in operations and supply chains; and (f) Workforce diversity, including gender diversity at senior levels within companies and on governing boards. |

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| Governance | <ul style="list-style-type: none">(a) 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;(b) The structure and quantum of remuneration for directors and executives;(c) The provision of adequate transparency about the company's operations;(d) A governance structure that demonstrates appropriate accountabilities; and(e) The attitude and actions taken by a company to ensure that its officers are not involved in bribery or corrupt practices. |
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