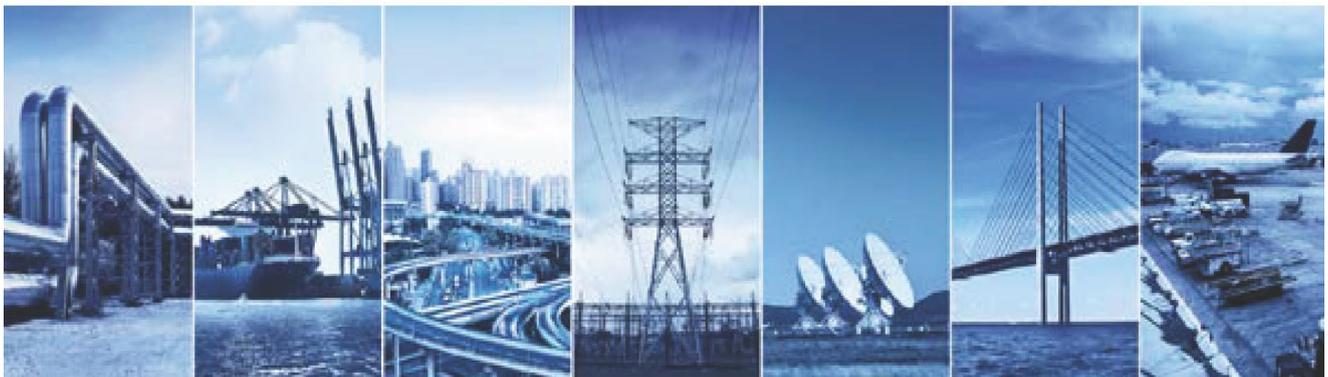


Responsible Investment Policy

September 2020



RARE Infrastructure Limited (RIL)

ClearBridge RARE Infrastructure International Pty Limited (CBI RIPL)

ClearBridge RARE Infrastructure (North America) Pty Limited (CBI RINA)

(RARE entities are part of ClearBridge Investments, LLC (ClearBridge) and are referred to as “ClearBridge RARE” for the purposes of this policy)

Document Owner: Head of Legal, Risk & Compliance

Responsible Investment Policy

As an investment manager with a long-term investment horizon, ClearBridge RARE 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. They deserve to invest in companies that plan carefully for what is ahead and that care about the environment, their employees, their customers and their community. We believe such companies are most likely to provide the kind of performance our clients need to meet their long-term goals.

This policy highlights our commitment to responsible investment. As a signatory to the United Nations Principles for Responsible Investment (UNPRI), we are 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 RARE 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 our Proxy Voting Policy.

Responsible Investment: Governance

The Sustainability Committee consists of Senior Portfolio Managers and Analysts. It is responsible for oversight of the sustainability process within the infrastructure investment team, ensuring that the process remains effective.

The Sustainability Committee is responsible for:

- ❖ Managing the overall sustainability process
- ❖ Defining the sustainability factors and weighting for each subsector in RARE'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 investment analysts conduct ESG research and make recommendations to the portfolio managers who thereafter review and incorporate, as appropriate, into trading decisions. To develop investment analysts' knowledge and understanding of ESG risks and opportunities, we facilitate training and access to specialist information providers. ClearBridge RARE uses Sustainability Analytics, 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 Co-CIOs Scott Glasser and Harry Cohen in ClearBridge.

ClearBridge RARE 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

Our infrastructure investment team 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.
- ❖ **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 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. 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 RARE strategy. In voting proxies, we are guided by 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 provide for the consideration of 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 values. In the case of a proxy issue for which there is a stated position, we generally vote in accordance with the stated position.

ClearBridge RARE 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 RARE 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 RARE 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 RARE 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 RARE 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.

Knowing that ClearBridge RARE 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 RARE 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 RARE is committed to operating its business ethically, from an employment, investment management and supply chain perspective.

As such, ClearBridge RARE'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.

