DIRECT INFRASTRUCTURE & A CONSIDERATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ISSUES

Corporate engagement guidelines summary

First State Investments believes that Environmental, Social and Governance (ESG) issues impact investment returns. As one of Australia's largest asset managers, First State Investments believes that adopting a sustainability policy across the business will allow for greater alignment with clients' long-term investment interests. This is one of the key drivers to the business adopting the United Nations Principles for Responsible Investment.

As one of Australia's first unlisted infrastructure investment managers, First State Investments Infrastructure has long been a driving force in implementing ESG issues into investment strategies, particularly as they relate to risk mitigation and value creation.

This document summarises the First State Investments Infrastructure Guidelines that consider ESG issues across the investment process and practices for our direct infrastructure business. The document is the 'Guidelines for corporate engagement on the implementation of the United Nations Principles for Responsible Investment – Environment, Social and Governance issues' (the Guidelines) and a copy of the full policy can be provided to investors on request.

Sustainability commitments

The First State Investments Infrastructure team manages ESG integration throughout the life cycle of the investment process including:

- during initial due diligence, prior to an investment being made
- as part of ongoing asset management post acquisition. First State Investments Infrastructure seeks to implement continuous improvement to value add to business performance and to effectively manage risk
- as part of the ongoing independent valuation process for each asset and
- when considering the divestment of an investment.

As an investment manager, First State Investments Infrastructure seeks to take all reasonable steps to ensure the appropriate management of all investment risks, including ESG issues, in the investment life cycle. By doing so, the long-term value of the infrastructure businesses in which First State Investments Infrastructure has invested is enhanced while the reputation of First State Investments' clients is actively protected. In recognising this, the main objectives are:

- where possible, to have costs and benefits attributed to ESG issues over the life cycle of an investment (value attribution). This will enable the net benefit (either quantitatively or qualitatively) to be monitored over the life of the investment
- to have the PRI embedded in the responsibilities of a number of individuals across the business
- to be aware of potential regulatory or industry requirements with ESG implications and
- to facilitate proactive management of ESG issues by identifying and mitigating risks.

Our approach – Sustainability initiatives

The First State Investments Infrastructure investment strategy is to typically manage a large enough interest in each individual business to enable First State Investments Infrastructure to add value through board and board committee representation. If we do not have a board seat First State Investments Infrastructure seeks to add value and influence management decisions by actively exercising shareholder rights.

Through our governance influence we seek to manage ESG issues through the following activities.

1. Active engagement

- **Engagement with management** - to discuss ESG issues, and through regular site visits focus on business risks and opportunities.
- **Engagement with co-investors** - to discuss ESG issues both during the initial due diligence acquisition phase and throughout the management of the operation of the asset.
- **Engagement with clients** - to discuss ESG opportunities and exposures at both First State Investments Infrastructure, and client portfolio levels. All material ESG issues are reported as part of mainstream client reporting in line with the existing fund and mandate reporting processes.
- **Engagement with other stakeholders** - First State Investments Infrastructure encourages management within the infrastructure businesses to engage relevant stakeholders to understand any concerns they may have. Key stakeholders generally include regulators, local communities, unions, customers, government, shareholders and suppliers.

2. Active management of Environment, Social and Governance issues

Environment and social considerations

Infrastructure businesses generally have an impact on their surrounding environment and accordingly the local community due to their size and type of operational activity. These impacts and the resulting community response can influence the performance of the investment over the short, medium and long term. This therefore has the potential to add significant value and enhance returns by ensuring each business protects and seeks to enhance its social license to operate through the effective management of ESG issues.

To achieve this First State Investments Infrastructure seeks to ensure that each infrastructure asset has appropriate environmental risk management policies and procedures; and adequate community engagement programs in place. First State Investments Infrastructure also seeks to ensure that management provide an appropriate level of information at board and board committee level to ensure the approach management takes in managing potential risks and realising opportunities is understood by the board. For example, reporting is requested on:

- Environmental and social risks impacting materially on earnings
- Governance policies and procedures for assuring compliance with internal ESG policies
- Human capital processes (e.g. labour employment practices)
- Performance reporting on measurable environmental and social factors
- Workplace health and safety performance and
- Energy use, water use and greenhouse emissions.

Governance considerations

The Guidelines outline First State Investments Infrastructures position on typical governance issues such as remuneration, appointment of directors, board sub-committees and reviewing board performance.

The Guidelines also includes how the board will operate effectively to implement:

- Strategic guidance and oversight;
- Standards of corporate behaviour;
- Standards for financial reporting and other disclosures;
- Communication with, allocation of responsibility/ authority to, and remuneration of senior management;
- Communication with the shareholders and other stakeholders interested in the affairs of the company (such as fund
- Managers, creditors, debt financiers, analysts, auditors, valuers and corporate and securities regulators); and
- Oversight of the company's material risks including environmental and social risks and the manner in which these are being Monitored and disclosed.

3. Ensuring global best practice

Further to our own guidelines, First State Investments Infrastructure looks to a number of global best practice frameworks for ESG integration and reporting for our direct investments. These include (but are not limited to):

- OECD Principles of Corporate Governance.
- ASX Governance Principles and Recommendations.
- IFSA Bluebook.

The Equator Principles and referenced International Finance Corporation and World Bank Environmental, Health, and Safety Guidelines.

The Global Reporting Initiative. These guidelines were chosen as the most relevant for the nature and objectives of our business and in the absence of any commonly known guidelines for unlisted businesses. While the governance guidelines are all written primarily for publicly listed businesses, we believe many of the principles are relevant to unlisted businesses. Similarly, while the Equator Principle are intended for debt financiers we believe the Principles demonstrate best practice management of environmental and social issues and are relevant to our business. We believe the use of these guidelines supports our PRI implementation.

4. Guideline review

First State Investments Infrastructure is committed to achieve best practice in sustainability operations and will subject these Guidelines to regular review to achieve excellence through continuous improvement. Accordingly the guidelines will, at a minimum, be reviewed every two years.