ATLAS INFRASTRUCTURE

RESPONSIBLE INVESTMENT POLICY

APRIL 2021

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1 SUSTAINABILITY RISK

1.1 Sustainability Risks

A sustainability risk in the context of the ATLAS Global Infrastructure Fund (the 'Fund') is an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. The following are environmental, social and governance themes that may be relevant for the Fund. Within these themes, events may happen, or conditions may arise that impact the valuation of the Fund.

1.1.1 Environmental

- Climate change mitigation risk – climate change mitigation will require substantial changes to business activities, user demand and Government regulations & policy. This will expose companies to a combination of changes to end user demand, supply availability and costs and well as changes to regulatory and policy environment.
- Climate change adaption risk – the physical risks associated with climate change are expected to increase over the coming years and manifest in both changes to climate as well as increases in frequency of extreme weather events.
- Greenhouse gas emissions – direct and indirect emissions from companies contribute to climate change and potentially expose companies and their investors to higher future costs either through carbon taxes or stranded asset costs.
- Resource depletion, including water – companies that make use of finite resources as part of their business models may be required to either limit their use or to pay full costs in the future to avoid excessive depletion.
- Waste and pollution – all companies produce some amount of waste and pollution as part of their activities, however companies that produce material amounts of waste and / or pollution may well be exposed to a combination of either increased regulation, higher future costs and liabilities for making good historic pollution.
- Deforestation – Many companies can have direct or indirect exposure to deforestation, either through their own activities or through their suppliers. Any business model that relies upon deforestation should be considered as likely unsustainable and therefore subject to restrictions in the future.

1.1.2 Social

- Working conditions, including no slavery or child labour – infrastructure companies procure products and services in its development, maintenance and operation of assets as well as sustain its own workforce. This may expose companies to sub-standard working conditions, including forced or compulsory labour or child labour along its supply chain and through its procurement practices. A company's own employment practices, contracts and conditions it offers may also pose a risk. If infrastructure companies are employing, facilitating, or otherwise aiding, whether directly or indirectly, human trafficking, slavery or forced labour, this may result in material fines, changes to asset operating rights or permanent changes to operating cost structures.
- Local communities, including indigenous communities – infrastructure developments may take place on land on or bordering areas of indigenous cultural significance and may impact the economic, social and/or

environmental contexts of these communities. Projects run the risk of not obtaining necessary regulatory approvals as well as reparations which may need to be made to offset any negative consequences of developments.

- Health and safety – Infrastructure companies and the supply chains in which they operate can pose serious health and safety issues for those which build, operate or otherwise access these assets. Health and safety risks extend to a company's employees, contractors, users/customers, the broader community in which it operates and those along its supply chain.
- Employee relations and diversity – there is a risk that employee dissatisfaction may contribute to lower retention rates and overall productivity at a company. Further, lack of diversity on investee companies' management teams and boards has been considered to have a negative impact on investment decisions and organizational competitiveness such as excess risk taking, or group think.
- Social contract & stakeholder relations – infrastructure assets operate under an implicit social contract and there is a risk that the through management actions or public policy the services provided is carried out in an unsustainable manner that is not considered beneficial by all third-party groups and individuals that have a stake in common interest.

1.1.3 Governance

- Board composition – risks to proper governance resulting from board appointments include directors not being appointed on merit through an open and transparent process, lack of independent directors and lack to protection for minority directors. Board composition should also change at regular terms, with adequate staggering of changes to preserve continuity of corporate knowledge.
- Board diversity and structure - (in terms of age, gender, educational and professional background): risks a board does not reflect a range of different attributes required to assure it can properly fulfil its role.
- Executive pay – risk of misalignment of executive remuneration with shareholder objectives as a result of adverse short term or long-term incentives
- Anti-bribery and corruption – "Bribery and corruption are deceptive practices which can taint not only the individuals involved but an entire organisation or process, sometimes long into the future."

Sustainability risk can either represent a risk on its own or have an impact on other risks and contribute significantly to those risks, such as market risks, operational risks, liquidity risks or counterparty risks.

1.2 Market Risk in connection with sustainability risks

The value of investments may be affected by risks from environmental, social or corporate governance related risks. For example, the value of investments can change if companies do not act sustainably and do not invest in sustainable change. The strategic orientation of portfolio companies that do not consider sustainability can have a negative impact on their share prices. Furthermore, reputational risk arising from unsustainable corporate activity can have a negative impact on the value of an investment in such companies. In addition, infrastructure companies operate under an implicit environmental and social contract which has a long-term influence on the returns on an investment in such companies. For the Fund, the key sustainability risks to market pricing and valuations are as follows:

1.2.1 Environmental

- **Climate transition demand changes** – climate change and energy transition will have a fundamental and material impact on listed infrastructure companies. Governments, regulators, and other industry groups will implement policy actions over time which will, together with technological evolution, will lead to material changes in demand and production within global energy systems and transport systems. This in turn will result in material changes to operational volumes, revenues, and capital expenditure requirements for impacted companies.
- **Carbon pricing** – Where some form of carbon pricing is embedded in local climate policy, this may have a material effect on the operating expenditures, profitability, industry dynamics and long-term viability of companies within our investment universe.
- **Stranded asset risk** – assets which suffer material and/or sudden demand changes may become 'stranded' either physically or economically. This may occur because of climate transition policies which, for instance, may rule out coal-fired electricity generation, whereby an asset which is not fully depreciated by the time the policy is in force, requiring a write-down of remaining value.
- **Extreme weather events** – Instances of wildfires, hurricanes and other extreme weather events can result in material unexpected expenses where insurance coverage is insufficient. Further, this is not always recoverable from users, which can pose short term cashflow risks for the company, including bankruptcy, which we have seen occur in the past.

1.2.2 Social

- **Social contract breaches** – Long term infrastructure operators are party to an implicit 'social contract' with the government and regulators which grant license to operate, and the customers who pay to use the infrastructure. The ability for a company to earn long-term sustainable returns is predicated on honouring this contract. Failure to do so, examples of which may include gaming regulatory systems to over-earn or over-charging/under-investing in the operating assets, can result in material changes to regulatory inputs, concession rights, revenues and ultimately profitability.
- **Health & safety** – Infrastructure companies and the supply chains in which they operate can pose serious health and safety issues for those which build, operate or otherwise access these assets. This includes but is not limited to construction/heavy machinery related risks, large volumes of electricity and hydrocarbon exposure and operating from heights. If companies to not operate using highest standards and according to local law, there is potential that accidents result in material fines, loss of operating rights, or other outcomes which will affect profitability.
- **Employee relations & diversity** – Workforce diversity and inclusion results in stronger operating outcomes which improve profitability over the long term. Failure to abide by laws and regulations regarding diversity may also result in material changes to profitability by way of fines or other penalties.

1.2.3 Governance

- **Capital allocation & reinvestment risk** – Decisions taken by management (and enabled by the board) regarding reinvestment of free cashflow will materially affect future profitability, cashflows and market valuations. Investing outside of areas of operational competence, geographic expertise, in regions, sectors or auctions with high levels of competition and without appropriate benchmarks, hurdles or appropriate due diligence can result in sub-par returns in the future.

- Executive remuneration and incentives – Mmanagement teams need to be incentivised in some form. Poor incentive structures, such as those focussed on short-term gains or growth for growth's sake, may result in value destructive investment decisions, both within the existing business and in the context of a company's strategic aspirations. Poor incentives may ultimately lead to withdrawal of shareholder support.
- Board diversity & decision making – As with employee diversity, experience, knowledge, and expertise at the Board level ensures that the company is best placed to produce long-term sustainable returns. Board diversity is increasingly recognised by investors as a point of differentiation in the valuation of a company. It is included in ESG screens for some passive investment strategies and boards with insufficient diversity may find they are screened out of consideration.

1.3 Liquidity & counterparty risk in connection with sustainability risks

The value of the portfolio may also be impacted by liquidity and counterparty risks. For the Fund, the key sustainability risks to liquidity and counterparty risk are as follows:

- Regulation impact on liquidity and trading – improper conduct by financial market participants, involving market manipulation, insider trading, market abuse or tax avoidance, may result in changes to the regulation of financial market trading and the activities of trading participants. This may have the impact of reducing the liquidity in securities held by the Fund which may result in higher costs to enter or exit positions and greater impacts on unit values from applications or redemptions to the fund.
- **Counterparty risk**- Counterparty risk could present itself in circumstances where an issuer within the portfolio pursues an environmentally unsustainable or socially irresponsible policy that breached a tolerance threshold of a trading counterparties banks ESG policy. This may result in the removal of certain counterparty trading facilities which could reduce liquidity, impacting the Funds ability to liquidate all or some of its position.
- **Liquidity risk** - The strategic orientation of issuers that do not consider sustainability can constrain certain investor's ability to participate in their securities, consequently reducing liquidity. A sudden negative change to an issuer's sustainability score (??) could lead to mechanical changes to the shareholder base which may temporarily or permanently impact liquidity in the affected securities. (similar to index inclusion / deletion)

2 INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT PROCESS

ATLAS Investment Philosophy – Environment and Sustainability: Over the long term, all Infrastructure assets operate under an implicit Environmental and Social 'contract' which will influence long term cashflows in the same way as any formal contracts they may have. We therefore incorporate Environmental, Social and Governance factors and risks directly into our forecast cashflows and hence directly into our decision making.

The Investment Manager aims to deliver long term sustainable investment outcomes through the incorporation of environmental, social and governance (ESG) risks into every stage of analysis and decision making in the investment process. There are a number of elements to this process, whereby the Investment Manager:

- considers the implications of each ESG factor at an individual portfolio company level and takes these factors into account through its modelling and the impacts of those factors on the portfolio companies' cash flows and asset stress testing. This includes the use of external ESG data providers to complement their internal process and analysis.
- uses the results of the company level ESG due diligence in order to make portfolio investment decisions and to monitor and report ongoing portfolio risk to investors.
- uses the ESG analysis to actively engage with portfolio companies to promote responsible and sustainable decision making by company management teams.
- establishes formal ESG governance structures and responsibilities to monitor the incorporation of ESG in the investment process and ensure that the portfolio outcomes are consistent with the sustainable objectives of the portfolio as well as consistent with the managers commitments under the NZAM
- We are active members of industry groups and bodies that support ESG outcomes.
- We ensure that our corporate culture and incentives promote the ESG outcomes of the portfolio.

2.1 Governance of ESG incorporation, risk management and sustainability outcomes

The ATLAS approach to responsible investment forms part of the investment process and investment philosophy of the firm. As such accountability is as follows:

- ATLAS Board – ensures that policies (including RI and Investment Process) are being followed by ATLAS investment function.
- ATLAS Investment Governance Board – independent board that monitors portfolio compliance with investment mandate aims and policies including ESG. Reports to ATLAS board
- ATLAS Head of Investments – responsible for the Investment function within ATLAS including implementation and monitoring of ESG and RI policies and objectives. Reports to ATLAS Board
- ATLAS Investment team Partners (sector leads), responsible for ensuring that all sector research includes ESG and RI in accordance with ATLAS investment process and policy.

2.2 Incorporation of ESG in the Investment Process

ATLAS's aim is to deliver long term sustainable outcomes for clients, incorporating the principles of responsible investing will help ATLAS deliver these outcomes whilst minimising risks.

ATLAS believes that companies that make good long-term returns can only do so if they maintain and reinforce their 'social licence' to operate. This is particularly true in Infrastructure where companies are often managing vital assets that are directly or indirectly regulated by the state. Our approach to implementing the principles of responsible investing is to ensure that we are capturing and measuring the positive and negative ways in which companies can influence society and the environment and that these impacts are reflected in our forecasts of future returns and potential risks.

We have incorporated RI objectives through developing an ESG implementation framework that covers measurement, investment decision making and engagement with company management:

ATLAS ESG Implementation

	Measure	Incorporate	Engage
Environment Transition & policy risk	▪ CO2 Intensity ▪ Carbon Beta ▪ Scenario modelling	▪ Benchmark intensity & carbon beta ▪ Forecast depreciation & write downs ▪ Include scenario returns in portfolio construction	▪ Test scenario assumptions with management ▪ Highlight value creation opportunities
Environment Physical risk & resilience	▪ Historic impacts of climate events	▪ Asset lives and maintenance spending rates ▪ Specific capital projects	▪ Ask about recent extreme events and lessons learned ▪ Ask about plans for resilience based investment
Social	▪ Regulation contract ▪ Social contract ▪ Corporate citizenship ▪ Workforce engagement	▪ Pain / gain sharing ▪ ROIC corridors ▪ Re-investment ▪ Value sharing	▪ Ask how management support social & regulatory contract ▪ Ask for examples of value sharing
Governance	▪ Ownership ▪ Alignment ▪ Incentives	▪ Focus on sustainable equity cashflows (not NPVs) ▪ Make specific capital assumptions including re-investment and dividends	▪ Understand strategy and associated targets ▪ Test remuneration for alignment with LT shareholders

Source: ATLAS Infrastructure

Where	How
Universe screening	Sustainability – only companies that can provide long term predictable cashflows meet the definition of infrastructure. Governance – companies that do not provide sufficient disclosure or cannot demonstrate adequate governance systems and protections are excluded
Company/asset research	We incorporate ESG issues as follows:

	Environment / Climate transition – we utilise detailed forward scenarios for climate transition and policy responses with specific inputs for the timing of changes to regulation for each energy source and the impacts on supply chain demand. The research team is then responsible for incorporating those assumptions into the forecasts for each asset including explicitly modelling the impact on cashflows, returns and asset write downs. Environment / Physical risk – we identify for each type of asset the potential physical risk exposure from climate change and the analyst team is responsible for including sufficient mitigation spending in the base case as well as identifying 'tail risk' events to include in scenarios. Social contract – an important part of the research and due diligence is to assess the 'social contract' of each company i.e. what service does it provide to society? Is the way it provides this service sustainable and considered beneficial by all parties? Only once we have answered these questions can we be confident of including long term excess returns or margins in our forecasts. Governance – company level due diligence and analysis involves an assessment of company governance and management. This assessment is then incorporated into our specific assumptions on long term capital allocation policy and capital discipline (capital structure and re-investment assumptions)
Company/asset valuation	All ESG inputs detailed above are incorporated either into the base case cashflows (which determine the base case expected DCF based valuation) or into one of the scenario cashflow forecasts (which determine the scenario DCF valuation)

Incorporation of ESG in Portfolio Construction, risk monitoring & reporting

The result of this process is that we do not need to introduce separate 'qualitative overlays' in portfolio construction which can then create conflicting signals with the 'quantitative' outputs. The ESG exposures and risk for each asset are reflected in either base case cashflows or scenario / stress case outputs or both and therefore are directly and automatically part of each portfolio decision.

We record ESG risks and key issues for each company as part of the research process. A summary of the key ESG issues is also included in all proxy voting recommendations that are considered at Investment Committee. Hence ESG identified risks and issues are brought to the attention of Investment Committee in three ways:

- ESG issues identified through the research process will be raised at research meetings which are attended by the ATLAS IC members and will be incorporated into the investment scenarios and stress cases which form the inputs to the IC decision process, in particular.
  - The base case expected financial returns.
  - The scenario returns.
  - The stress case returns.

Stock/security/asset selection	All ATLAS portfolios are constructed using the same decision support system which ranks all potential assets according to base case expected return

	(incorporating ESG impacts as above) and details their scenario risk exposures (calculated using ESG impacts as above)
Portfolio construction	The ATLAS investment committee construct portfolios based on optimising absolute returns whilst minimising risks. Incorporation of ESG factors directly impact the absolute returns (positively or negatively) and the scenario (risk) returns and therefore will directly influence the portfolio construction decisions.
Portfolio implementation	Portfolio implementation is governed by best execution and does not include any additional ESG considerations.
Risk management	Portfolio risk management is based upon the calculation of the individual asset exposures to common factor risks (such as climate transition scenarios). As such the risk management of the portfolio directly incorporates the ESG impacts calculated during the analysis process.

- ESG issues that are central to the investment case will be recorded in company assertions and monitored by the investment team on an ongoing basis with any incidents or potential breaks reported at weekly workflow.
- ESG issues and risks are included in proxy voting recommendations to IC (see proxy voting below).

2.3 Membership and support of industry bodies

Thus far we have prioritised UNPRI.

ATLAS is also an active member of the Institutional Investor Group on Climate Change (IIGCC), which is a partner organisation to the Climate Action 100+. As an active member of the IIGCC, ATLAS is part of the Investor Practices Program, and a member of the Working Group for the Paris Aligned Investment Initiative.

Based on our business aims for RI we will continue to monitor available initiatives and explore those which are consistent with our views on ESG and CSR.

We are a signatory to the UN Principles of Responsible Investment. We have found that our existing investment process is well aligned with the UNPRI and that the only adjustment has been in creating customised reporting and monitoring for certain outcomes (i.e., specific engagements).

2.4 ESG incorporation in recruitment and culture

ATLAS believe that the most important driver of values and culture is the system of incentives that we put in place and the examples set by senior staff. As such, during the recruitment process we make it very clear that:

- ATLAS invests on a long-time horizon and explicitly includes the impact of climate transition and other ESG factors into every investment decision;
- All decisions and analysis are team based, we do not attribute stock recommendations or performance to an individual.
- ATLAS investment staff are not remunerated based on specific investment outcomes or short-term performance.

- There is no traditional 'discretionary bonus' element to compensation, profit share accrues with progress against the ATLAS skills matrix over time; and
- Individuals who are looking to maximise compensation through taking credit for short term investment outcomes are unlikely to be happy within the ATLAS team structure.

We have found that this approach has enabled us to recruit an investment team who are aligned with a 'long term' mindset and who are interested and willing to bring multiple viewpoints on each investment, including ESG and not to feel pressure to produce the 'right' call to meet any short-term targets.

2.5 ESG incorporation in company engagement & proxy voting

We record ESG risks and key issues for each company as part of the research process and these are captured through the ATLAS Research Management System (RMS). These key issues then form the basis for future ESG engagement at company meetings and updates and follow ups are likewise tracked through the RMS.

2.6 Remuneration Disclosure

The ATLAS Renumeration policy has been reviewed and where necessary updated to meet the requirements of the Sustainable Finance Disclosure Regulations. Accordingly, the management of long-term risks including sustainability risks are reflected within the remuneration policy.

3 CLIMATE TRANSITION & NET ZERO ASSET MANAGEMENT

ATLAS's investment philosophy recognises that full integration of ESG, and climate transition in particular, is necessary to ensure that investors can achieve long term sustainable returns from their infrastructure investments, and accordingly we have pioneered the full integration of climate transition scenarios in our investment process.

- This ESG integration has resulted in the ATLAS Global Strategy holding a different set of portfolio exposures compared to many of our peers and to the infrastructure indices, and has also led to the ATLAS Global Strategy being included in a number of investors' ESG allocations; ATLAS received the award for 'Best Climate Impact Responsible Investor' from CFi.co in 2020
- We believe that, given our existing investment approach, the current ATLAS Global Strategy portfolio is well aligned with the Paris climate goals, especially for those companies and countries that have already committed to net zero emissions and/or meeting the Paris climate targets. As the pace of government and company level emission commitments increases over the next 12 months and beyond, we would expect that this alignment will increase further as we update the policy and resulting forecasts for our companies.

ATLAS commitment to the Net Zero Asset Manager initiative

- ATLAS is an active member of the IIGCC and we are actively involved in the working groups of their Paris Alignment Investor Initiative (PAII) which aims to develop a framework for aligning investor's portfolios with the Paris climate targets
- ATLAS is a founding signatory to the Net Zero Asset Manager (NZAM) initiative (announced 11th December) which is sponsored by the IIGCC and five other global investor alliances. This initiative commits ATLAS to achieving net zero emissions across all our investments by 2050, and to set an interim (2030) target for the proportion of our investments which are aligned with this goal. ATLAS was happy to support this initiative as it aligned well with our investment beliefs, as well as with our strategy and focus as a long term, sustainable investment manager.
- This commitment is consistent with our investment belief that we can deliver superior sustainable returns through ensuring that our portfolios are well positioned to take advantage of opportunities from climate transition as well as minimising the risks associated with stranded assets.

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