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ESG AND RESPONSIBLE INVESTMENT POLICY

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1 INTRODUCTION

1.1 Defining ESG

Issues related to Environmental Social and Governance matters can cover a broad array of topics. This document seeks to address our approach to the subject from the point of view of those matters which:

- directly affect our staff; or
- have an impact on society at large; and
- are within our control

Environmental

We divide environmental influences into two categories: environmental performance and climate change. Environmental performance is monitored through company and regulatory disclosures, and we reflect that performance within the cash flows of our company models. These may include fines or changes to allowed returns. We model the impact of climate change carefully, as discussed in Section 3.

Social

ATLAS recognises that infrastructure assets operate under an implicit social contract and that companies which fail to perform in line with that contract (through overcharging, or under delivering) may be subject to penalties or reduced allowed returns.

ATLAS's financial models make explicit assumptions about the level of profits that are earned by infrastructure assets and our forecasts assume that companies earn "fair" returns over time, provided that the company provides a service in line with customer and regulator expectations. Whilst historically some companies have earned significant excess returns, we have experienced that these are eroded over time (through regulation or other means) and so our models progressively migrate these returns to more normalised levels. In doing so we avoid assumptions that companies can earn excessive profits over extended periods at the expense of their customers and other stakeholders.

Social factors to which we pay attention include high level issues such as human rights, labour standards in the supply chain, any exposure to illegal child labour, and more routine issues affecting our staff such as our workplace culture and environment and the welfare of our employees.

Governance

Governance is considered on multiple levels. In evaluating the impact of the company's management and oversight we make specific assumptions around management's ability to generate (or undermine) the company's value over time. A key element is the capability and incentivisation of management to make value accretive (or value destructive) investment decisions, both within the existing business and in the context of a company's strategic aspirations. This also incorporates assessment of capital structure decisions and subsequent uses of cash.

1.2 Summary of ATLAS approach to ESG Integration

ATLAS Infrastructure 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 ATLAS:

- 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.
- 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.

1.3 ESG Governance and Oversight

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** – The ATLAS Board ensures that policies (including RI and Investment Process) are being followed by the ATLAS investment function. This occurs through their review of reports from the Investment Team and the IGB, which include discussions relating to ESG matters.
- **ATLAS Investment Governance Board** – The ATLAS IGB provides independent oversight of its investment process and outcomes focussing on consistency of investments against the stated investment strategy for each portfolio. The IGB's areas of focus include (amongst others) ESG considerations including climate risks. The IGB also draws on individuals relevant experience in this area.
- **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.

1.4 Policy Review

ATLAS reviews its ESG and Responsible Investment policies at least annually or more frequently if required. The review is carried out by the ATLAS Investment team with input from risk & compliance as well as operations. Changes will be approved by the ATLAS Executive Committee.

2 INVESTMENT PROCESS INCORPORATION

2.1 Incorporation of ESG in portfolio construction, risk monitoring & reporting

ATLAS does not treat ESG related issues as separate or independent from the standard investment due diligence. ESG risks and key issues for each company are reviewed and documented 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
 - Other portfolio risk metrics (such as alignment with net zero pathways)
- 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).

2.2 Summary of Key Sustainability Risks and Incorporation

All ESG inputs 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). The following table provides a summary of typical ESG matters considered in the investment process. This is, however, not an exhaustive list and other ESG factors will be reviewed where relevant for a company.

ESG area	Topic	Incorporation in Investment process and analysis	Portfolio construction impact (Global Strategy example)
Environment – Climate Change	CO2 Intensity	Trajectory of emissions used in company profile report, emissions data included as specific risk field in portfolio construction	The Global Strategy guideline is for lower emissions than the universe which will place a limit on the selection of high emission companies for the portfolio
	Climate policy scenario modelling	Prior to upload, each scenario (including fast transition) is run and the cashflow outputs stored in the ATLAS database such that scenario returns always appear alongside portfolio returns in portfolio construction	The Global Strategy has a guideline of positive exposure to Fast Transition which will limit the ability to hold assets with negative exposure to fast transition scenarios
	Impacts of physical climate events	Increased costs of climate events will increase capex forecasts which will either directly reduce returns or will	Lower forecast returns will result in companies with high physical risk not

ESG area	Topic	Incorporation in Investment process and analysis	Portfolio construction impact (Global Strategy example)
		impact any excess returns earned through regulatory outcomes	being selected compared with similar risk / return assets
Environment – compliance	Compliance with environmental regulations	This may include allowance in our financial models for potential fines or capital expenditures which are not compensated for in customer bills. Poor environmental performance may also impact regulatory allowed returns.	Companies with weak environmental performance are more likely to be subject to either fines or be required to implement capex which may not be recovered through customer bills.
Social	Regulatory contract	We make explicit assumptions around the sharing of efficiencies (and overruns) between customers and the utilities. This in turn influences the amount of any excess returns retained by shareholders	Companies with strong regulatory relationships will keep more returns and therefore be more likely to be included than similar risk / return assets.
	Social contract	Long term excess returns need to be justified with social contract in company profile, strong social contract leads to higher returns for longer	Companies with strong social contract have higher equity returns and similar risk / return assets.
	Corporate citizenship & Workforce engagement	Poor corporate citizenship and engagement is reflected in base case returns and in potential stress case results	A company showing a lower return or a greater risk of loss in a stress scenario would be harder to place in the portfolio
Governance	Ownership	ATLAS financial models can forecast changes in ownership including dilution and accretion which impact equity returns	In portfolio construction we would see the direct impact in expected returns and monitor expected equity dilution as a separate risk factor
	Alignment & Incentives	We incorporate poor alignment and incentives through explicit forecasts for reinvestment and capital discipline which can increase or decrease equity returns	Companies with poor reinvestment will show lower returns and higher risk and will be less likely to form part of a portfolio

Environmental

Environmental risks which should be considered for each company include, but are not limited to the following:

- **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. 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.
- **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.
- **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.
- **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.

Social

Social risks which should be considered for each company include, but are not limited to the following:

- **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 do 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.
- **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.
- **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.

Governance

Governance risks which should be considered for each company include, but are not limited to the following:

- **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. 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.
- **Executive remuneration and incentives** – Risk of misalignment of executive remuneration with shareholder objectives as a result of adverse short term or long-term incentives. We recognise that management 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.
- **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.
- **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.

2.3 Principal Adverse Indicators

ATLAS Policy

As part of the ATLAS Global Strategy responsibilities as an Article 8 fund, this policy sets out:

- How Principle Adverse Indicators are identified and prioritized by ATLAS
- How Principle Adverse Indicators are incorporated into the investment process, company engagements and decision making in order to satisfy the DNSH provisions of SFDR
- Why we believe this approach appropriately manages risks for our investors and how this approach is reviewed and reported

Under the SFDR legislation the Principal Adverse Indicators currently comprise both mandatory and optional metrics. As an Article 8 Fund ATLAS will report against the 32 mandatory indicators and at least one optional environmental and social indicator.

ATLAS will identify, prioritise and incorporate PAI information for our portfolio companies as follows:

- ATLAS will engage at least one and ideally two 3rd party data providers
- The information from the 3rd party data providers will be reviewed for portfolio companies on a weekly basis
- Based on that information, the ATLAS team will determine where there is a material risk or change in risk under a PAI
- This determination will be recorded in the research management system, including any follow up with management and whether or not the issue is raised for a formal engagement with the company
- The determination will also be recorded against the company Taxonomy classification where it is relevant to the DNSH screening criteria

The outputs of these assessments will be reported to investors as part of annual RI reporting as well as through formal SFDR disclosures.

Governance and ongoing review

The assessment of PAI and other ESG risks is part of the investment process for ATLAS which is the responsibility of the Head of Investment function who is accountable to the ATLAS Executive Committee which comprises the boards of ATLAS UK and ATLAS Australia regulated entities.

Changes in risk indicators are reviewed on a weekly basis by the ATLAS Investment Committee during workflow. Once risks are identified then it is the responsibility of the sector team Partner to ensure that the review is concluded and that the RMS audit trail is complete. It is the responsibility of the ATLAS RM to approve the conclusion of the review, including any escalation to formal engagement.

2.4 EU Taxonomy eligibility & alignment

ATLAS Policy

The ATLAS Global Strategy has been registered as an Article 8 fund and therefore will need to make the following disclosures:

- A declaration of the minimum expected level of taxonomy aligned activity with the strategy
- An annual disclosure of the level of eligible activity in the portfolio during the year

This will require ATLAS to source data for the taxonomy alignment of both current portfolio companies as well as companies in the ATLAS investment universe but not currently in the portfolio. The universe level of taxonomy alignment will be required to estimate the likely minimum level of taxonomy alignment in the ATLAS portfolio.

ATLAS recognises that the underlying data on the taxonomy eligible activities of the investments within the ATLAS strategies is not broadly available from audited financial statements and is not consistently available. The lack of availability is a particular problem for companies not operating or reporting within the EU. Therefore, ATLAS has put in place the following policy for sourcing taxonomy data for the ATLAS strategies:

- Where possible – data will be taken from company audited statements
- If this is not available or the data in company statements is unaudited or provisional ATLAS will seek the most accurate estimate available from the following sources:
 - ATLAS investment team estimate based on a comparison of the underlying company activities with the EU taxonomy technical standards
 - Any company estimates or provisional data
 - 3rd party taxonomy data providers

ATLAS will evaluate the above sources in order to select a provisional estimate for use in regulatory and product reporting. Where ATLAS uses estimates to produce reporting this will be clearly identified and, where possible, the range of alternative estimates can also be presented.

Governance and ongoing review

- Responsibility for taxonomy estimate recommendations lies with the ATLAS investment teams
- Responsibility for approval of the taxonomy data to be uploaded to the ATLAS database and reporting lies with the ATLAS RM
- Responsibility for day-to-day monitoring of the process within ATLAS lies with the Head of Investments who is then accountable to the ATLAS Exco. This will include the responsibility to identify any improvements to the process required to enhance accuracy of reporting or to meet new reporting requirements
- Reporting of Taxonomy data as part of regular client reporting will be the responsibility of the ATLAS Operations function, overseen by the ATLAS COO
- Reporting of Taxonomy data as part of regulatory disclosures will be the responsibility of the ATLAS Chief Compliance Officer (CCO)
- Taxonomy related disclosures and exposure monitoring will form part of the regular ex-post quarterly monitoring of the ATLAS Investment Governance Board who report directly to the ATLAS board
- The ATLAS compliance function will arrange for an annual Assurance review of the internal ATLAS processes used to provide taxonomy data for reporting

2.5 Company Sustainable Activity alignment

ATLAS Policy

The ATLAS Global Strategy has been registered as an Article 8 fund and therefore will need to make the following disclosures:

- An assessment of the asset allocation of the strategy to Sustainable investments
- An annual disclosure of the level of Sustainable investments

The ATLAS Policy is to use alignment with the United Nations Sustainable Development Goals (SDGs) as a guide for estimating the proportion of the portfolio that is allocated to Sustainable investments. This estimate will be made by the ATLAS investment team as part of due diligence and will use company reporting and 3rd party estimates where useful and appropriate.

Governance and ongoing review

- Responsibility for SDG estimate recommendations lies with the ATLAS investment teams
- Responsibility for approval of the taxonomy data to be uploaded to the ATLAS database and reporting lies with the ATLAS RM
- Responsibility for day-to-day monitoring of the process within ATLAS lies with the Head of Investments who is then accountable to the ATLAS Exco. This will include the responsibility to identify any improvements to the process required to enhance accuracy of reporting or to meet new reporting requirements
- The ATLAS compliance function will arrange for an annual Assurance review of the internal ATLAS processes

2.6 Exclusion and screening

ATLAS does not apply an exclusionary approach to eliminating or avoiding companies with poor ESG characteristics. Instead, ATLAS applies an inclusion-based approach through the construction of the ATLAS Investment Universe. Through the Investment Universe construction process all included companies are reviewed by the ATLAS Research Meeting and deemed to be 'investable' based on their infrastructure characteristics and risk profile.

Policy

Our policy for integration of ESG into this 'active screening' process is as follows:

- For a company to be part of the ATLAS investment universe it must be able deliver 'long term sustainable cashflows' in line with our investment objectives. In assessing the sustainability of cashflows, the ATLAS investment team will pay particular heed to Environmental and Social risks
- For a company to be part of the ATLAS investment universe it must be analysable such that ATLAS can be confident in the cashflow forecasts. In assessing the transparency and reliability of equity cashflows, the ATLAS investment team will pay particular heed to Governance & structure risks
- A record is kept of all companies that, as a result of the screening, have been reviewed and not included in the ATLAS investment universe.

As part of this screening ATLAS undertakes its own due diligence as well as use screening based on external benchmarks such as the UN Global Company principles.

3 ESG REPORTING

ATLAS provides clients with a range of monthly, quarterly, and annual reports to assist them in understanding and evaluating how ATLAS has performed with respect to risk, return, exposure, and stewardship of their portfolio.

A key focus of our client interaction and reporting is to ensure that we address our clients' questions and requirements around stewardship, sustainability and the outputs and possible impacts of our strategy and portfolio.

We recognise the varied nature of current and future enquires and will always seek to support sustainability related requests as fully and in as much detail as possible.

The following table provides an overview of the key ATLAS ESG related reports:

Quarterly Reporting – ESG and Stewardship

The Quarterly ESG Data Pack includes a range of ESG related metrics including:

- ESG issues and risks identified for all stocks in the ATLAS portfolio
- Current live engagement processes, including any joint engagements and any engagements concluded in the period
- Reporting against key ESG metrics
- Fast Transition climate scenario exposure
- Look forward portfolio emissions against SBTi targets
- Principal Adverse Impact data

Annual Responsible Investment Report

The ATLAS Annual RI Report provides a very detailed review of a range of investment and firm wide ESG metrics including:

- Detailed Net Zero targets and data
- Detailed ATLAS voting records
- Engagement summary and detailed overview of any ongoing engagements
- Principal Adverse Impact information as required under the SFDR
- EU Taxonomy information
- TCFD related disclosures on ATLAS climate change approach.
- ATLAS corporate ESG report including: corporate emissions, diversity, social activities,

2020 Stewardship Code

The ATLAS Stewardship Code report addresses each of the 12 Principles set out under the FRC Stewardship Code. This includes, but is not limited to:

- Overview of the key capabilities of the ATLAS business to deliver strong stewardship of our client's investments
- Outlining our approach to firm governance and compliance
- Outlining approach to conflict management
- Understanding client needs and communications
- Case studies relating to engagements and voting

4 INVESTMENT STEWARDSHIP

ATLAS is committed to using its influence as a responsible shareholder and investor to maximise sustainable, long term value of its clients and beneficiaries. Stewardship activities begin with the investment sector teams who identify, monitor and engage with companies and other stakeholders. The Investment Committee has ultimate responsibility for ensuring that ESG risks are controlled within client portfolios, including the use of engagement and escalation of engagements.

As stewardship practices are part and parcel of the analysis within the investment process, 'signals' from stewardship activities as a result of company responses feed back into the investment case via cashflows; conversely, investment analysis may reveal 'signals' and topics for engagement. This feedback loop ensures ATLAS's stewardship activities are intimately connected to its investment outcomes and portfolio composition.

4.1 Our approach to engagement

ATLAS believes in active management and that management engagement is core to our responsibilities as a responsible investor. The ATLAS policy on company engagement is as follows:

- ATLAS will engage actively with both investee companies and potential investee companies
- All engagements incorporate identified ESG issues (that is where ATLAS will seek to foster improvement of a practice on an ESG issues or request a company to improve its disclosure practices) and risks as part of the agenda with specific outcomes and objectives
- Key ESG issues, questions and follow ups are recorded for each company and are available to ATLAS clients as part of our portfolio reporting
- Outstanding ESG issues that are deemed critical can be escalated through the ATLAS IC and formally tracked as part of the recorded investment 'assertions'
- For each company, monitoring of engagement progress (including ESG) is the responsibility of the relevant Investment sector team.
- Regular reviews will be undertaken through internal research meetings and through regular independent oversight (quarterly IGB review)
- All engagements undertaken by ATLAS are covered by our Material Non-Public Information (MNPI) policy and require an attestation by ATLAS staff that no inside information was sought or received
- ATLAS engages directly with companies and does not rely upon 3rd party service providers for engagement.
- However, ATLAS may make use of 3rd party providers from time to time to add to our due diligence and risk assessment

4.2 Setting engagement priorities

When determining priorities and issues for initiating a company engagement, the investment teams and IC will give consideration to:

- The materiality of the ESG issue to the ATLAS investment process and the potential impact on investment outcome for the company or the risk perception (i.e. ESG reporting) for the company

- Whether the ESG issues are measurable or actionable within a reasonable timeframe
- Either relate to portfolio companies or companies where we are well known and / or have a relationship with management (and therefore our engagement will have the greatest chance of positive outcome)
- Are most likely to result in some form of positive real-world change (e.g. prioritising climate transition for companies with large potential scope to reduce emissions)
- Where the company is either in breach or potentially in breach of a portfolio guideline that requires an active engagement prior to divestment (See 5.1.5 below)

4.3 Measuring engagement progress & escalating engagements

The ATLAS engagement and stewardship process is based on a continuous two-way communication between the investment team and company management teams. In the event that either:

- An issue has been raised by the investment team with management and has not been resolved to our satisfaction; or
- We have voted against a company sponsored shareholder resolution and the resolution has been passed with no subsequent review or amendment; or
- The ESG issue identified relates specifically to a board level governance or strategy decision

We have the option to escalate to a formal written communication from ATLAS Infrastructure to the board of the target company.

These written engagements are proposed by the relevant ATLAS investment partner and reviewed through the ATLAS investment research meeting. Each written engagement is recorded in the ATLAS RMS and any subsequent follow up, including an assessment of the success of the engagement is also recorded prior to close.

The topics, progress and outcome of formal engagements are also reviewed by the ATLAS Investment Governance Board on a quarterly basis.

4.4 Outcomes & remedies following an unsuccessful engagement

In the event of an unsuccessful (or partially unsuccessful) formal engagement, the IC of ATLAS may take one or more of the following potential courses of action:

- Divesting from the asset
- Requiring an investment review that will incorporate new ESG risk assumptions which may lead to a review of the position and a full or partial divestment.
- Initiating or joining a collaborative engagement that would address the unresolved issues (including supporting filing of shareholder resolutions)
- Voting against one or more management sponsored resolutions (including director re-elections and remuneration policies)

4.5 Collaborative engagements

ATLAS recognises that the potential engagement outcomes for our investors could be enhanced if other investors and stakeholders support the same outcomes.

ATLAS expects that, in the course of any company engagement, the ATLAS investment team will engage in active advocacy for the desired outcome including (as needed or relevant) engagement with the company and relevant stakeholders including other investors. When engaging with other investors, we recognise that each individual investor will need to make their own independent decision regarding any corporate engagement or public communication.

ATLAS recognises that collaborative engagements can be a potential tool to improve investment outcomes for clients. The decision to pursue a collaborative rather than a sole engagement will turn on what is most likely to result in a positive outcome for ATLAS' clients, with reference to any implicit social contracts borne by the relevant company. Any decision will be reviewed by the ATLAS Research Meeting, with ultimate responsibility resting with the IC. As part of this review, the IC will take into account relevant local regulation on concerted party actions amongst investors.

Collaborative engagements will be tracked in the same way as unilateral engagements through the ATLAS Research Management System, and outcomes will be reviewed by the ATLAS IGB.

Where a collaborative engagement is used in preference to a sole engagement, it will be tracked in the same way (through the ATLAS Research Management System) and outcomes will be reviewed by the ATLAS IGB.

4.6 Engagement with regulators and other stakeholders

As part of our stewardship responsibilities, ATLAS will engage with regulators and other stakeholders wherever we believe that our submission can improve the outcomes and sustainability of either the finance sector or the infrastructure sector. These engagements include, but are not limited to:

- Singular or joint engagements with national infrastructure regulators where we have identified improvements to company regulation that could improve the sustainability of the relevant company or sector. These engagements will generally be led by the ATLAS Investment sector teams and approved through the ATLAS Research Meeting
- Singular or joint engagements with financial regulators or other policy makers regarding the sustainability and performance of the financial sector (including infrastructure investment). These engagements will generally be initiated and approved through the Executive Committee of ATLAS

4.7 Voting

ATLAS believes that it should and can influence good corporate governance through the exercise of its legal rights for the benefit of its clients. Voting is an extension of, and an expression of, our investment process and our focus on delivering sustainable long-term returns. As such, responsibility for voting recommendations lies with the sector teams which undertake research on the companies. The Investment Committee has ultimate responsibility for final

decisions on proxy votes submitted for a portfolio holding. This oversight provides consistency and ensures compliance with voting guidelines.

ATLAS Policy

The ATLAS policy on proxy voting is as follows:

- Proxy vote recommendations are submitted to the IC by the relevant sector investment team
- Proxy vote recommendations contain a summary of ESG risks and key issues identified for that company including, where relevant, recommendations for voting on specific issues
- Final decision on proxy votes submitted by ATLAS for a portfolio holding are the responsibility of the relevant Investment Committee. The only exception is where the ATLAS segregated mandate client has requested and exercised their right to override proxy votes on shares held by their custodian
- Proxy votes are recorded and are made available to ATLAS clients as part of their reporting options
- Where ATLAS votes against company management, ATLAS will explain our decision at the next company engagement including referring to the underlying ESG issues

Transparency and public disclosures

ATLAS believes its clients and other shareholders should have full transparency of its voting policy and voting record. The voting policy which forms part of the Responsible Investment Policy is publicly available on our website. Our voting record for the past year is also available for viewing.

We will publish our voting actions on a yearly basis which, depending on the timing of a company AGM, could be up to one year after an AGM.

Voting guidelines

ATLAS will assess each proposal on a case-by-case basis following the below general guidelines.

Board of Directors

Vote according to management's/shareholder's recommendations on director appointments unless:

- Nominated director has a demonstrable history of inadequacy with respect to carrying out duties of a board member and/or would reduce the calibre or competence of the board overall
- Insufficient independence of board composition as a result of appointing new director
- Increases a lack of diversity on the board if nominee was appointed and reduces the ability for the board to meet its relevant national diversity target
- Other specific to identified governance issues – i.e. we have identified a specific board skill requirement that is not met by the proposed appointment

Remuneration

Vote for remuneration policy unless:

- It incentivises short term focus at the expense of long-term value creation
- It results in misalignment between executive compensation and shareholder outcomes or management being rewarded in an incommensurate manner with the value added
- Disclosure around specific details of remuneration package are opaque or vague

- It includes excessive, non-standard sign on arrangements and pension provisions, golden parachutes, one off payments not linked to specific performance targets

We also vote for inclusion of specific ESG metrics and targets in remuneration policy and we support the inclusion of climate transition specific targets in executive remuneration for all companies with material emissions

Capital Management

ATLAS will vote on capital management proposals based on our assessment of the sustainability of the company's capital structure and the appropriateness of the capital allocation policy. These are identified through our company profiles and flagged as part of the proxy voting process.

Mergers and acquisitions

ATLAS will assess all potential M&A on a case-by-case basis and will evaluate it based on our internal financial analysis and due diligence. If we believe a deal will in any way materially reduce returns and/or increase risk, then we will vote against.

Financial statements and external auditors

Vote to accept the financial statements and appointment of auditors unless:

- Concerns around validity of accounts and the company has not provided sufficient justification or satisfactory responses to questions on the accounts
- Auditor is suddenly changed without sufficient reason or there are concerns around the quality or independence of the nominated auditor

Shareholder rights

To be assessed on a case-by-case basis.

Shareholder proposals

ATLAS is supportive of proposals which enhance long term value creation, e.g., the management of ESG risks and opportunities and increased, best practice disclosures around ESG metrics in company sustainability reports.

Social and environmental topics

Environmental management and climate change

All things being equal we would support resolutions that advance environmental management and help to improve climate transition alignment, unless those resolutions are likely to lead to worse outcomes over time if implemented.

Political donations and lobbying contributions

ATLAS will generally not vote in favour of political donations and lobbying contributions unless they can be shown to be reasonable and limited in scope for the purpose of promoting information rather than influencing outcomes.

Diversity and inclusion

All things being equal we would support resolutions that advance diversity and inclusion at our investee companies, provided they are in line with best global best practice and unless those resolutions are likely to lead to worse outcomes over time if implemented.

Voting procedure

ATLAS analyses voting proposals internally and does not use proxy advisors. The internal procedure is as follows:

- Proxy vote recommendations are submitted to the IC by the relevant sector investment team
- Proxy vote recommendations contain a summary of ESG risks and key issues identified for that company including, where relevant, recommendations for voting on specific issues
- Final decision on proxy votes submitted by ATLAS for a portfolio holding are the responsibility of the relevant Investment Committee. The only exception is where the ATLAS segregated mandate client has requested and exercised their right to override proxy votes on shares held by their custodian
- Proxy votes are recorded and are made available to ATLAS clients and other interested parties on ATLAS's website
- Where we intend to vote against companies our policy is that the relevant sector investment team communicates this to company management ahead of time and explains the rationale

Where ATLAS votes against company management, ATLAS will explain our decision at the next company engagement including referring to the underlying ESG issues.

Governance and ongoing review

Proxy Voting is part of the investment process and operations process for ATLAS which is the responsibility of the Head of Investment and COO functions who are accountable to the ATLAS Executive Committee which comprises the boards of ATLAS UK and ATLAS Australia regulated entities.

Proxy voting outcomes are monitored as part of the ATLAS RI report and a summary of Proxy Voting outcomes, including identification of significant votes, is provided in that report as well as to clients on request. ATLAS also publishes data on voting on its website.

4.8 Securities Lending

ATLAS does not have a securities lending program.

4.9 Conflicts of Interest

It is possible that ATLAS could find a conflict of interest with regards engagement or proxy voting. ATLAS has two approaches to managing conflicts of interest

- If a member of an IC has a temporary conflict of interest arising from specific client information. This situation will be managed under our Chinese walls policy under the direction of the ATLAS Chief Compliance Officer (CCO). In this circumstance that IC member will not be involved in making decisions or recommendations regarding proxy voting or engagement
- If ATLAS has a conflict of interest with respect to a security that the CCO concludes cannot be managed under the Chinese wall policy outlined above, then ATLAS will utilise 3rd party recommendations for that security until such time as the CCO concludes that the conflict situation has passed.

5 THIRD PARTY ESG RELATIONSHIPS

5.1 Associations / Memberships

ATLAS is a signatory to and/or member of the following ESG related third parties:

- Principles of Responsible Investment (PRI)
- Net Zero Asset Manager Alliance (NZAM)
- FRC Stewardship Code 2020
- Institutional Investor Group on Climate Change (IIGCC) - member of the investor practices and policy programs
- Climate Action 100+
- CERES
- Global Real Estate Sustainability Benchmark (GRESB)
- Task Force on Climate-Related Financial Disclosure (TCFD)
- Science Based Targets Initiative (SBTi)

5.2 ATLAS commitment to the Net Zero Asset Manager initiative

ATLAS is a signatory to the Net Zero Asset Manager Initiative, sponsored by the IIGCC. To support this we have implemented a net zero / PAII framework in line with the IIGCC guidelines. Engagement has a very specific role to play within this framework, in particular:

- Portfolio emissions and alignment budgets are set by the framework, in line with science based sector pathways, which ATLAS will then assess companies against
- Companies with material emissions (Scope 1,2 or 3) must be either aligned with their relevant science based pathway, or they must be the subject of a specific engagement on emissions reduction trajectory
- If that engagement is unsuccessful, and the company remains on a trajectory to materially exceed their relevant emissions pathway budget, the climate scenario risk contribution for the company will be increased and this may result in a partial or full divestment from the portfolio

5.3 Policy relating to supporting lobbying or advocacy initiatives

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

6 ESG RELATED LIQUIDITY & COUNTERPARTY 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.

7 RECRUITMENT, REMUNERATION AND STAFF MANAGEMENT

Note: ATLAS has developed a separate detailed Diversity and Inclusion Policy which sets out a detailed policies and commitments in relation to D&I.

7.1 Background

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 on short-term performance. The performance component of remuneration is aligned to the investment time horizon of our clients
- There is no pure 'discretionary bonus' element to compensation, profit share accrues with progress against the ATLAS skills matrix over time or based on specific KPIs linked to investor outcomes; and
- Individuals who are looking to maximise compensation through taking short term higher risk investment decisions 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.

7.2 Remuneration

The ATLAS remuneration structure has been developed to encourage teamwork over individual performance. A key element of this is that all staff at a particular level are remunerated using the same framework with the same expected economic outcome. This ensures that remuneration is consistent and transparent (whilst protecting individual privacy).

The remuneration of all ATLAS staff is comprised of a base salary and a variable component which is linked to the performance of the business and, through a share in firm profits which is calculated based on performance against KPIs. These KPIs comprise team based measures as well as measures of long-term investment and client outcomes (over 3 years) scheme.

ATLAS believes that this approach - long term profit share based on specific outcomes - produces a more sustainable investment culture than either discretionary annual bonuses or bonuses mechanically linked to short term performance metrics which are not well aligned to achieving longer term outcomes for clients and can lead to excessive risk taking.

7.3 Performance Monitoring and Review

Formal staff appraisals occur annually. ATLAS has developed a skills matrix for both investment and non-investment positions within the Firm to articulate the expectations for knowledge and skills within its four role categories (Analyst, Associate, Principal, Partner).

ATLAS sets remuneration KPIs and performance expectations for each level in the organisation as part of their skills matrix based review. The KPIs include the requirement to formulate adequate ESG risk scenarios around potential investments as well as the requirement to identify and prioritise for engagement the key ESG issues facing each company in our coverage.

7.4 Remuneration Disclosure

The ATLAS Remuneration 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.

7.5 ESG Training

ATLAS devotes considerable internal resources to developing the knowledge and expertise of its investment team at its weekly Research Meeting. This meeting peer reviews the firm's analysis and position with regard to a wide variety of topics and very frequently addresses matters relating to RI and ESG. Subsequent to those meetings, the firm holds less formal meetings at which the topics discussed in Research Meetings can be addressed.

In addition, ATLAS frequently sends delegates to conferences organised by third party organisations such as the IIGCC and AIMA which address those topics, and also attends conferences organised by investment consultants and commercial sponsors which also address the same topics. The output of those conferences is reported on at the Firm's internal meetings which provide the opportunity for further knowledge transfer to the team. ATLAS also supports employees taking exams in this space e.g. CFA Investing in ESG Certificate.

Members of the ATLAS Investment Committee also remain current with the latest ESG matters through a combination of attendance at conferences and regular interaction with bodies such as the PRI and IIGCC

8 CORPORATE SOCIAL RESPONSIBILITY

ATLAS is committed to understanding and managing our Environmental, Social and Corporate Governance (ESG) behaviour and impact. We believe ESG factors will directly influence our long-term success and sustainability as a business and accordingly, ATLAS has developed policies to ensure our decision making and daily practices reflect this philosophy.

8.1 Commitments and ambitions

Environmental

We believe that ATLAS can make a positive contribution to combatting negative environmental factors such as climate change through controlling our greenhouse gas emissions, careful waste management and energy efficiency.

Our environmental commitments and ambitions include the following:

- Provide safe disposal waste options in all offices for paper, containers, printer toners, etc;
- To contract with 100% renewable electricity providers (where available);
- To utilise data centres powered by renewable electricity (where available);
- Promote a paperless office; however, where printing is necessary, ensure double-sided fully recyclable paper is used;
- Reduce as far as possible our CO2 footprint, especially by limiting air travel where practicable through:
 - Using our video-conferencing technology to replace air travel;
 - Leveraging our multiple office locations to provide local client support where possible;
 - Where air travel remains necessary, we will offset the carbon impact of any trip through airline offered schemes;
- Choose office locations that provide work shower facilities to encourage staff to walk, run or cycle to work;
- Establish environmental targets and objectives and at least annually, report the firm's performance against these targets/objectives; and
- Assess the environmental impact of new equipment, such as printers

Social

We believe that supporting equality, diversity and investing in the progressive development of society are important ways in which to foster a workplace in which our staff feel valued, empowered and are proud to endorse to others.

To this end, we will:

- Ensure that all ATLAS policies provide for the equal treatment of all employees (both potential and current) regardless of sex, race, disability, sexual orientation, religion or belief, age, gender, marriage or civil partnership, pregnancy and maternity or paternity;
- Promote an environment of openness, tolerance and mutual support in our workplace;
- Where possible, ensure our activities contribute positively to the local community;
- Provide all staff with one day of paid leave per annum to participate in a charitable event of their choice;

- Support clients with their nominated charities through sponsorship and contributions (as appropriate);
- Provide appropriate remuneration and where possible, profit share to all employees;
- Promote and enable gender balance through targeting a more balanced participation by male/females in first round interviews;
- Implementing a gender-neutral parental leave policy;
- Provide a framework for formal employee performance reviews with line managers, at least annually with additional informal reviews during the year
- Support staff participating in industry and or charitable sporting events;
- Provide a flexible working environment for all staff so as to allow them the best mechanism to engage with the firm, including flexible hours, the ability to work from home and the absence of a formal dress code (except when attending client meetings);
- Support staff development through training;
- Offer paid and unpaid leave for all new parents and compassionate leave during difficult times;
- Comply with both the spirit and the letter of all relevant employment laws;
- Restrict staff access to non-ethical websites while connected to the ATLAS network; and
- Support local education bodies by offering summer/winter internship

Corporate governance

We take our legal and moral obligations very seriously and have developed robust controls to prevent illegal acts such as bribery, fraud, anti-competitive behaviour and modern slavery. We recognise that a well-defined corporate governance framework goes beyond the purely formal and serves to balance the interests of a number of different stakeholders in our business whilst providing a healthy environment in support of the firm's long-term strategy. Our commitment to good governance includes the following:

- A transparent and accountable management ethic, open to challenge, supported by robust and well defined processes and systems;
- An appropriate management structure which promotes the division of responsibilities with well-defined reporting lines and accountability;
- Effective operation of Board sub-committees with appropriate membership;
- A strong compliance culture;
- Transparent communication to all employees of our policies and procedures, clearly outlining our standards of behaviour and the obligations we expect of our staff and the firm more broadly;
- Regular compliance training to all staff, at least annually;
- Robust procedures to manage potential and actual conflicts of interest;
- Maintenance of robust procedures to facilitate whistleblowing in a fair and open manner;
- A zero-tolerance approach to dealing with bullying and harassment in the workplace;
- Protection of all confidential client and staff information from unauthorised disclosure;
- Compliance with our corporate obligations under the Bribery Act;
- Compliance with our corporate obligations under the Modern Slavery Act;
- Engage leading service providers with a high ethical standing; and
- We will encourage and support staff training in relation to sustainability, climate change and other ESG factors

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