

Environmental, Social and Governance Policy

Purpose:	This Policy outlines Lighthouse's approach to managing Environmental, Social, Governance (ESG) and Sustainability factors when considering corporate activities, potential investments and in managing existing investments across all Lighthouse funds
Responsible person:	Risk, Compliance and Sustainability Manager
Date of initial approval:	25 May 2023
Approved by:	LIMHPL Board
Policy review frequency	Annual

1. Who We Are

Lighthouse Infrastructure “**Lighthouse**”, is an investment firm and institutional fund manager focused on sustainable infrastructure investment. Lighthouse specialises in the unlisted renewable energy and social infrastructure sectors. Based in Melbourne, Australia, Lighthouse Infrastructure has been operating since 2007 and is owned by the employees of the firm.

Lighthouse considers ESG and sustainability factors as fundamental to managing infrastructure investments to underpin reliable and repeatable returns over the medium to long term. Lighthouse identifies and manages ESG factors which may materially impact clients’ returns as a core part of its investment and asset management processes.

This Policy outlines Lighthouse’s approach to ESG and sustainability management and includes our sustainable investment philosophy, principles and framework which we apply to ensure ESG factors are properly considered as part of our investment and asset management approach.

2. Application

This Policy applies to all businesses managed by Lighthouse Infrastructure Management Holdings Pty Ltd and its related bodies corporate or associated entities as defined under the Corporations Act 2001 (Cth) (Lighthouse, we, our, us).

The corporate teams and Investment Committees of Lighthouse’s Funds are responsible for ensuring compliance with this Policy for new investments and for asset management.

3. Our Sustainable Investment Framework

3.1. Our Purpose

Lighthouse exists to create sustainable economic value in line with our fiduciary obligations for our investors and to foster inclusive social benefits for our stakeholders by engaging our team and investment partnerships through collaborative innovation.

3.2. Our Sustainable Investment Philosophy

Lighthouse believes that returns for investors in real (i.e. “physical”) assets will be maximised over the long-term on the basis that environmental, social and economic utility is sustained and underpinned by a robust and appropriate governance regime.

Sustainability is the ability to maintain a given level of activity. Lighthouse relates this capacity to its investment and asset management activities by strongly believing in:

Environmental sensitivity

Humanity is challenged by resource depletion and climate change. For the investments we make to be sustainable, they must efficiently utilise our scarce resources and care for the environment.

Social responsibility

Infrastructure assets provide essential services to communities they serve and inform and contribute to the public good. For their activities to be sustainable, investors and asset managers must provide access to essential services in a fair and an efficient manner.

Economic productivity

For any activity to be sustainable it must be productive. Investment activity must provide mutual benefits to users and to owners.

3.3. Our Sustainability Actions

Environmental, social and economic utility drive investment returns which are achieved through the alignment of these factors. We ethically manage and are responsible stewards of our assets for the long-term equity performance of our clients. Sustainable value can be created over longer term periods through the active management of opportunities and the control and mitigation of risks over the life cycle of the assets. Lighthouse achieves these outcomes through the application of its Sustainable Investment Philosophy.

Lighthouse utilises a strong and appropriate governance framework, with initial and ongoing governance of an investment requiring an active approach to maintain broad stakeholder alignment, accountability and stewardship.

4. Our Sustainability Commitments

4.1. Our commitment to addressing climate change and obtaining carbon neutrality

Addressing the urgent challenge of climate change and decarbonising our economy are more pressing now than ever. Lighthouse is aligning its investment portfolio and corporate carbon footprints to the UN Paris Agreement. In addition, Lighthouse considers sustainability factors as part of the due diligence process for future investment decisions.

Commencing in FY21, Lighthouse has measured the GHG emissions of its investment portfolio in line with the Partnership for Carbon Accounting Financials (PCAF) framework and will continue to report on our climate impact going forward. PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.

Lighthouse has committed to achieving 'carbon neutrality' in the short term, defined as removing carbon from the atmosphere and permanently storing it to counterbalance the impact of emissions that remain unabated. In recognising the complex nature of implementing a net-zero carbon strategy at a portfolio level, we will continue to investigate the pathway to net-zero, defined as reducing scope 1, 2, and 3 emissions to zero, or to a residual level aligned with the IPCC 1.5°C scenario and neutralising any residual emissions using carbon credits or other carbon removal measures.

To this end, we have established the following objectives:

- Since FY21, we have undertaken the measurement of GHG emissions of our investment portfolios in line with the Partnership for Carbon Accounting Financials (PCAF) framework and have been reporting on our climate impact since that time.
- We first achieved carbon neutrality across our corporate operations in FY21 and we are aiming to do so in our directly owned and funded assets in operation by 2030 or earlier
- We are committed to the development of a net zero pathway to align our investment activities with the Paris

Agreement in accordance with the Science Based Targets Initiative’s (SBTi) guidance for the financial sector and the SBTi Net Zero Standard.

- We will be prioritising reductions in our own value chain over an offset strategy and intend to identify and implement strategies using existing and emerging technologies and techniques to reduce emissions. Potential strategies include investing in the addition of further renewable energy generation capacity at our solar sites, developing energy efficiency initiatives for our specialist disability accommodation and Key Worker Housing portfolios and generating land-based carbon removals where feasible.

4.2. Our alignment with the UN Sustainable Development Goals



The UN Sustainable Development Goals (SDGs) were set in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030. Whilst many of the specific targets underlying the goals relate to improving conditions in developing countries, a significant number of the targets and indicators have application within developed nations.

Since 2021, Lighthouse has increasingly considered the UN SDGs to be an important and effective framework to help guide our investment selection process. There is a significant link that exists between many of the UN SDGs, our sustainable investment philosophy and the social and environmental outcomes generated by the operation and usage of Lighthouse’s infrastructure assets

As an organisation we have mapped the SDGs into our investment value chain by considering how our core competencies, technologies and investment funds currently and potentially can contribute to the SDGs.

As part of this mapping exercise, we have established five key areas where we consider our capabilities and actual and potential outputs to be well-placed to create value for multiple stakeholders being our investors, employees, partners, those who use the services created by our infrastructure assets and those who are affected by their operation.

The five key areas we have identified are:

1. Better economic outcomes:



For any activity to be sustainable it must be productive. Investment activity must provide mutual benefits to users and to owners. Careful asset selection with aligned ESG principles, embedding further ESG integration and reporting, can produce a lower cost of capital for assets we invest in, creating additional value for our investors.

2. Partnerships for success:



Development and fostering of meaningful relationships with investors, partners, advisors, policy makers and employees will be required to deliver genuinely sustainable outcomes through the provision of essential services on real assets.

3. Technology and innovation:



We value innovation, encouraging and supporting our team members to complete research, think creatively and devise new investment and support solutions which generate financial value for our investors. We aim to use technology to optimise the performance of existing and new assets to increase gains of financial returns, asset efficiency, safety, security and sustainability performance.

4. Improved environmental outcomes:



Humanity is challenged by resource depletion and climate change. For the investments we make to be sustainable, they must efficiently utilise our scarce resources and care for the environment. This includes working to drive down greenhouse gas emissions across our investment portfolios and at a corporate level.

5. Improved social outcomes:



Infrastructure assets provide essential services to communities they serve and inform and contribute to the public good. For their activities to be sustainable, investors and asset managers must provide access to essential services in a fair and an efficient manner. We look to support our service providers, other key relationships, and the communities where we invest.

Our ongoing SDG journey for each of these five outcomes will be to identify specific areas of focus for which we can measure and report progress going forward. Importantly, this focus will also include developing a deeper understanding of the targets and indicators of each of the relevant SDGs, using this to enhance our reporting of improvement against these SDGs.

4.3. Our Commitment to the UN Principles of Responsible Investment (UNPRI)

Lighthouse is a signatory to the UNPRI. The six Principles for Responsible Investment are a voluntary and an aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practices. In implementing them, signatories contribute to developing a more sustainable global financial system.

These six Principles which Lighthouse follows are:

- To incorporate Environmental, Social and Corporate Governance (ESG) issues into investment analysis and decision-making processes;
- To be an active owner and to incorporate ESG issues into our ownership policies and practices;
- To seek appropriate disclosure on ESG issues by the entities in which we invest;
- To promote acceptance and implementation of the Principles within the investment industry;
- To work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles;
- To report on our activities and progress towards implementing the Principles.

5. Investment Approach

The principles of integrating ESG factors into Lighthouse’s investment approach are to ensure that there is clear line of sight from each of the core elements of our Sustainable Investment Philosophy through to the fundamentals of our funds management platform, as illustrated in the following diagram.



5.1. Investment and Asset Management

Lighthouse believes that effective management of specific risks and opportunities related to ESG issues will maximise returns for investors. In doing so, this enables Lighthouse and its investors to gain a measured view of future risks and opportunities to which assets are exposed.

ESG considerations are integrated into Lighthouse’s investment decision-making process in the following ways:

- **A multi-step investment assessment approach** reflecting (i) consistency with mandate and investment philosophy, (ii) the current and future utility of services/outputs generated by the asset to the communities it serves and (iii) the sources and risks of cash flows.
- **Comprehensive ESG due diligence** on investments where we have discretion, including the detailed identification, consideration from both a qualitative and quantitative perspective, and development of improvement and reporting plans for:
 - Environmental issues;
 - Social issues; and
 - Governance arrangements.
- **Reporting:** Ongoing-and ESG monitoring and reporting frameworks.
- **Driving ESG outcomes:** Working with partners, consultants and facilities managers to advance and improve ESG-related outcomes within each investment portfolio. This includes:
 - Environmental risks;
 - Identifying appropriate opportunities to work alongside First Nations partnerships;
 - Compliance with work health, safety and environment laws, regulations, standards & best practice; and
 - Recognising human rights both at an asset level and associated supply chains.
- **Partner alignment:** determining whether key asset partner companies have policies, protocols and reporting frameworks in place or in development to:
 - Mitigate long-term implications of climate change risk on assets; and
 - Raise awareness of opportunities for the mitigation of modern slavery risk in supply chains.

5.2. Reporting, Transparency and Stakeholder Engagement

Lighthouse completes reporting against a range of unlisted real asset investor reporting frameworks including the UN PRI framework. In addition, Lighthouse provides periodic ESG reporting updates to its fund investors in addition to aperiodic, firm-wide sustainability report.

5.3. Labour Considerations

Lighthouse considers the impact of each of its investments on society. These impacts include the treatment of members of the community, safety of the work environment-

In some projects Lighthouse has engagement with, partners are involved in sourcing material and services from local and international supply chains. While Lighthouse funds are not required to report under the Australian *Modern Slavery Act (2018)* (the “Act”), Lighthouse looks for opportunities to raise awareness with our partners and staff on issues and practices in alignment with the Act.

Lighthouse, together with its partners, looks for opportunities to works with traditional owners to develop collaborative engagement approaches, including, where available, roles for traditional owner communities in development, construction and operation of assets.

5.4. Investment Exits

In the event Lighthouse exits an investment portfolio asset, Lighthouse works to ensure that maximizing value for our investors is paramount. This includes making sure that the relevant ESG due diligence materials are updated and available for potential acquirors.

6. Governance

6.1. Lighthouse Board

The Lighthouse Board provides oversight to application of the ESG policy, including:

- Responsibility for managing, assessing, and overseeing the firm's risk management framework including emerging ESG related risks and opportunities and action and treatment plans for identified ESG risks at the operating asset level;
- On an ongoing basis the Board undertakes a risk review process and performs monitoring of Lighthouse's progress against ESG factors including an assessment of corporate GHG emissions reduction;
- Ensuring any significant changes to ESG related risks and new and emerging strategic and material risks associated with underlying investments are reported and escalated via our investment committee and board reporting frameworks; and,
- Lighthouse actively manages its underlying assets through regular formal board meetings, interaction with asset management boards and various management teams where strategic business plans and budgets are used as processes to report on ESG activities.
- Lighthouse has established an Audit, Risk and Compliance Committee (ARCC) that evaluates the adequacy and effectiveness of the organisation's administrative, compliance, operating, and accounting policies through active communication with management. The ARCC also has oversight of the risk management framework and considers identified and emerging risks to the business, including ESG risk and the mitigation and avoidance of those risks via the application of the ESG Policy.

6.2. Investment Committee

Lighthouse Investment Committees are responsible for the review and approval of all investments, including ensuring that investment cases appropriately incorporate appropriate ESG matters and targets. Through ownership, the Investment Committee also monitors the ongoing performance of investments, ensuring that such reporting considers performance against any stated SDG targets and indicators and other relevant ESG reporting frameworks.

6.3. Investment Origination

The origination and execution team is required to implement the ESG policy during the investment origination phase. This involves screening new opportunities for ESG risks and opportunities, conducting detailed ESG due diligence (including engagement of relevant ESG advisors) and alignment with the identified SDGs. In addition, in structuring the transaction the investment team works to ensure the inclusion of ESG matters in contracts with business partners and communicating ESG action items to the asset management team for ongoing management and monitoring.

6.4. Asset Management

The asset management team is responsible for, amongst other tasks, implementing and monitoring ESG-related activities and initiatives. Lighthouse considers the asset management process to be fundamental to the delivery of returns to investors through the mitigation of risk and the pursuit of expansion and other investment opportunities arising from the ownership and management of long-term infrastructure assets. It is also an essential part of the business process to bring the learnings from the management of assets such as up to date knowledge of industries, participants and improvements that can be made to the origination and acquisition process. Lighthouse works to create regular engagement with its partners, led by the Lighthouse asset management team to formalise the implementation, monitoring and reporting of ESG factors.

6.5. Investor Relations

The Lighthouse investor relations team maintains regular dialogue with investors and is responsible for the communication and reporting of ongoing ESG performance at individual asset and fund levels.

7. Advocacy and Collaboration

Lighthouse is aware of the dynamic nature of global ESG reporting and investment frameworks. This dynamism reflects the changing global landscape with implications for sustainable investing. Our broad and global collaboration and advocacy activities reflect our engagement on maintaining a leading position for sustainable investing in the real asset space. Lighthouse's activities are conducted across several important groups.

7.1. Investor Group for Climate Change (IGCC)

Lighthouse is a member of the IGCC and has been an active contributor to a number of initiatives including participation in several working sub-committees. Lighthouse is of the view that the IGCC provides an important forum for reflecting best practice.

7.2. Clean Energy Investor Group (CEIG)

Lighthouse is a founding member of the CEIG and plays a leading role in how CEIG initiates, investigates, and responds to consultations and national electricity rule changes that impact institutional investors' interests in the renewable energy sector.

7.3. National Disability Insurance Agency (NDIS) Reference Group

Lighthouse was an inaugural member of the SDA reference group, which was established by the National Disability Insurance Agency (NDIA) to support the development of the market, increase choice and control for participants, and ensure the long-term viability of SDA investments under the National Disability Insurance Scheme (NDIS). Lighthouse is actively collaborating with its SDA partners and like-minded SDA investors with the ultimate goal of achieving fair and favourable outcomes for our SDA investments on behalf of our investors.

We will continue to review and where considered required, adapt our approach to increase the probability of gaining a successful SDA pricing outcome for investors. We will also continue to participate in and contribute to initiatives designed to achieve improved information-sharing and data transparency from the NDIA in respect to the ongoing development of the SDA sector, in addition to supporting better SDA-outcomes for eligible participants.

7.4. Harvard Alumni

In 2019, Lighthouse created the Infrastructure Matters initiative as part of the Harvard Alumni Entrepreneurs, a cross-faculty group of the University Alumni. The purpose of the initiative is to advance work on pensions and capital stewardship, on the nature of infrastructure, on the relevance of infrastructure-related enterprises as objects of investment by pension funds and other investors, including Islamic investors, on the roles and responsibilities of government and the private sector in this connection, and on the impact on and import of any such investments on the lives and livelihoods of those affected.

The *Harvard Alumni Entrepreneurs Pension Governance and Innovation Forum* was formed in 2021 to apprise, to focus, to educate workers, scholars, policymakers, researchers, pension funds, infrastructure investors, and other practitioners on issues such as fiduciary duty and pension fund governance, management, and investment, especially as it impacts plan members financial security in retirement. Lighthouse is a founding member of and an ongoing contributor to this Forum.

8. Future Developments

Lighthouse believes in continuous improvement in ensuring its ESG policy reflects the changing global demands for screening, investing and reporting on sustainable investment. As such we are actively engaged in developing ongoing internal processes and frameworks that align with associated global initiatives.

9. Review

This policy will be reviewed by the Lighthouse Board on an annual basis.

Document history				
	Owner	Review Period	Were changes required?	Approval date
1.0	Managing Director	New	N/A	13 Dec 2018
1.1	Managing Director	2019	N/A – no changes required	30 Jan 2020
1.2	Compliance Manager	Since last approval date	Yes	26 May 2022
1.3	Compliance Manager	2023/24	Minor changes	25 May 2023
1.4	Compliance Manager	Out of cycle	Changes to content, formatting and layout	22 Feb 2024

Next review	February 2025
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