

# Environmental, Social and Governance Policy

## 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 Finance Pty Ltd, Lighthouse Infrastructure Management Operations Pty Ltd and their 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:

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### Environmental sensitivity

Humanity is challenged by resource depletion and climate change. To ensure our investments are sustainable, they must efficiently utilise scarce resources while minimising environmental impact.

### 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 to achieve long-term equity performance for our clients. Sustainable value can be created over the long term through the active management of opportunities and the effective control and mitigation of risks throughout the asset lifecycle. 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 which requires 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

It is now more pressing than ever that the urgent challenges of climate change and the decarbonisation of the economy are addressed. Lighthouse aligns 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 harmonised approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.

Lighthouse has committed to and achieved 'carbon neutrality' at a corporate level. In recognising the complex nature of implementing a net-zero carbon strategy at a portfolio level, we will continue to explore the pathway to net-zero, defined as reducing scope 1, 2, and 3 emissions to zero or to a residual level aligned with the Intergovernmental Panel on Climate Change (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 and corporate operations 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 2050 or earlier.
- We are committed to the development of a net zero pathway to align our investment activities with the Paris Agreement.
- 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 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.

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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 essential to delivering truly 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 financial returns, asset efficiency, safety, security and sustainability performance.

### 4. Improved environmental outcomes:



Humanity is challenged by resource depletion and climate change. To ensure our investments are sustainable, they must efficiently utilise scarce resources while minimising environmental impact.

### 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.

For each of these five outcomes we have identified specific areas of focus and objectives that allows us to measure and report progress going forward. This helps us gain a deeper understanding of the targets and indicators of each relevant SDG to enhance our reporting of improvement against these SDGs.

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

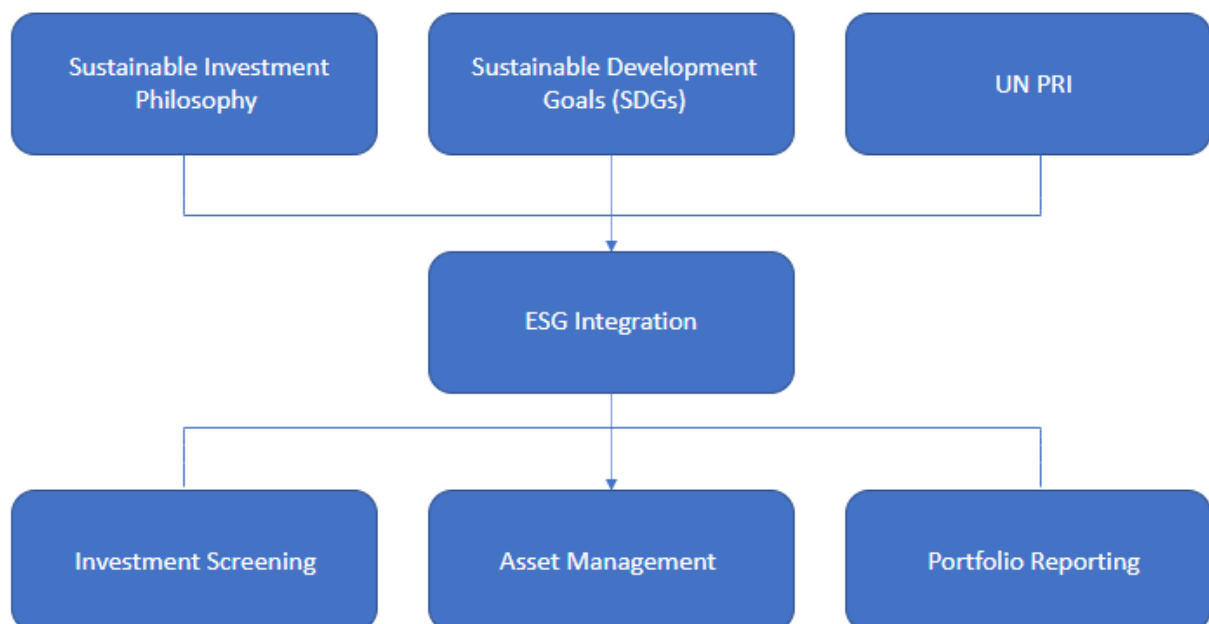
Lighthouse is a signatory to the UNPRI. The six Principles for Responsible Investment are a voluntary and an aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practices. In implementing them, signatories contribute to developing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



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## 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.

Lighthouse regularly evaluates ESG issues in the businesses it manages.

### Environment

Environmental factors considered during asset acquisition and ongoing management typically include:

- Resource consumption including electricity, water and other forms of energy
- Renewable energy consumption
- Greenhouse gas emissions
- Biodiversity
- Waste generation, management and disposal

### Climate Change

Lighthouse monitors the physical risks, the transition risks and the potential economic impacts of climate change. Lighthouse engages with its asset managers and operators about climate change risks and opportunities.

### Social

Social factors considered typically include:

- Labour and working conditions
- Health and safety
- Tenant engagement and satisfaction
- Supply chains and key supply risks, including modern slavery
- Indigenous rights and issues
- Community relations

### Modern Slavery

Lighthouse condemns any forms of Modern Slavery within its business and within its supply chain. In recognition of its reliance on supplier's due diligence, Lighthouse is committed to continuous improvement through open dialogue and reporting on Modern Slavery and will support suppliers in an attempt to rectify identified risks found in their supply chain.

### Governance

Governance factors considered typically include:

- Board representations
- Quality of management
- Diversity
- Reporting frequency and adequacy
- Contractual arrangements
- Security including cyber security

### Diversity

Lighthouse is committed to supporting and ensuring an inclusive work environment in which everyone is treated fairly, and with respect and dignity. Lighthouse maintains an Inclusion

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and Diversity Policy that sets out the commitment to the equitable treatment of all people and the promotion of diversity within the workforce by recognising and valuing the distinct contribution that comes from a range of diverse skills, experiences, perspectives and backgrounds.

Lighthouse encourages the assets in which it invests to implement appropriate diversity policies and initiatives.

ESG considerations are integrated into Lighthouse's investment lifecycle 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.
- **Strategic asset allocation:** When considering investments in new asset classes, we integrate our Sustainable Investment Philosophy into the consideration of new opportunities, and hence into the optimal composition and mix of assets in our portfolios. This approach aims to enhance both long-term returns and the creation of positive societal impact.
- **Origination:** Lighthouse undertakes an initial screening to assess the risks of an investment opportunity and to inform the scope of ESG due diligence. Opportunities that meet our own or our investment partners' exclusion criteria will not be considered for investment.
- **ESG due diligence:** ESG due diligence is conducted 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 material environmental, social and governance issues.
- **Management:** The management of material ESG factors during ownership is carried out in accordance with the Lighthouse Sustainable Investment Framework. Material ESG issues are integrated into the selection, appointment, and monitoring processes of external asset managers and operators.
- **Reporting:** Lighthouse supports fulsome disclosure of ESG data. Assets are required to report on certain ESG metrics, and where appropriate, adhere to relevant standards and frameworks.
- **Exit:** In the event Lighthouse exits an investment portfolio asset, Lighthouse works to ensure that maximising value for our investors is paramount. This includes ensuring that environmental and social considerations are updated, and the relevant materials are available for potential investors and/or buyers.
- **Partner alignment:** Lighthouse works with partners, consultants and facilities managers to advance and improve ESG-related outcomes within each investment portfolio. Lighthouse assesses 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.

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In some projects Lighthouse has engagement with partners that 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 and continuous improvements with our partners and staff on issues and practices in alignment with the Act.

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

## 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 a periodic, firm-wide sustainability report.

## 6 Governance Structure

### 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 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 risks 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.

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### 6.3. Investment Origination and Execution

The origination and execution team are required to implement the ESG policy during the investment origination and execution phase. This involves screening new opportunities for ESG risks and opportunities, conducting detailed ESG due diligence (including engagement of relevant third party ESG advisors, where applicable) and alignment with the identified SDGs. The specific due diligence activities which are typically performed by an ESG advisor may include a desktop review and site visit (in relation to asset acquisitions) and/or sending detailed ESG questionnaires to potential partners (in relation to ongoing partnerships). The outcomes of this review feeds into Investment Committee decision making.

Where the ESG review identifies areas of concern that may be remedied and the Investment Committee agree to pursue the investment subject to the relevant ESG risk being mitigated, the origination and execution team will work with the asset management team to agree a pathway forward to improve the ESG outcomes and minimise risk. Subsequently, the asset management team will implement and conduct an annual review.

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 benchmark relevant ESG criteria against industry standards, and to create regular engagement with its partners (including steps to ensure ESG-related competence at the board level), 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, 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.

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## 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. 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.