



Global Infrastructure ESG Policy Guidelines

Optus Stadium, Australia

Disclaimer: Dexis Funds Management Limited as responsible entity of Dexis Property Trust and Dexis Operations Trust (**Dexis**) recently acquired the effective day to day management of the majority of the real estate and domestic infrastructure equity business of Collimate Capital Limited, a subsidiary of AMP Limited. As part of this acquisition, Dexis acquired AMP Capital Funds Management Limited (**AMPCFM**) and AMP Investment Services Pty Limited (**AMPIS**). AMPCFM and AMPIS are the trustees and/or responsible entity of several managed investment schemes that are subject to this document. Dexis, through AMPCFM and AMPIS, will continue to apply and administer this document in its current form.

At AMP Capital, we recognise that Environmental, Social and Governance (ESG) issues can impact the long-term performance of our infrastructure investment portfolios and consider them as a core component of our mainstream investment process. ESG issues are considered in the early stages of investment origination and throughout the due diligence and acquisition phase. Post-acquisition, we continue to monitor and manage specific ESG issues to ensure strong risk management and engagement with relevant stakeholders.

Our investment policy

As a pioneer in the infrastructure asset class and an early signatory to the Principles for Responsible Investment (2007) (PRI), the AMP Capital Infrastructure team has a sophisticated understanding of ESG-related risks and opportunities across a diverse portfolio of infrastructure sectors.

We consider ESG issues as a core component of our mainstream investment process as demonstrated by explicit ESG protocols across the full scope of our investment process; from the identification of new opportunities, throughout origination and due diligence, and in post-acquisition management of the investment.

Rigorous investment process controls are in place to ensure high quality consideration of ESG issues, regardless of sector, fund, investment style or geography. These are reinforced by AMP Capital’s integrated corporate responsibility framework that commits our organisation to making responsible investment decisions on behalf of our clients.

Industry stewardship

AMP Capital actively collaborates with a broad range of clients and industry stakeholders to champion responsible investment in the financial services industry. We frequently support the PRI through involvement in policy consultation, work stream initiatives and in providing conference speakers for local and global events. Involvement in other industry initiatives includes the work of:

Investor Group on Climate Change
(igcc.org.au)

International Corporate Governance Network
(icgn.org)

Responsible Investment Association Australasia
(responsibleinvestment.org)

Carbon Disclosure Project
(cdp.net/en)

GRESB Infrastructure
(gresb.com/gresb-infrastructure/)

For further information on our collaborations, please refer to ampcapital.com.au/esg.

PRI Transparency Report

AMP Capital has participated in annual PRI reporting since 2009, and with the recent introduction of voluntary disclosure, has elected to make the full details of our PRI Transparency Report publicly available. This report can be found at unpri.org.

Signatory of:





Internal ESG expertise

AMP Capital has nine highly experienced ESG professionals that undertake 'in-house' research, coordinate integration activities and play an important role in educating AMP Capital's investment teams, senior executives and investment committees.

The Infrastructure division actively collaborates with ESG expertise in listed equities and property to leverage the collective knowledge of the wider team and share thematic and sector specific learnings to benefit investment decision making across the organisation.

ESG training and staff development

Continuous training on ESG and responsible investment is provided in a variety of forms across the organisation. ESG induction training is provided to all new Infrastructure staff. Ongoing executive level training and knowledge sharing is provided through transaction focused learning, sector focused research, asset management analysis and bespoke staff education programmes.

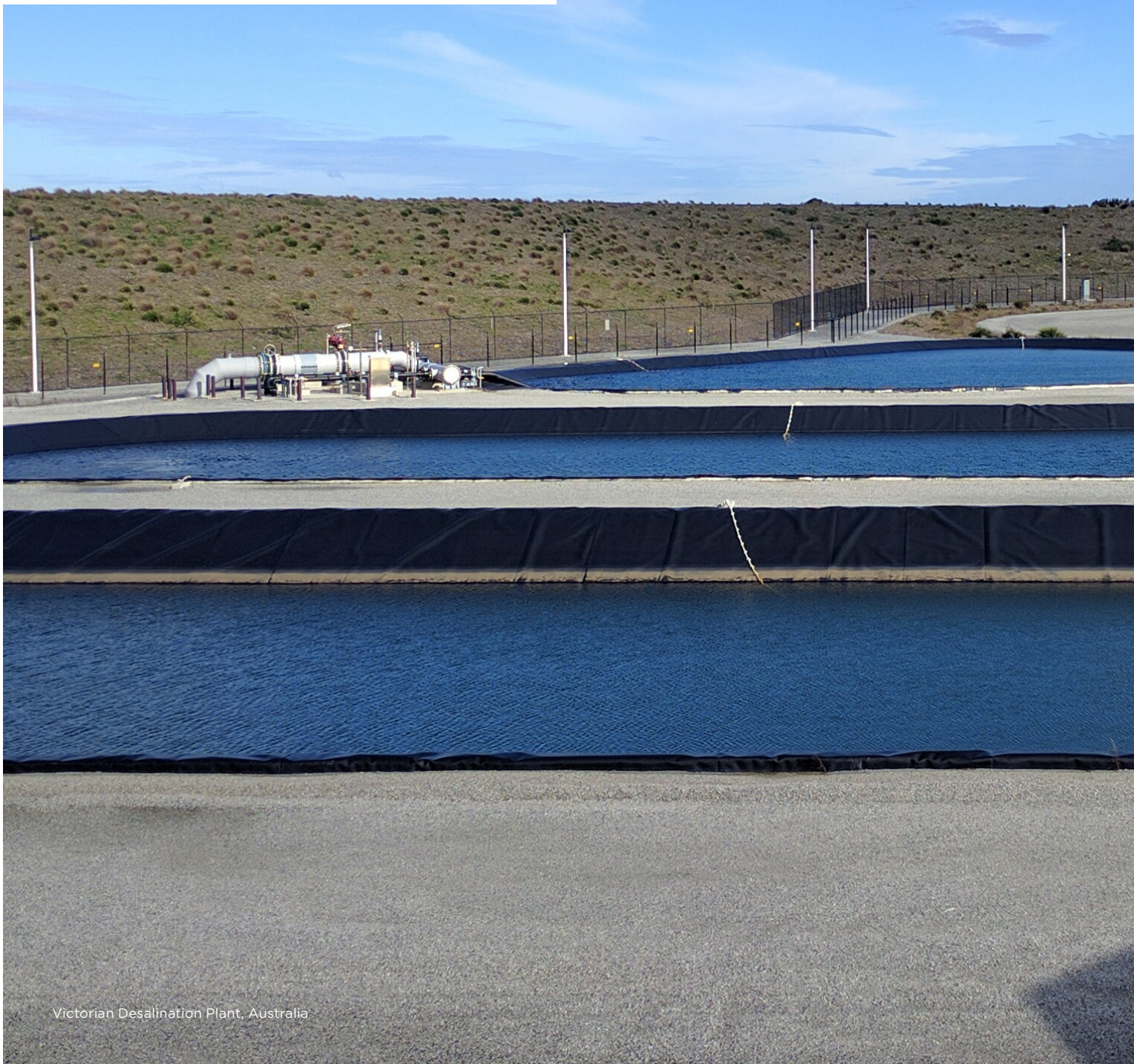
Victorian Comprehensive Cancer Centre, Australia

Pre-investment approach

When originating new investment opportunities we apply both a qualitative and quantitative approach in assessing the risks, opportunities and potential impact of ESG issues. ESG issues are considered in the very early stages of investment analysis and addressed throughout the investment approval process. To achieve the highest standards of quality in ESG inclusion, the following process controls are present throughout the investment process.

Quantifying the financial impacts of ESG risks

We believe the process of quantifying the financial impact of ESG risks provides a greater appreciation of commercial significance and the sustainability of business operations. Our investment team has sought to continuously improve the way in which we incorporate quantitative analysis into our investment process.



Victorian Desalination Plant, Australia



Stage 1. Investment screening

ESG 'deal breakers'
and material risks



Stage 2. Concept approval

Prescriptive list of transaction
specific ESG issues to explore in
due diligence

Investment Committee
approval



Stage 3. Detailed due diligence

Due diligence conclusions
determine 'Price, Transfer and
Monitor' response



Stage 4. Investment approval

Explicit strategy in place to
address all material ESG risks

Investment Committee
approval



Stage 5. Investment completion

Archive ESG assurances,
due diligence, research & data
room materials

Investment Committee
noting

Stage 1 - Opportunities pipeline report:

The Infrastructure division produces regular reports on the status of transactions underway. The opportunities pipeline report provides an overview of investment characteristics, deal metrics, key investment risks and the status of each opportunity. ESG risks are included in the key investment risks sections and are sector or transaction specific, dependant on the status of the deal.

Stage 2 - Concept approval paper:

An investment concept paper is prepared for the Infrastructure Investment Committee and required to contain a prescriptive list of transaction specific ESG issues that the investment team will explore during detailed due diligence. The concept paper must also include identification of any ESG resources required during due diligence (i.e. collaboration and/or secondment of internal expertise and/or specialist external consultants).

Stage 3 - Due diligence:

Following concept approval, an investment opportunity is taken through an exhaustive process of due diligence. Given the complex nature of infrastructure transactions, the Infrastructure team may appoint external advisors where specialist skills or technical knowledge are required, e.g. engineering and environmental consultants. The investment team is responsible for allocating transaction specific ESG issues and drawing a conclusion on ESG due diligence in order to 'Price, Transfer or Monitor' any ESG factors associated with the transaction as demonstrated below.

Description	Methodology
Price the ESG factor into the acquisition model	<ul style="list-style-type: none"> - Quantify the financial impact of potential ESG events to provide an appreciation of commercial significance - Integrate material ESG issues and impacts into valuation model assumptions and sensitivities - Consider insurance scope and coverage to provide financial protection for ESG issues that are difficult to mitigate through active management
Transfer accountability to manage specific ESG factors	<ul style="list-style-type: none"> - Identify the counterparty best positioned to manage specific ESG factors (given transparency and influence) - Formally commit investee company management or relevant counterparties to agreed process or standards of performance - Formally commit and/or incentivise performance through contractual and financial arrangements
Monitor ESG performance for lead indicators	<ul style="list-style-type: none"> - Identify metrics that are highly correlated to financial performance and/or risk profile - Formal commitment of investee company management and/or relevant counterparties to provide transparency of key ESG metrics and clear accountability for specific ESG factors at senior management level - Ensure board is actively managing key ESG risks and opportunities through standardised processes and reporting - Seek periodic appraisal of ESG monitoring practices and adherence to policy

Stage 4 - Final approval paper:

A detailed investment paper is presented to the Infrastructure Investment Committee for final approval. This paper provides conclusions from ESG due diligence and the methodology to price, transfer or monitor ESG issues. Pricing sensitivities on specific ESG issues are presented to provide transparency of their commercial relevance. An explicit strategy to mitigate all material ESG risks (through price, transfer and monitor approach) must be provided prior to Committee approval.

Stage 5 - Completion noting paper:

Subsequent to financial close, a completion paper and investment pack (consisting of all due diligence research and data room materials, internal approvals and documentation associated with the transaction) is compiled for future reference. The investment completion paper must be submitted to the Infrastructure Investment Committee within 28 days of transaction completion. All ESG due diligence materials are retained within this pack.

Post-acquisition management

Active ownership and asset management

AMP Capital places a strong emphasis on the active management of its infrastructure assets. Transparency and influence of ESG performance is typically achieved through board representation, CEO and senior management dialogue, strong relationships and contractual arrangements with third-party operators. AMP Capital also initiates ESG focused research and strategic propositions, based on a wealth of internal experience in the asset class and across responsible investment themes.

Each Infrastructure investment is assigned a dedicated asset manager, whose responsibilities include ESG monitoring and management.

Board representation

Board representation allows AMP Capital to play a direct and active role in monitoring, assessing and influencing the financial and ESG performance of our investments. Board members are responsible for ensuring ESG issues are considered in the context of the operational performance, corporate strategy and broader stakeholder relationships. Board representation also ensures strong governance and enforcement of legislative compliance, approval of risk management frameworks, and implementation and engagement of sub-committees. Board representation is shared amongst senior members of the Infrastructure Team and external appointees who have the necessary industry experience and skill.

Third-party operators

While core infrastructure assets generally have their own board and in-house management team to address corporate and operational issues, some social infrastructure investments rely heavily on third-party operators to provide operational support, maintenance and facilities management activities. Where infrastructure asset managers are responsible for managing third-party service delivery, monitoring and driving improved ESG performance is an important aspect of the role. Monitoring of ESG related activities is facilitated through standardised reporting, site visits/inspections by the AMP Capital team and regular forums with stakeholders to progress ESG initiatives for each of the investments.



Capistrano Wind Partners, United States

Periodic ESG appraisals

ESG factors and management practices are appraised on an asset specific basis. Evaluation conclusions are incorporated into investee company dialogue, co-investor engagement, budgeting, valuation and asset management practices. While ESG appraisal outcomes are typically focused on improved transparency and risk management, strategic propositions may also be developed where opportunities exist to leverage ESG factors for improved profitability.

Leveraging best practice learnings

Each new due diligence process, periodic ESG appraisal or implemented initiative typically identifies new learnings that can be of benefit across our global portfolio of assets.

Quarterly client reporting

The progress of ESG initiatives is regularly communicated through quarterly client reporting. AMP Capital also publishes regular communications and thought leadership pieces relating to ESG issues. Past publications can be found at ampcapital.com/au/en/capabilities/responsible-investment.

Unified Investment House

Proprietary in-house research provides genuine investment insight and a broader view on risk and opportunity. AMP Capital's highly experienced ESG professionals regularly collaborate across asset classes with sector and region specific insights for the benefit of our investment portfolios.

Determining materiality

When considering the key ESG issues likely to impact our infrastructure investment portfolios, we assess the physical location of a facility or service, environmental impacts and constraints, community and social implications, the dynamics of the sector or industry in which they operate and the business practices of related counterparties. Furthermore, we consider the scope of governance arrangements in place to protect the long-term interest of investors.

The materiality of specific issues will vary greatly between each investment given its unique characteristics and the contractual arrangements between counterparties. Common ESG considerations include: environmental legislation, biodiversity, occupational health and safety, community safety, stakeholder management, community grievances, board composition, shareholder rights, succession planning, audit processes and sustainability considerations.

ESG Publications

Download your ESG Research
& Insight publications at
ampcapital.com.au/esg.



Ashley Lee

Senior Associate

e ashley.lee@ampcapital.com

www.ampcapital.com

Important note: While every care has been taken in the preparation of this document, AMP Capital Investors Limited (ABN 59 001 777 591, AFSL 232497) makes no representation or warranty as to the accuracy or completeness of any statement in it including, without limitation, any forecasts. Past performance is not a reliable indicator of future performance. This document has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. An investor should, before making any investment decisions, consider the appropriateness of the information in this document, and seek professional advice, having regard to the investor's objectives, financial situation and needs. © Copyright 2016 AMP Capital Investors Limited. All rights reserved.