



# **ESG Stewardship Policy**

## Document Details

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# 1. Introduction

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## 1.1 Purpose

This policy sets out the arrangements Plenary Funds Management Pty Ltd (“**PFM**”) has implemented for environmental, social and governance (“**ESG**”) considerations as part of its ongoing management of ESG considerations throughout the life of an asset.

Responsible investment is an essential part of the strategic objectives and management of PFM Funds and Separately Managed Accounts (“**SMA**”). PFM recognises that ESG factors are important to long-term value creation for the company, our investors and society.

As a boutique infrastructure fund manager investing in social infrastructure assets, ESG goals are at the core of our purpose. We believe that investing sustainably leads to better risk adjusted returns and we see ESG as a value-driver which improves the resilience and sustainability of our investments.

We believe an emphasis on stewardship underpins the quality of our investment process, is in our investors’ best interests and is part of our broader social responsibilities.

This ESG Stewardship Policy should be read in conjunction with the following related policies and guidelines:

- ESG Responsible Investment Policy and related guidelines
- ESG The Way We Work Policy and related guidelines
- ESG Objectives and Commitments guideline
- ESG Investment Integration Overview
- Stewardship - ESG Incident and Response Plans guideline
- Stewardship - ESG Governance and Oversight guideline
- Stewardship – Asset ESG Risk Management guideline
- Stewardship – Asset ESG Action Plans guideline

## 1.2 Application of this Policy

This policy applies to:

- brownfield investments (i.e. does not include ESG considerations for assets in construction phase).
- post-investment operational and management processes for ESG.

### 1.3 Objectives

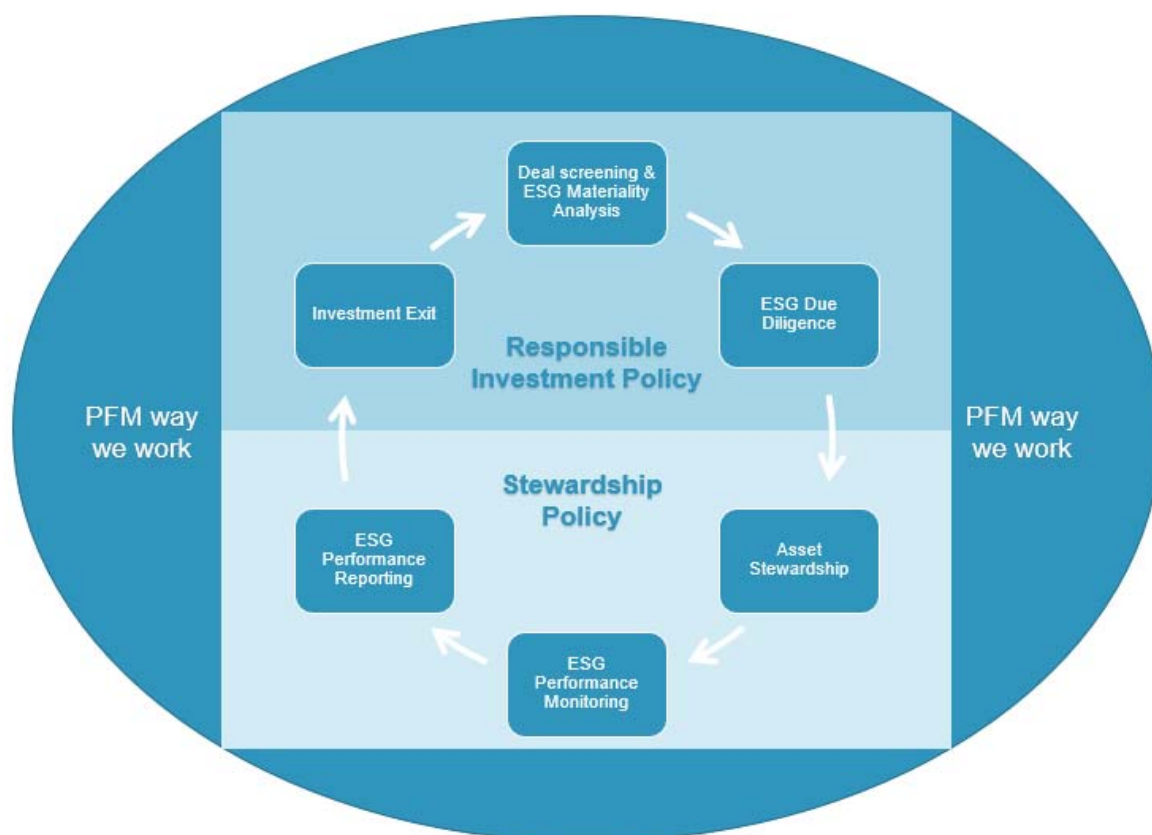
Through the implementation of this policy, PFM will:

- Secure and formalise commitments from third-party operators to meet applicable ESG requirements including providing ESG Action Plans;
- Ensure ongoing compliance with applicable standards, implementation of the ESG Action Plan and improvement of ESG performance;
- Stay informed and respond to new ESG developments and/or risks; and
- Protect itself and its stakeholders from reputational, financial and/or legal damage.

### 1.4 Definitions

Term	Definition
<b>Board</b>	means the Board of Directors of PFM
<b>Client</b>	Current and former clients of products and services provided, manufactured, or sold by PFM including but not limited to: <ul style="list-style-type: none"> <li>• Members</li> <li>• Unitholders</li> <li>• Investors</li> </ul>
<b>ESG</b>	means Environmental, Social and Governance
<b>PFM Funds</b>	means the Public Sustainable Infrastructure Fund and any other funds where PFM is the appointed investment manager
<b>IC</b>	means PFM's Investment Committee
<b>PFM</b>	means Plenary Funds Management Pty Ltd
<b>SMA</b>	means Separately Managed Account

## 2. ESG Framework



### 2.1 ESG Framework

The ESG Framework sets out PFM’s ESG priorities and explains how they will be embedded within the organisation; from the way we operate as a business right through to our investment decisions and the ongoing management of the assets we are invested in.

The three main policies:

- ESG Responsible Investment Policy;
- ESG Stewardship Policy;
- ESG The Way We Work Policy;

along with the supporting guideline documents form PFM’s ESG Framework.

The ESG Investment Integration Overview is a helpful reference document which outlines the key roles, responsibilities and outcomes from the identification of an opportunity through to asset ownership. It summarises the ESG Responsible Investment Policy and ESG Stewardship Policy into an easy-to-follow flow diagram.

### 3. Post Investment Monitoring and Reporting

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The ESG Stewardship Policy focuses on post-investment ESG considerations as part of PFM's asset management and portfolio management processes.

#### 3.1 Asset Stewardship

PFM will invest in infrastructure assets that generally have two different types of structures:

- Public-Private Partnerships (PPPs); and
- Economic assets.

Each asset type requires a different approach to post-investment stewardship.

Asset Type	Characteristics
<b>PPPs</b>	<p>Our PPPs are typically finance, maintain (sometimes operate) and transfer arrangements.</p> <p>The key operation and maintenance performance indicators for PPP assets are typically set at the beginning of the 25–30-year concession period, with the responsibility to meet these performance requirements falling to third parties.</p> <p>We have limited operational control over these assets and our role is in the oversight of these third parties in meeting the original performance criteria.</p>
<b>Economic infrastructure</b>	<p>Our economic infrastructure assets are more typical of a classic infrastructure model where we own and operate the infrastructure assets and have greater management control over the operational performance of the asset including operational budget and capital expenditure.</p>

We are committed to being active stewards of our clients' capital and to addressing systemic issues that present long term risks to our investments. To ensure that we do this effectively, we focus on contributing to collective goals and delivering real world outcomes through our active ownership activities. We recognise that we will achieve far greater impact when we work together with other investors and service providers.

We will actively provide sustainability oversight of our assets through:

- board representation, or the equivalent asset oversight committee, to incorporate ESG into asset strategy, risk and management processes
- selection and appointment of third-party providers based on sustainability criteria (e.g. number of women or indigenous individuals proposed for the engagement)
- reporting on the sustainability performance of the assets



- constructive engagement with key stakeholders, e.g. Government, facility managers and other investors to develop innovative ways to drive continual improvement in the sustainability performance of our assets

Refer to the

- ESG Governance and ESG Oversight guideline
- ESG Incident and Response Plans guideline

for detailed guidance on this process.

### **3.2 ESG Performance Monitoring**

Our ESG due diligence will be a starting point for the development of ESG Action Plans for each of our assets. These plans will cover the management of ESG risks and be used to drive improvement in the sustainability performance of our assets.

These plans will be developed in conjunction with key stakeholders, and, for the key sustainability issues, cover:

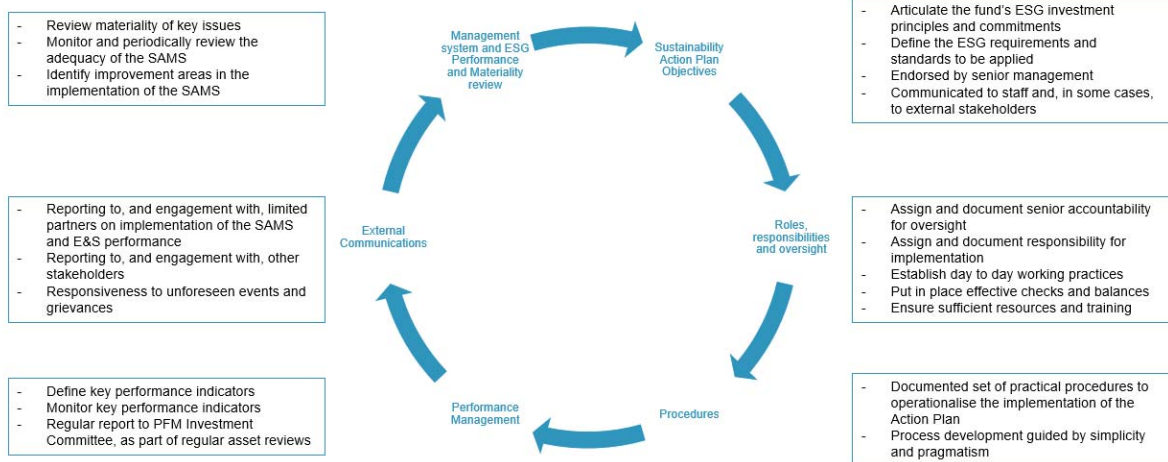
- governance and management system structures;
- legal or contractual compliance requirements;
- performance standards and improvement targets;
- stakeholder engagement;
- regular monitoring, including site visits, and performance reporting requirements;
- and
- management and reporting of unplanned events.

The plans will be reviewed on a regular basis (typically every 3 years) to drive sustainability improvements by:

- reviewing and where possible, benchmarking performance;
- reviewing and updating materiality of ESG risk issues;
- incorporating best practice and identifying areas for improvement;
- updating performance standards and targets; and
- incorporating stakeholder input.

The key elements of the management system to implement the ESG Action Plans is shown below

## Components of the Sustainability Asset Management System (SAMS)



Refer to the

- Stewardship – Asset ESG Action Plans guideline
- Stewardship – Asset ESG Risk Management guideline

for detailed guidance on this process.

We recognise that for many of the assets we may own, our role is to operate and maintain the infrastructure so as to facilitate the delivery of core social services (e.g. our school assets provide an education to the students). While we don't necessarily provide that core service, we understand that our performance can and does play a critical role in the ability of the users of our assets (e.g. teachers) to perform better in delivering their service (e.g. education). As part of our drive for sustainable change we continually assess our contribution and foster a strong relationship with the users of the infrastructure to identify ways we can assist them to deliver even better performance in their role. Though our assets are governed by historical contractual frameworks, we are committed to working with all counterparties to find solutions to meet current and future ESG needs and expectations of our stakeholders and the community.

We are committed to continually improving our understanding of and reporting on the emerging or key sustainability issues through education and training. We believe this is important to ensure that we continue to innovate and be an ESG leader in the infrastructure sector.

### 3.3 ESG Performance Reporting

We believe being accountable for our performance and the assets we manage is key. Our reporting will evolve over time, and we expect it to include things such as:

Reporting to our clients:

- as part of quarterly performance reporting on Sustainability KPIs and incidents, if any,
- Assessing our impact using some of the IRIS+ taxonomy and metrics, which were developed in conjunction with the Global Impact Investing Network (GIIN)
- Consistent with emerging reporting requirements, such as, the European Union Sustainable Finance Disclosure Regulation (EU SFDR) and the Task Force for Climate Related Financial Disclosure (TCFD)

Reporting to relevant stakeholders:

- at regular stakeholder meetings
- through our website
- as part of an annual ESG report

Refer to the

- PFM ESG Fund reporting guideline (to be developed)
- PFM ESG Asset reporting guideline (to be developed)

for detailed guidance on this process.

## 4. Roles and Responsibilities

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### 4.1 Origination Team

The Origination Team is responsible for:

- Overall responsibility for ensuring appropriate ESG due diligence tasks are completed to allow ESG Action Plans to be developed;
- Any relevant ESG materials provided to the relevant Asset and/or Fund Manager; and
- Ensure any learnings or improvements in the due diligence process are incorporated for future processes.

### 4.2 Portfolio Management Team

The Portfolio Management Team is responsible for:

- Ensuring the due diligence tasks are undertaken;
- Integrate any client specific (e.g. SMAs) ESG requirements into investment agreements (where applicable);
- Establish Fund ESG reporting templates;
- Monitor and report on ESG issues;
- Investigation and response to non-compliance of assets to ESG policies or law and concerns by stakeholders; and
- ESG Engagement with other stakeholders of the fund, in particular clients.

### 4.3 Asset Management Team

The Asset Management Team is responsible for:

- Development, implementation and review of ESG Action Plans for each asset;
- Monitoring and review of the performance and management of ESG issues for each asset;
- Evaluate ESG performance of contractors;
- Developing ‘lessons learnt’ and disseminating to all asset managers to enhance future delivery of ESG actions;
- Engage with relevant stakeholders of each asset; and
- ESG Asset Reporting

### 4.4 Investment Committee

The IC is responsible for:

- Considering ESG due diligence findings as part of the overall investment decision

## **5. Tools and Resources**

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### **5.1 General ESG Guidelines**

- Global Reporting Initiative (GRI) Standards
- Sustainability Accounting Standards Board (SASB)

### **5.2 Infrastructure specific guidelines**

- GRESB Materiality Assessment
- International Finance Corporation Performance (IFC) Standards
- “Guidance Checklists: Preparation of Sustainable and Resilient Infrastructure Projects” - Global Infrastructure Basel Foundation
- FAST-Infra Sustainable Infrastructure Label: Dimensions & Criteria Indicators