

QIC GLOBAL INFRASTRUCTURE  
RESPONSIBLE INVESTMENT REPORT 2019

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QIC



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## 1 | WELCOME FROM HEAD OF GLOBAL INFRASTRUCTURE

We believe we are at a point of “no turning back” with ever increasing awareness of the financial implications of environmental, social and governance risks and opportunities. QIC Global Infrastructure (GI) is committed to being a responsible investor. Being an active steward of infrastructure assets is a core part of the GI investment philosophy and active asset management approach.

We incorporate ESG risks and opportunities in our investment decision-making as we believe that this will deliver strong, sustainable, long-term investment returns to our clients.

As a signatory to the UN Principles of Responsible Investment, we report and are assessed on our ESG integration. We are pleased that for 2018 we have retained our A+ rating.

This Annual Responsible Investment Report sets out our key highlights and initiatives for the 2018 calendar year. It details how in practice we have integrated ESG factors into the GI investment process and our active core asset management approach during the year.

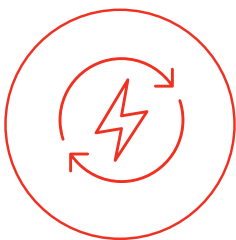
At QIC, we recognise the importance of being able to provide our clients with investment opportunities that create positive social and environmental outcomes alongside attractive financial returns. To this end, we will continue to empower our portfolio companies and influence key stakeholders to deliver on this objective.

*“We believe managing ESG considerations well, protects and enhances value because companies aware of their social licence to operate can deliver value through improved alignment, reduced reputational risk, lower operating cost and an ability to create revenue enhancing opportunities.”*

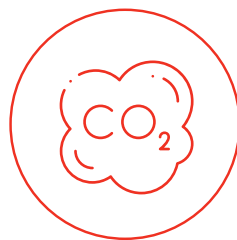
Ross Israel  
Head of Global Infrastructure



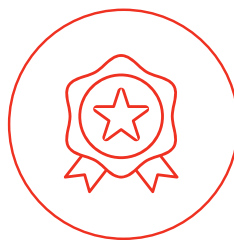
## 2 | 2018 AT A GLANCE



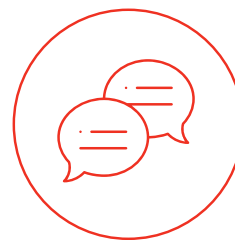
PARF – total renewable energy generated – 473GWh.  
Equivalent to powering 100,000 homes



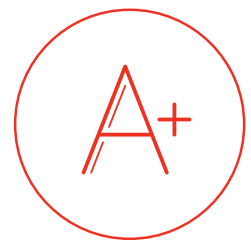
QIC Global Infrastructure Fund (QGIF) is net carbon positive



QGIF first year participating in GRESB, Lochard Energy received sector header award 2018



TCFD – QIC’s first response under the framework – [QIC Sustainability Report](#)



UNPRI A+ Rating

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## 3 | QIC RESPONSIBLE INVESTMENT UPDATE

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At QIC, we employ a culture of responsible investment which is driven by our Board, ESG Advisory Committee and executive management team throughout the business.

As an investor in a broad range of assets, including energy and transport investments locally and overseas, Australian and international property assets and significant investments in private equity and liquid markets, our aim is to deliver innovative yet pragmatic ways to integrate ESG considerations across the full range of asset classes we invest in.

Key developments during the year included:



### **QIC Sustainability Report**

In 2018, QIC published its first sustainability report. Whilst we are not new to the sustainability journey, this is the first time we have captured all of QIC's sustainability activity into one report. The report discusses our approach to sustainability as an investment manager and as a corporation. You can read the report here: [Sustainability Report](#).



### **Revenue resilience and climate risk**

Understanding the resilience of the revenue of our assets in the face of projected climate change has been a key focus of the QIC Responsible Investment team. Working with an academic partner, we are leveraging our in depth knowledge of the assets we invest in to develop a process to understand and respond to the impacts of climate change at asset level.



### **QIC Reconciliation Action Plan**

QIC also launched its first Reconciliation Action Plan in 2018. We are at the very beginning of our reconciliation journey and our Reflect RAP is part of QIC's effort to reconcile the history of Queensland with regards to its treatment of Aboriginal and Torres Strait Islander peoples. Our first RAP emphasises the importance of engagement for everyone within QIC's sphere of influence, with Indigenous participation being crucial. In order to be visible to Indigenous communities it's important to create space for conversation, to invest in and understand their aspirations and needs. The Reconciliation Action Plan is available on the QIC website: [Reconciliation Action Plan](#).

QIC's RAP artwork, titled One Journey, was created by Cheryl Moggs, a proud Bigambul woman, artist, cultural leader and teacher from the Goondiwindi region.



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### 3.1 PRI In Person – San Francisco 2018

In September, QIC's Responsible Investment team attended the PRI in Person conference in San Francisco. The conference was held over three days and consisted of a number of plenary and breakout sessions where specific topics were addressed. Relevant topics for the infrastructure space included modern slavery, creating impact through infrastructure investments, climate change scenario analysis and embedding diversity in corporate strategy and culture. A number of key themes were identified by the Responsible Investment team and included:

- The growing traction of the Sustainable Development Goals across the investment community and asset classes;
- The need to address the growing inequality within countries and the potential for this to destabilise societies and economic systems;
- The role big data and blockchain will play in driving ESG analysis into the future; and
- The need to integrate climate change and social issues to deliver a 'Just Transition'

The GI and QIC Responsible Investment team have discussed these themes and are working to understand the potential implications for our client's portfolio.

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## 3.2 Industry Engagement and Developments

QIC is a member of regional and international initiatives to give us guidance and opportunities to collaborate on some of the challenges of ESG implementation. Throughout 2018 we regularly engaged in these forums. There continues to be increased focus and momentum on the importance of responsible investment to the delivery of long term sustainable returns.



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## 4 | QIC GLOBAL INFRASTRUCTURE ESG CHAMPION UPDATE

Across the portfolio, QIC GI asset managers continue to actively engage with boards of directors, executive management teams and key stakeholders of portfolio companies that we manage on behalf of our clients. Through our active engagement we encourage companies to consider material ESG initiatives and ensure that sustainability is incorporated into business strategy to drive long term benefits.

2018 has been an active year across our portfolio and we expect to continue to build our relationships and strengthen our engagement with management teams to deliver further our responsible investment initiatives in 2019.

***"We have an active collaborative approach to working with management teams on key strategic ESG areas with the objective to protect and create value"***

Leisel Moorhead  
Partner, QIC Global Infrastructure  
GI ESG Champion



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## 4.1 ESG Reviews

Each year we undertake an annual ESG review across all of the assets in the portfolio. This allows us to take stock and assess progress against action plans and consider any emerging material ESG risks and opportunities. This year QGIF and the assets held by QGIF completed the 2018 GRESB Infrastructure Survey. QIC's Responsible Investment Team and QIC GI teams worked closely with our portfolio assets' management to ensure a comprehensive response to GRESB survey. Completing the survey helped the companies to identify areas for continued improvement by implementing identified ESG initiatives.

In 2018, Lochard Energy completed the GRESB Infrastructure Assessment for the first time and it was awarded the GRESB Sector Leader Award in 2018. GI and the QIC Responsible Investment team worked closely with the management at Lochard Energy in the preparation for and completion of the GRESB Infrastructure Assessment.

Mitesh Kushwaha (QIC GI), Anthony Fowler (CEO Lochard Energy) and Emma Olivier (General Manager Corporate Services Lochard Energy)



## 4.2 Importance of transparency and disclosure

Several companies within the portfolio already produce sustainability reports aligned with the GRI Reporting Framework, including Brisbane Airport and Thames Water.<sup>1</sup> QIC GI believes that there is real benefit for a company to report on its sustainability targets, initiatives and performance against those targets. This provides a sound basis for building and demonstrating to key stakeholders its contribution to being a responsible and sustainable business. With a continued focus on the importance of a business's social licence to operate, the employees, community and other key stakeholders want to know what the company stands for and how it makes a positive contribution to society.

QIC GI asset managers have and will continue to work closely with management teams to build towards greater public reporting of sustainability targets and performance.

## 4.3 ESG objectives

Our ESG approach focuses on Active Engagement. Our sustainability objective is to ensure that our portfolio companies deliver long term sustainable returns and our approach is to work closely with portfolio companies on four key areas:

- **Governance and risk management** – setting the right sustainability framework for the business
- **Strategy** – Incorporating ESG risks and opportunities into core business strategies, ensuring that there is focus on stakeholder engagement
- **Metrics and Targets** – Setting appropriate targets and metrics to drive and measure performance at the portfolio company level
- **Reporting** – Creating transparency by reporting on ESG performance to key stakeholders

In this report we have selected three of the key strategic focus areas across the portfolio to concentrate focus on. These are:

### Workforce Diversity

Diversity helps to attract, retain and promote talent

### Culture & risk

A thriving, innovative corporate culture can contribute greatly to a business's success through improved staff moral and retention and brand

### Climate transition risk & resilience

Managing climate related risk is a strategic issue that can impact long term financial performance

Each of these areas of focus are discussed more in section 6.

<sup>1</sup> <https://bne.com.au/sites/default/files/docs/2018-Sustainability-Report.pdf>  
<https://corporate.thameswater.co.uk/sitecore/content/Corporate-Responsibility/Corporate-Responsibility>

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## 2019 Objectives

Going forward in 2019 we are committed to continue to work with our portfolio companies to ensure that:

- Each company has a policy, strategy and initiatives to improve workforce diversity; and
- We undertake a red flag review and focus on initiatives to foster a strong, innovative culture; and
- Each company understands its material climate risks and incorporates climate resilience into its business strategy aiming to develop a net zero carbon emissions strategy.

These initiatives will also support and contribute to the following Sustainable Development Goals.



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## 4.4 PRI Infrastructure Advisory Committee

GI has a representative on the PRI's Infrastructure Advisory Committee (IAC). In 2018, the PRI launched the Infrastructure Investment Responsible Investment Due Diligence Questionnaire to encourage a globally consistent approach to Infrastructure Investor Due Diligence. The PRI also released the Primer on Responsible Investment in Infrastructure. This Primer is intended to provide a guide to the integration of ESG considerations for the infrastructure asset class. QIC GI contributed to the development of these documents and in addition, QIC representatives participated on the panels at Responsible Investment Forums hosted by the UN PRI in Melbourne and Toronto.



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## 4.5 Modern Slavery

In November 2018, the Australian government introduced new reporting requirements for larger companies on their actions to address modern slavery. This will increase the transparency and visibility of corporate supply chains. GI is working with our portfolio companies to ensure that they are prepared to comply with the reporting requirements and are considering and updating their supply and procurement policies, including putting in place supplier codes of conduct.

## 5 | CASE STUDY: MASPARC – NORTHEASTERN UNIVERSITY PARKING CONCESSION

### 5.1 Key Facts

<b>Description:</b>	MasParc is a special purpose vehicle which has been established to manage QGIF's investment in the 50 year concession for Northeastern University's campus-wide parking system and any associated future mobility services
<b>No. of employees:</b>	3.5FTEs expected post transition
<b>No. of end users:</b>	~27,000 students, ~6,000 faculty and staff as well as external users including medical institutions
<b>Contribution to local community:</b>	MasParc will facilitate the changing transportation and mobility needs of the Northeastern University community by providing a customer-centric management approach, enabled by ongoing investments in technology.

Source: Northeastern University as at October 2018.



### 5.2 Overview

QIC and Northeastern University have entered into a 50-year concession agreement for the operation of the University's campus-wide parking system and potential future mobility services. Northeastern University is a large, urban university in the heart of Boston, Massachusetts, with enrolment of approximately 26,000 students. Under the agreement, QGIF has formed MasParc and Mobility LLC (MasParc), a new company that will oversee all aspects of the parking system at Northeastern.

This agreement is the first of its kind for a private university in the U.S. It is also the first agreement to provide for the future development of technology-enabled mobility solutions, as needed, such as an intermodal connectivity platform, in line with providing mobility-as-a-service based on commuters' travel needs. This will enable MasParc to cater to the campus's changing transportation needs over time.

Following an agreed upon transition period, MasParc will assume responsibility for management of the parking permit system, commuter assistance, event parking management, and parking facility maintenance, including major renovations. With a focus on customer service, MasParc's plans include investing in major technology upgrades and integrating mobile technologies into its services. These initiatives will be designed to enhance the customer experience while benefitting the environment and the broader University community.

*"We look to have strong alignment with the public stakeholders on our investments in establishing ESG objectives and seek to continuously identify opportunities to further improve our ESG footprint"*

Aman Randhawa  
Principal – US  
QIC Global Infrastructure





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### 5.3 Investment process

The GI team used the Responsible Investment Toolkit to identify and categorise material ESG issues, which were reported through each of our investment process steps.

- **Environmental:** historical environmental issues including contamination risks and climate risks were investigated as part of the detailed due diligence and appropriately accounted for in the risk allocation for the transaction. Ongoing asset management considerations have been incorporated in the business plan and operating standards.
- **Community and Stakeholder Engagement:** GI considered and developed a stakeholder engagement program for key stakeholders and developed appropriate strategies for each, including a proactive and joint communication plan with the University, active marketing strategies as part of the business plan, as well as including key criteria in the recruitment of MasParc's management and Board members to facilitate an active stakeholder engagement strategy.
- **Governance:** Given the investment is 100% QGIF owned, the governance framework is relatively simple. Whilst the operation and maintenance of the facilities will be outsourced to local parking operators, MasParc will be set up to manage these contractors, manage other key stakeholders such as the University, as well as drive business plan activities by retaining critical value-add activities such as marketing.

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### 5.4 Post-Acquisition

- **Immediate focus:** The agreement with Northeastern University provides for a transitional period of six months during which the University retains operational responsibility of the facilities. During the investment phase and leading up to Financial Close, QIC developed a detailed transition plan to ensure that MasParc is ready to take over all aspects of operations and maintenance of the facilities. The key transition activities included recruitment of MasParc employees and an independent chairperson and non-executive director, undertaking a tender process for the day to day parking operations and development of a full suite of MasParc corporate policies, procedures and enterprise risk management systems for a standalone entity, separate from the University.
- **Community and Stakeholder Engagement:** As part of both the MasParc recruitment process, certain roles such as the Independent Chair and General Manager, are required to have existing ties with or deep understanding of key stakeholders, including the University. This reflects the importance of active stakeholder management in fulfilling these roles and creating a collaborative partnership with the University.
- **Governance:** QIC and MasParc will conduct a detailed review of existing Standard Operating Procedures and the risk management framework to determine gaps, potential areas of risk, strength of controls and how these will evolve alongside the changing technology and mobility environment. QIC will lead the development of MasParc's policies and enterprise risk management to incorporate industry best practices and ensure alignment with QIC's asset management philosophy. These policies once finalised will be approved by the Board within the first 12 months post acquisition.
- **Environmental:** The agreement between QIC and Northeastern University is the first of its kind to provide for future development of technology-enabled mobility solutions. The objectives of which includes reduction of congestion with consequential environmental benefits through reduced GhG emissions and improved customer outcomes. As part of the business plan, MasParc will look to undertake pilot programmes for mobility solutions and provide ancillary service such as electric vehicle charging stations.

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## 6 | ACTIVE ASSET MANAGEMENT

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Active asset management is an integral part of the GI investment philosophy. We believe that ESG factors can be critical to the long-term stewardship of infrastructure assets to protect and enhance value.

Through board representation, GI seeks to influence the establishment of appropriate ESG policies and reporting for the portfolio company in which we have invested. We then seek to ensure that material ESG risks and opportunities are incorporated into business strategy and material investment decisions. GI undertakes an annual ESG performance assessment for each of the assets in its portfolio either through its own survey or through the GRESB infrastructure assessment. This informs the key ESG focus areas for the following year.

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### 6.1 A focus on Diversity and Inclusion

At QIC GI, we believe that through a diverse and inclusive workforce a business can generate innovation and sustained business success. We see that infrastructure businesses face many new and evolving challenges including technology developments transforming industries, climate risks and resilience, increasing urbanisation and changing community expectations. Cognitively diverse groups within a culture that embraces dissent and respects other viewpoints have greater collective intelligence, creativity and innovation which makes those organisations more effective at meeting these evolving challenges.

What we see across many businesses within the portfolio is a heavily male dominated workforce, particularly in technical and operational areas, combined with an ageing workforce.

With changing workforce dynamics and competition for talent, there is a strategic imperative for these businesses to attract, develop and retain diverse talent. There is also evidence that there is a broad range of benefits from establishing diverse teams, particularly where employees are empowered to act, including improved safety and operational performance, and improved employee engagement.

Our role as asset managers is to seek to ensure that through the Board, the company embeds diversity into corporate strategy, sets the right policies, as well as measurable targets and clear strategic initiatives to meet those targets. Setting the tone from the top is important. However, actions speak louder than words, so good implementation is vital.

We see the benefit of working together collaboratively across the businesses within the portfolio. For this reason, we are hosting a Diversity & Inclusion Forum in 2019 which will bring together representatives from the different management teams and their boards to share and cross fertilise ideas and initiatives.

We are also engaging across the industry. Matina Papathanasiou made the key note speech at the first PEI Women in Infrastructure Conference in New York in 2018. The event was well attended with over 150 delegates. Matina was on the advisory board for the same event in London which has now run over the last two years.

*"I think having women makes really good business sense. We are infrastructure investors and we serve communities that are half female. Also in the current environment with technology disruption and all that's going on politically and economically – it's a much more complex environment and you want to have a diversity of views. We want an environment where people speak up and share their opinion and where those opinions are respected and listened to.*

*Also, when you are hiring why exclude half the pool of candidates by excluding women? Particularly now there is a bigger demand for talent"*

Matina Papathanasiou  
Deputy Head  
QIC Global Infrastructure



Through our QIC Board representatives we have supported a number of initiatives aimed at improving workforce diversity in the portfolio assets. We have highlighted a number of these below.

#### **PORT OF BRISBANE: MARINE CADETSHIP PROGRAMME FOR WOMEN**

The maritime industry has traditionally attracted mostly men. In 2018, Port of Brisbane launched a Marine Cadetship Programme specifically targeted at attracting women to increase the diversity of its marine workforce. This Cadetship Program provides a 24-month paid employment and training program for women seeking to build a career in the maritime industry. Working as Deckhands within the marine team, Cadets will be trained and mentored on all aspects of marine operations. They will also be supported to complete qualifications allowing them to command a commercial vessel up to 24m long.

The Cadetship Programme has brought female representation in the marine team up to 8.6% from 1.9% (FY18).

This is one of the many initiatives being implemented at the Port of Brisbane to increase the diversity in the workforce in the technical and operational areas.



Source: Port of Brisbane

#### **LOCHARD ENERGY: SPONSORSHIP OF STEM**

Lochard Energy has entered into a partnership with local high school Timboon P 12 to support their STEM (Science, Technology, Engineering and Maths) programme over the next 5 years. Our funding will support three key areas next 5 years.

- a. Resourcing Maker Spaces in both the Primary and Secondary levels of the school resources to sustain the development of lunchtime 'Maker Club' which allow students to learn through exploration and problem solving. Put simply, it is 'hands-on learning through
- b. Supporting students (with a particular emphasis on encouraging girls) in their STEM journey through supporting STEM awards and sending students to STEM camps.
- c. Resource funding for the annual TAP Day. Annually the TAP is showcased to educators, industry personal, community members, students and teachers at 'TAP's On!' which is a celebration of curriculum covered during the year. The TAP's link to agriculture ties strongly to STEM subjects with many of the day's activities linked to emerging technologies and science concepts.

In addition Lochard Energy works closely with the school to provide practical support and look out for opportunities to get involved.



Source: Timboon P-12 School Students with Principal and Lochard Energy's Wayne Dyett. Cobden Timboon Post Times, 5 June 2018.

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## 6.2 A focus on Culture & Risk

During 2018 we saw a continued focus on culture and risk and the important role the Board must play in setting standards and values through Codes of Conduct and Statements of Values as well as a role model for appropriate behaviours.

We will continue to focus through our asset management activity on ensuring that a good corporate culture is established within the businesses that we manage on behalf of our clients. A strong corporate culture is underpinned by company values, ethical behaviour, high quality services and regard for societal needs. These are core aspects of building trust for businesses.<sup>2</sup> Being trusted and accepted by its stakeholders is a core building block for a business' social licence to operate.

At QIC GI, we believe that infrastructure businesses, as providers of essential services within a community, must have a strong corporate culture, build trust to strengthen its social licence to operate. We believe that this will minimise reputational risk, support opportunities for growth and drives long term sustainable financial performance.

***“Culture has a marked impact on [a company’s] standing and reputation in the community. Culture can be thought of as a system of shared values and norms that shape behaviours and mindsets within [a business]. Desired cultural norms require constant reinforcement both in words and deeds. Statements of Values and Vision are important in setting expectations. How an institution encourages and rewards staff can speak more loudly in reflecting the attitude and behaviours that it truly values.”***

P81 of APRA Report

***“Directors must exercise their powers and discharge their duties in good faith in the best interests of the corporation, and for a proper purpose ..Financial returns to shareholders (or “value” to shareholders) will always be an important consideration but it is not the only matter to be considered...The longer the period of reference, the more likely it is that the interest of shareholders, customers, employees and all associated with any corporation will be seen as converging on the corporation’s continued long-term financial advantage.”***

Page 403 of The Hayne Report

Consistent with international developments in governance regulation, we are seeing a shift towards recognising the importance of the Board taking responsibility for conduct and behaviour within the corporate group, for focussed management of and disclosure of ESG risks such as climate risks, in addition to the traditional focus on financial risks and performance.

There was also a sustained focus on governance in Australia arising from the Hayne Royal Commission<sup>3</sup> and recent APRA enquiry<sup>4</sup>. Whilst the focus was on the financial services sectors, at QIC GI, we have had regard to these developments to ensure that we are taking the learnings and applying them as applicable to our portfolio companies. In refreshing our approach, we prepared a set of Corporate Governance Principles for the GI team to ensure that there was a consistency of understanding and approach across asset managers on governance and culture.

What has been confirmed through the course of 2018 is that a Board should never be complacent about culture, risk and governance.

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2 Edelman Trust Barometer 2018 Australia Results.

3 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services (“Hayne Report”)

4 Australian Prudential Regulation Authority Final Report into the Commonwealth Bank of Australia (“APRA Report”)

### 6.2.1 Red flags – Risk and Culture

The APRA report provides some clear guidance on a number of red flags for identifying culture and risk issues with suggested action for addressing these red flags. QIC GI has a process for undertaking Risk Reviews and the identified red flags set out below will be used for enhancing our review of risk and culture issues within portfolio companies.

RED FLAG	ACTIONS
A pervasive sense of “chronic ease” with a widespread tendency towards complacency and reactivity. A willingness of staff to accept less than optimal outcomes, externalising responsibility, lack of ownership and accountability.	<p>A sound risk culture needs a sense of “chronic unease” with staff of all levels continuously looking out for current and emerging risks and improving the business.</p> <p>The Board needs to encourage a culture of openness and transparency, which honesty and candour is supported.</p>
<p>Reactive approach to dealing with operational and compliance risks rather than proactively identifying, measuring and managing risks.</p> <p>Failure of Board to hold management to account: Improper acceptance of risks, deadlines for resolution repeatedly extended or marked as resolved by later re-opened.</p>	<p>Ensure adequate and timely escalation of information to the board which highlights broader factors related to risk, reputation and the customer. The Board should engage directly with management in addition to the CEO.</p> <p>The Board needs to allow time to step out of the day-to-day to focus on the bigger picture and allow time for attending for identifying systematic and emerging risk issues.</p>
A process and compliance culture not focussed on outcomes e.g. risk seen as low priority “administrative task”, “box ticking” behaviour.	Risk should be a strategic function in the business.
Ineffective use of remuneration mechanisms – rewarding poor risk outcomes.	Ensure that in setting remuneration targets and in making decision to award benefits that this is in aligned with core values and appropriate outcomes.
Low level of competency and capability in the risk function.	Risk function needs to act with a strong voice and be appropriately resourced and empowered.
<p>Overly collegial, high trust environment leading to over confidence and overly optimistic performance assessments, lack of genuine benchmarking.</p> <p>Lack of openness to constructive challenge.</p> <p>Insular and not learning from experiences and mistakes.</p>	<p>Rigorous benchmarking allows companies test whether they are meeting best practice. There needs to be a level of constructive challenge and introspection in performance assessments. Overt defensiveness by leaders indicates a lack of appreciation and understanding on how to receive and learn from challenge.</p> <p>Organisations with significant degree of risk maturity can balance individual empowerment and accountability with collective responsibility and rigorous challenge.</p>

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## 6.3 A focus on climate resilience and carbon exposure

Exposure to climate risks from extreme weather events and transition risks arising from regulatory uncertainty and changing energy-market dynamics continues and will continue to be a key area of focus for GI.

We undertook preliminary desktop work in 2015 as set out in our Red Paper titled: [Climate Change: Building resilience in infrastructure assets](#). However, there is a need for continued focus on the impacts on assets with continued developments and greater understanding.

In October 2018 we saw the release of the Intergovernmental Panel on Climate Change Special Report which highlighted that while transitions in energy efficiency, carbon intensity and fuels, electrification and land use change is underway, limiting warming to 1.5° Celsius will require a greater scale and pace of change globally. Climate change is precisely the sort of threat that humans are not very good at dealing with as it is a problem with enormous consequences over the long term. Humans are hard wired for short term immediate problems – applying a quick fight or flight reaction in the face of imminent threat. We are challenged by slow moving and somewhat abstract problems. We saw this at COP24 in Poland, where ultimately a Paris Agreement “Rulebook” was agreed which outlines implementation guidelines for the Paris Agreement.

However, as investors we believe that we can actively work with our portfolio companies to ensure that they understand the relevant climate risks for their business and are working towards a net zero carbon target.

The first step we undertook this year was to look at the carbon exposure across the portfolio. This involved calculating the carbon footprint of the underlying assets to understand the direct (Scope 1) and indirect emissions (Scope 2) generated. Calculating the carbon footprint provided useful insights both at the portfolio and asset level, which included:

- Identifying the material drivers of the emissions profile at both the portfolio and asset level;
- Understanding our exposure from an equity share approach; and
- Understanding the emissions avoided through our investments in renewable energy generation.

Moving forward this information will be used to inform KPI development and engagement with our larger emitting assets to understand what initiatives they have in place or are planned to reduce their operational emissions.

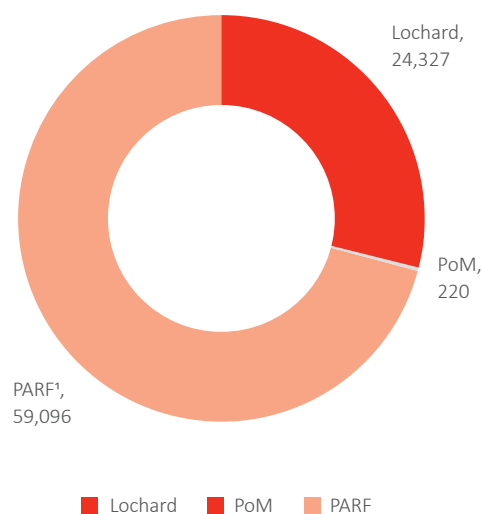
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### 6.3.1 QIC Global Infrastructure Fund

For FY2017, this fund is a carbon positive fund, with 34,549 tCO<sub>2</sub>e avoided (net) for its proportionate share of the equity in the investments.

On an equity share basis – 34,549 tCO<sub>2</sub>e avoided (net)  
[Equivalent to taking 8,000 passenger vehicles off the road<sup>1</sup>]

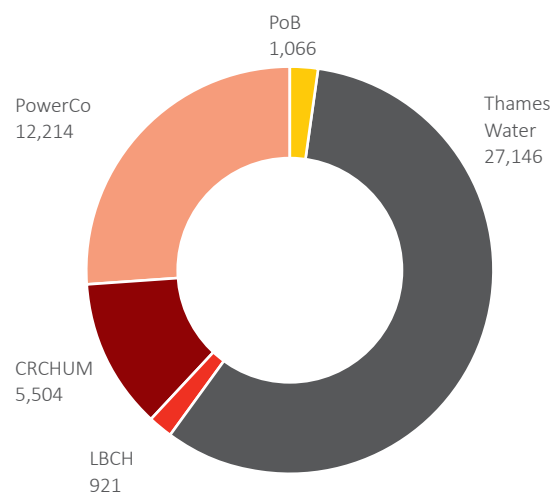
<sup>1</sup> Based on average passenger vehicle emissions of 4.3tCO<sub>2</sub>e p.a. - <https://greenfleet.com.au/Individuals/Offset-Emissions>



Source: QIC

### 6.3.2 QIC Infrastructure Portfolio

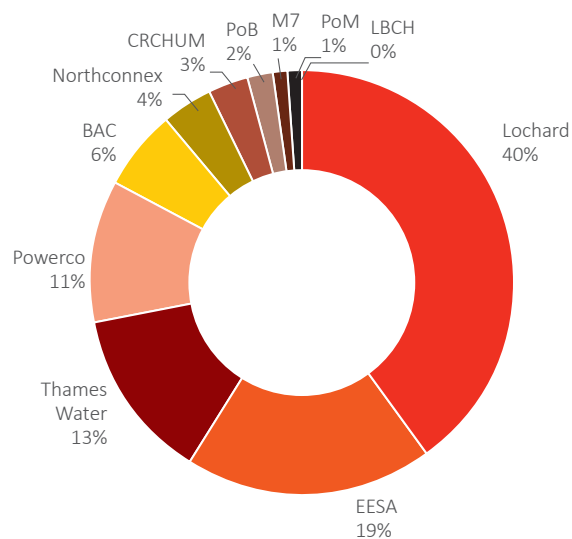
GhG emissions are dominated by Thames Water, with an aggregate 46,851 tCO<sub>2</sub>e emitted in FY17 for its proportionate share of the equity in the investments.



Source: QIC

### 6.3.3 Overall QIC Global Infrastructure Portfolio

Percentage of overall carbon footprint (equity share), excluding PARF and CampusParc.



Source: QIC

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## CONTACT INFORMATION

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Ross Israel

Head of Global Infrastructure

Level 6, Central Plaza Two  
66 Eagle Street  
Brisbane, Qld 4000 Australia  
T +61 7 3009 6838  
E [r.israel@qic.com](mailto:r.israel@qic.com)

Leisel Moorhead

Partner, Global Infrastructure

Level 5, Central Plaza Two  
66 Eagle Street  
Brisbane, Qld 4000 Australia  
T +61 7 3360 6632  
E [l.moorhead@qic.com](mailto:l.moorhead@qic.com)

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