



QIC GLOBAL INFRASTRUCTURE  
Responsible Investment  
Guidelines

**QIC Responsible Investment:** We believe that environmental, social and corporate governance (ESG) factors can have a material impact on the long term returns of investment portfolios. This was the motivation for QIC becoming a signatory to the United Nations Principles of Responsible Investment (UN PRI) in 2008. Our Responsible Investment Policy is available here: [www.qic.com](http://www.qic.com)

## Our approach to responsible investment in QIC Global Infrastructure

QIC Global Infrastructure believes the consideration of environmental, social and governance (ESG) factors in our investment decisions and our active asset management can maximise long term shareholder returns to clients. We believe that ESG factors can be critical to the long-term stewardship of infrastructure assets in evolving value chains. At the same time, we can also make a difference to the lives of the people who work, use and live in the community in which the asset is located. As direct investors in infrastructure assets, on behalf of our clients, we believe that ESG factors have particular relevance given the long useful life of Infrastructure assets and the essential services they provide to the local community, whilst driving productivity and economic growth.

QIC GI considers ESG factors through an overarching risk management framework, analysed at different stages of our investment process.



Each stage of the investment process includes the evaluation and management of ESG risks and opportunities that we believe affect an investment's value and earnings. Unacceptable ESG risks may lead to an assessment not to proceed with the investment. All Investment Committee recommendations must include an ESG risk assessment.

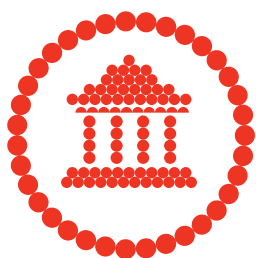
Being a responsible investor and integrating ESG considerations into our investment decisions does not mean that we exclude certain assets or sectors. All opportunities are assessed for the risks and robustness of returns and opportunities for value maximisation over a long term investment horizon.

QIC has a dedicated internal responsible investment specialist team who works with individual investment teams to ensure that ESG procedures are captured and articulated as part of their investment processes. QIC GI has an individual ESG champion who assists in driving effective ESG implementation across the team. Each member of the investment team is responsible for integrating ESG factors into their investment decisions and asset management practices.

## ESG Integration

ESG integration includes an assessment of the risks and opportunities affecting a company's operations, valuation and earnings potential. Infrastructure is a very diverse asset class and the variety and materiality of ESG factors will differ amongst each of the sectors and in respect of the geography in which it sits. The QIC GI dedicated sectors teams allow for a detailed understanding of the particular ESG factors that affect each sector.

Given the nature of direct infrastructure investments there are a number of common material ESG themes including:

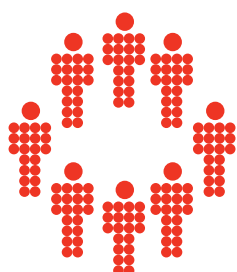


## Governance

We place primary emphasis on governance. Our focus is to ensure appropriate composition and competencies of the board, improving risk management (systems, culture and compliance) and reporting for portfolio companies.

We believe that understanding how a company's board and management deal with ESG risks and opportunities provides insight into the quality of the management and management systems.

Board representation is a non-negotiable minimum requirement for direct equity investments made, although our preference is for our clients and funds to collectively have control or significant influence in the portfolio company. This provides us with greater ability to influence management and operating business plans on ESG initiatives and issues.

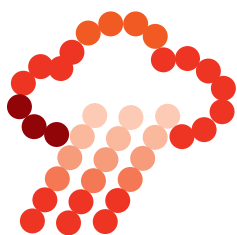


## Social

As a responsible investor, QIC believes an adequately compensated and trained worker delivers a higher quality product and service. We support and encourage fair wages and benefits for workers employed by the company and its contractors and subcontractors. We believe that good human capital practices such as diversity and inclusion, contribute to employee productivity and loyalty and can reflect an efficient operation and quality management.

We also have a strong focus on workplace health and safety, as workers in and around infrastructure assets are often operating in high risk environments (e.g. in a live motorway or high-voltage electricity environment). Our focus is to determine whether the company has good safety systems and practices in line with industry best practice. Safety of users and of the general public in and around the facilities is also a key focus.

Infrastructure assets can be negatively impacted if the business has a poor reputation in the community (often the users of the facility or ultimate customers). Good ESG practices are important to maintain the company's social licence to operate.



## Environment

There is often a high risk of contamination in the operations of infrastructure assets, and the impact of these facilities on local habitats must also be managed. As such, we require the company and its contractors to have good environmental management systems, preferably certified in accordance with international standards. In assessing a potential investment, the QIC GI team will take into account any necessary environmental risks, engaging specialist environmental consultants to ensure that any risks and costs are appropriately assessed.

As direct owners of long term assets which provide essential services to a community it is important to understand the impact of climate change including exposure to the physical, regulatory and reputational risk of climate change and greenhouse gas emissions to ensure long term resilience of that asset.

We have an ESG toolkit that gives guidance to the team to consider, integrate, review and report on their assets in relation to ESG performance. QIC is also a member of regional and international initiatives which gives guidance and opportunities to collaborate on some of the challenges of ESG implementation. QIC is a member to the Responsible Investment Association of Australasia, the Investor Group on Climate Change and of course signatory to the UNPRI.

## Active Asset Management Approach

QIC only invests in companies where it has board representation. Through the board representation we can have direct and meaningful engagement to encourage boards of directors and executive management teams to incorporate material ESG initiatives and issues into strategic plans and to ensure that ESG risks are assessed and incorporated into risk management frameworks.

QIC GI has regular direct contact with the board and executive management of investee companies on ESG matters, including undertaking regular site visits. This contact provides us with a better appreciation of the quality of management and allows us to communicate our expectations as a shareholder on ESG issues.

Being pro-active in addressing any identified issues and planning in advance are core parts of our asset management philosophy. Each asset manager is required to prepare and maintain an Asset Management Plan which identifies ESG issues and initiatives for the asset that they manage.

## Voting

QIC GI votes on all matters before company meetings. We consider shareholder voting to be a valuable practice which must be exercised with care and diligence.

## Monitoring and Reporting

QIC GI proactively works with company management to ensure that there is quality reporting to the board of its portfolio companies. We directly engage with management to incorporate reporting on key areas of ESG performance such as workplace health and safety, general safety within its operations for users, risk and compliance, staff engagement and turnover, labour relations, environmental management issues and opportunities, stakeholder engagement and measurable environmental factors such as energy use, water use and waste management.

In addition to completing the UN PRI self-assessment, QIC GI regularly reports to clients and the QIC Board at least annually on its ESG initiatives.

## ABOUT QIC

We were born with one objective – to deliver investment outcomes for our clients. Created in 1991 by the Queensland government to serve its long term investment responsibilities, we have grown into a Global Diversified Alternatives business. Spanning infrastructure, real estate, liquid strategies, private capital, and multi-asset solutions, we adapt our approach to suit our clients and the investment context. Predictability has built our reputation. It's in our DNA, embedded in our asset classes and delivered in our returns. It's what we pursue day in, day out for our clients and why over AU\$82.9 billion dollars\* of people's dreams are entrusted with us.

\*As at 30 September 2017.

For more information about QIC Limited ACN 130 539 123 ("QIC"), our approach, clients and regulatory framework, please refer to our website [www.qic.com](http://www.qic.com) or contact us directly.

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