

Palisade Investment Partners Limited

May 2019

Environmental Social Governance Policy



Document Control

Version Control / Revision History

This document has been through the following revisions:

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Authorisation

This document requires the following approvals:

Authorisation	Name
Initial Version	Palisade Board
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Scope

This Policy applies to employees of Palisade Investment Partners Limited (Palisade) and its subsidiaries.

Palisade Environmental Social Governance Policy

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Introduction

The philosophy of Palisade Investment Partners Limited (**Palisade**) is to deliver secure long- term returns, aligned with the interests of its investors and the community. Palisade recognises its duty to behave responsibly in its business activities and towards those whom its actions affect.

As an investment manager, Palisade believes that a high standard of business conduct as well as a responsible approach to environmental, social and governance (**ESG**) issues makes good business sense and is more likely to create sustainable value over the long term. Conversely, poor management of those issues may pose a risk to the reputation and value of businesses.

Palisade considers long term environmental, social and governance factors in making investment decisions and in actively managing investments, encouraging better management of ESG factors and associated risks. Assets exhibiting strong ESG credentials are key to the alignment of the interests and objectives of investors with those of the community.

The principles set out in this policy record how Palisade views its responsibilities and how they apply in a practical way to the day to day running of our business. They are reviewed from time to time to ensure they remain relevant in a changing world and consistent with best practice.

The first part of this ESG Policy deals with Palisade's approach to ESG issues as an investment manager. The second part of this ESG Policy focuses on Palisade as a business and the principles that guide it.

1. Part 1

1.1 Palisade – Investment, Management and ESG

Philosophy and approach

Palisade's fundamental approach is to invest in a range of services and facilities that are essential to the efficient functioning of the communities and economies they serve. Such investments should exhibit characteristics such as delivery of essential services and facilities and have high quality management, corporate governance policies and practices.

From an investment perspective, Palisade considers ESG issues in its due diligence and in the ongoing management of assets. It approaches this from the perspective of risk mitigation as well as value creation.

From a business management perspective, Palisade Integrated Management Services Pty Ltd (**PIMS**) regularly evaluates ESG issues in the businesses which it manages. PIMS then applies any learnings and improvements in ESG across the assets within the Palisade portfolio, where applicable.

Environment

Palisade believes that economic returns and sustainability are not mutually exclusive and ensures that environmental issues specific to individual assets and investor portfolios are managed appropriately. Investing in assets that exhibit sustainable environmental characteristics ensure that Palisade and its investors are making decisions that:

- Sustain natural resources and systems; and
- Provide a natural hedge against changes in policies that seek to reward sustainable practices and/or penalise those that don't.

Social

The nature of investments managed by Palisade often involve significant employment and interaction with the community in which they exist. Palisade places a large degree of focus on the assets' interface with employees, contractors, suppliers, customers, the local community and wider society. Attaining a social licence to operate is achieved through a focus on diversity, employee safety, community relationships developed through the employment of local people and companies and the sponsoring of local events.

Governance

Strong internal governance, audit, risk management, compliance and business continuity plans and procedures are vital to the ongoing success of Palisade's business. Governance practices and processes extend to Palisade's investments and the long term benefit it delivers to investors. For all assets, Palisade has director representation and appropriate shareholder governance controls and protections in shareholder agreements.

ESG Factors considered in investment and management

From an investment perspective, Palisade considers ESG factors during the asset acquisition due diligence.

Environmental factors considered as part of the due diligence processes include:

- Climate change and climate change policy development
- Emissions and emission policies (including the introduction of or changes to carbon emission reduction schemes or emissions trading schemes and carbon prices)
- Water supply risks including supply costs and water restrictions
- Waste disposal and waste treatment costs
- Energy use and energy prices
- Resource scarcity and resource price shocks (e.g. oil price shocks)
- Remediation risks and costs

Social factors considered typically include:

- Employment arrangements, employment policies and employment contracts
- Work, Health and Safety
- Human rights
- Supply chains and key supply risks, including Modern Slavery
- Indigenous rights and issues (including native title claims, artefacts and related risks)
- Community relations

Governance factors considered typically include:

- Shareholders' rights
- Board representation, composition, capabilities and experience
- Co-investors (like minded investor test)
- Quality of management
- Reporting frequency and adequacy
- Contractual arrangements, protections and risks
- Change in laws and change in policy risks
- Bribery and corruption

ESG principles are applied in the context of asset sectors in which the firm invests. For instance, renewable energy assets are considered more favourably than conventional energy assets with similar operational risk/return characteristics; facilities that divert waste from landfill are prioritised over similar assets in the waste sector that do not operate under sustainable principles.

These ESG factors are also considered in the ongoing investment management function. Palisade actively monitors and reports regularly on ESG developments, initiatives and risks. Palisade reports annually to its Investment Committee on the performance of each of its portfolio assets, specifically including ESG matters arising in relation to those individual assets.

Climate Change

Palisade monitors the impacts and potential impacts of climate change, and likely policy responses. Palisade assesses the climate change and carbon policy risk associated with each investment and monitors that exposure over time.

Palisade engages with our asset managers and operators about climate change risks. Palisade strictly prohibits investment in infrastructure from the coal industry.

Diversity

As Palisade is a relatively small organisation, we look to fill positions with the most appropriate and qualified candidate, regardless of gender, ethnicity, age or any other factor.

Palisade is acutely aware that diversification within a workplace can improve the performance of an organisation, and as such we are always mindful of maintaining a diverse staff base, in terms of both gender, ethnicity, age, but also professional skill set.

Palisade has policies and procedures in place to encourage flexible working arrangements and support staff who are caring for others.

Modern Slavery

Palisade is committed to preventing exposure to modern slavery, and other human rights concerns, within our supply chain. We are committed to continuous improvement in the processes we have in place to identify and mitigate against such risks.

2. Part 2

2.1 Palisade – Corporate Guiding Principles

These corporate guiding principles express how Palisade views its responsibilities and how they may apply practically in the day to day running of Palisade. It is important that these principles are applied internally to ensure that Palisade can reasonably expect others with whom it does business to apply similar principles.

Environment

It is Palisade's policy to minimise any negative impact on the environment arising from its business activities. This includes but is not limited to:

- The efficient use of energy, including via energy efficient lighting, using energy efficient appliances and other measures to conserve energy
- Minimising the use of paper and other resources including by disseminating documentation electronically, discouraging printing and by printing double-sided where printing is required
- Recycling and using recycled products.

Social

It is Palisade's policy to maintain positive relationships with its employees and the community by:

- Sharing a close relationship with our employees
- Providing a flexible, supportive, healthy and safe working environment
- Adopting policies and practices which encourage an appropriate work/life balance
- Promoting a flexible working environment, providing flexibility in terms of working hours and the ability for staff to work from home via the use of internet VPN access
- Providing leave entitlements including paid parental leave, carers leave, bereavement leave and personal leave that exceed minimum statutory entitlements
- Providing a stimulating work environment where employees can grow and expand their skill set
- Providing in-house training and encouraging staff to continue their learning by attendance at professional development conferences and by undertaking further relevant study

- Supporting those staff members who perform their own charitable works and community involvement where possible. This includes approving leave where required to pursue charitable work
- Supporting the Principles of Fair Trade and not contributing to any practice where there may be potential abuses of human rights or exploitation of any kind.

Governance

It is Palisade's policy to maintain best practice governance standards by:

- Conducting its business ethically, maintaining good corporate governance, compliance and risk management
- Promoting responsible business practices
- Understanding that good corporate governance and effective management are vital to the successful implementation of its corporate objectives
- Conducting external reviews/audits of Palisade's internal controls at least annually
- Establishing an independent compliance team which reports directly to the Palisade Board
- Ensuring Palisade's Risk Management Plan, Business Continuity Plan and other policies and procedures are designed to maintain resiliency and ongoing performance of the business and conform to industry best practice.