ThomasLloyd

Stewardship Policy

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Introduction

ThomasLloyd is a leading independent asset manager and impact investor in infrastructure companies and projects in Emerging Markets. ThomasLloyd's investment strategy involves taking either majority or significant minority stakes directly in companies and projects, maintaining an active ownership position throughout our investment period.

Responsible Investment is inherently part of ThomasLloyd's culture and is consistent with our fiduciary duty to manage investments in the best interest of clients. The philosophy which underpins all our investment activities is 'Realising Sustainable Value'. For the communities in which we operate, and for our investors together, it delivers a triple return; social, environmental and financial.

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment, investors and society. We believe that through positive and direct engagement with our investee companies we can create optimal long-term value for our investors and for the communities in which we invest.

This Stewardship Policy embeds our investment philosophy into a practical framework of engagement with investee companies who must address and manage the environmental and social factors that affect their operations and are material for their business. Our stewardship policy reflects our view of best practice and is aligned with the UK Stewardship Code.

Objectives of ThomasLloyd's Stewardship & Engagement

- Maintain influential and supportive relationships with investee companies to engage and advise on issues including company strategy, performance, risk, capital structure and corporate governance.
- Ensure early identification of and accountability for key risks to investee companies and use engagement to manage and mitigate those risks and enhance the reputation of our investee companies.
- Adhere to the legal, regulatory and governance frameworks of the fund jurisdiction (for example, the Commission de Surveillance du Secteur Financier in Luxembourg).
- Adhere to the legal, regulatory and governance frameworks of the investment jurisdiction and to regulatory compliance in the social and environmental domains.
- Adhere to the IFC/World Bank performance standards and to the eligibility criteria of the Lux Flag Environment Label (for example the requirement to evidence the socio-economic impact of an investment).
- Create optimal long-term value for our investors and the communities we invest in through embedding international best practice at the investee company level.
- Use our influence and expertise to implement positive change at investee companies and guide them towards better ESG outcomes and contribution to the UN Sustainable Development Goals.
- Continually assess and scrutinise management performance and alignment of investee companies' behaviour with our core values and the objectives of the organisations to which we are signatory, including PRI.
- Inform our investors of the outcome of our stewardship practices with utmost transparency.

Engagement Strategy and Stewardship Practices

Stewardship is undertaken through both formal and informal interactions between TL teams and investee company teams at various levels of seniority to keep abreast of the company's developments and performance, and to satisfy ourselves of the effectiveness of its strategy and leadership. At the highest level of seniority, active board representation at an investee company is at the heart of our investment strategy and regular engagement with the company's leadership is necessary. Our representatives on the Board of each investee company maintain overall responsibility for the effectiveness of our stewardship and engagement with that company.

Our wider stewardship activities include engaging in purposeful dialogue with our investee companies at all levels of the organisation and detailed reviews of company reporting including externally verified reporting and audited financial statements.

We have internal ESG and stewardship experts within the investment team. These individuals and the wider investment teams use formal frameworks during the initial investment process and for regular reviews with investee companies through the continual monitoring and oversight processes. Informal communication is also encouraged and valued. Our investment team is based in several jurisdictions. This adds to our local knowledge and provides a deeper understanding of the financial, legal and cultural environment in which the companies we engage with operate.

Our stewardship priorities fall into the following two distinct categories:

- Strategy and governance; with focus on company strategy, performance, risk, capital structure and corporate governance
- Optimal ESG outcomes and contribution to UN SDGs

Where beneficial to our investment and operational activities, we contract external service providers. We expect external service providers to review the sustainable operating performance of their businesses, and to ensure that their operations have been tested in terms of environmental, social and governance impact and their ability to create long-term shareholder value.

Whilst our engagement and stewardship strategies can vary depending on a number of factors, our core philosophy is consistent and clear; we are committed to using our control to influence and vote in accordance with the best long-term interests of our clients, our stakeholders and the associated local communities.

Collaboration and Escalation

ThomasLloyd works closely not only with our investee companies but also endeavours to build strong relationships with other co-investors. This is particularly important where collective engagement is likely to be more successful than unilateral engagement. However, this is not the only factor when determining whether to collaborate with co-investors; confidentiality is also a determinant in deciding whether or not to engage collaboratively.

Ad-hoc meetings are typically held with management and/or co-investors to discuss specific concerns arising throughout our investment period, particularly where these are considered preferable to more formal discussions

Our Shareholders Agreements define standards that we expect our investee companies to meet, which include the adherence to internally recognise guidelines. These same agreements also define methods of resolving disputes on a fair and commercially reasonable basis. Whilst we do not anticipate it will be required, the final stage of dispute resolution is professional independent arbitration which is entered into should a satisfactory and amicable resolution not be reached.

Outside Engagement

The company's board, senior directors and senior management engage either directly or through membership of trade associations to help shape policy discussions, to raise standards and to promote best practice in renewable energy.

Engagement with governments, government related agencies, or regulators can also add value to our investee company engagement. Engagement is not intended to unduly influence the political process. We believe public policy engagement aligns with our signature to the UN Principles for Responsible Investment, which recommend participation in 'the development of policy, regulation and standard setting'.

We commit not to use improper pressure or to have any inappropriate behaviour towards members of governments or organisations with whom we engage in public representation activities.

Prioritisation of ESG factors and their link to engagement issues and targets

We place environmental, social and governance (ESG) factors and climate change at the heart of effective stewardship. This is because infrastructure investment is vital for economic and social progress; helping build resilient communities and supporting purposeful activity. We also believe that the incorporation of climate-related risks and opportunities in investment decision making is essential to create long-term attractive returns for our investors. Materiality analysis helps identify the most important issues and agree priorities. The agreement of realistic targets with investee companies is managed by both internal and external experts.

The energy transition already underway is a structural shift driven by a realisation that reliance on fossil fuels is wholly incompatible with the 2015 United Nations' Paris Agreement on greenhouse-gas-emissions mitigation, adaptation, and reduction. Addressing the problem of global warning and greenhouse gas emissions will require solutions for Asia's fast-growing populations and economies.

Renewable energy, whether solar or biomass, provides cost-competitive, subsidy-free electricity which avoids the environmental pollution from conventional sources of power generation. Countries are already prioritising grid access for renewable energy and the financial sector has responded by cutting back lending for coal-powered electricity production.

Investee companies must have plans to prevent, mitigate and control serious environmental damage resulting from accidents and incidents related to their activities, including immediate reporting to the relevant authorities.

Investee companies must respect labour rights, maintain safe working conditions and develop diverse human capital through training and education programmes.

Investee companies must have a relevant code of conduct in place and a risk management system to prevent all forms of bribery and corruption.

Dealing with Conflicts of Interest

Whilst implementing our Stewardship Policy, we accept that Conflicts of Interest may arise and where these cannot be prevented they must be dealt with on a fair and reasonable basis. Where possible conflicts of interest will be dealt with systematically, but where this is not possible we will retain the freedom to make independent decisions in the best interest of our investors. We follow company policy and the relevant legal framework to ensure that at all times we are in compliance with our legal and regulatory obligations.

We have a policy and framework in place to manage conflicts of interest and maintain and operate effective organisational and administrative arrangements and take all appropriate steps to identify, prevent and manage conflicts of interest. The Compliance Officer will assure that all relevant disclosure concerning potential conflicts of interest is included in regulatory filings, will review existing policies and procedures designed to address such conflicts and will develop and implement additional policies and procedures, as needed.

We owe our clients honesty and full disclosure. We vote and act in the best interests of our investors, with decisions documented and/or minuted.

Reporting our Engagement to stakeholders

Whilst there is regular discussion of stewardship activities and wider engagement with investee companies amongst the investment team, we believe transparency with our investors and wider stakeholders on key issues is also important. We will report on, adapt and evolve our approach to responsible investment as we identify and evaluate new risks and issues affecting our investments. Our policy, guidelines and practices will be assessed on a regular basis with changes communicated both internally and externally.

We are signatories to the UN Principles for Responsible Investing and their annual reports in which we disclose our Sustainable Investment policy are communicated across the organisation.