GLOBAL INFRASTRUCTURE SUSTAINABILITY REPORT

2021

QIC

Contents

1. Report Profile

This report is produced annually, and covers our material governance, environmental and social activities during the period from 1 January to 31 December 2020 (unless noted otherwise). This report should be read in conjunction with the QIC Sustainability Report, QIC Taskforce for Climate Related Financial Disclosure Report and Modern Slavery Statement.

An accelerating focus on sustainability has been key for our business, the assets we invest in and our clients.

COVID-19 highlighted the critical role our infrastructure portfolio plays in the prosperity of society today and into the future. Whether it is our ports sending and receiving vital goods for the communities they operate in, our energy assets powering homes, hospitals and high schools, or our healthcare facilities providing procedures to those in need.

COVID-19 has particularly focused us on workplace health and safety including wellness. Together with observable climate extreme events such as bushfires and flood, this has underpinned an acceleration and deep reflection on sustainability principles in the world and the environments in which we live.

Through COVID, we have become very local and perhaps far more observant of what matters in our own backyard. We have during this tumultuous year invested further into the decarbonisation and energy transition themes, deeply researched new energy sources and developed clear pathways to net zero emissions across the assets in our portfolio.

This time last year, the focus of our sustainability report was on the impact of COVID-19 – a pandemic that was repeatedly described as unprecedented and attributed to vast disruption throughout the global economy. While the experience of uncertainty reverberated throughout our communities worldwide, the pandemic highlighted the need for businesses to be sustainable, resilient, and adaptable.

As our global economy begins to emerge from a turbulent twelve months, momentum around a 'Green Recovery' is gaining traction. Government policy announcements and fiscal stimulus measures, combined with strong institutional capital support, are providing the ingredients to create a more sustainable future.

One that can overcome the global challenges currently presented by climate change. The focus is not just on shovel-ready projects but shovel-worthy. Infrastructure is a key part of driving economic recovery and growth out of COVID-19 while being compatible and fundamental in shaping a sustainable future.

Our 2021 Sustainability Report seeks to report transparently on our progress around our broad sustainability dimensions. We recognise the areas we are continuing to work on, and celebrate our triumphs during the past year. This has included the continued increase in amount of renewable energy generated across the portfolio, up almost 90% to 6.2m GJ in the past reporting year.

We present our progress against our 2020 targets and our performance against key industry benchmarks including an A+ rating under the UN PRI. This report also details how we integrate sustainability risks and opportunities into our investment process as well as our active core-asset management approach.

At QIC, we believe active engagement on sustainability performance across environmental, social and governance matters will protect and enhance value over the long-term. We know we don't yet have all the answers and that more questions will continue to emerge as we seek to drive a sustainable future through our infrastructure investments. We are committed to continue integrating learnings drawn from our research and experience in implementing sustainability.

We hope you enjoy reading this report and welcome your ideas and engagement on how we can continue to move the dial on a sustainable future.

Thank you for your support.

Ross Israel
Head of Global Infrastructure

2020 at a glance

A+
UN PRI Rating

Over
11,000
people employed through our assets

Almost
9 MILLION
gigajoules of renewable energy generated

About Us

QIC is a long-term infrastructure investor with an established global platform, an active management approach and a proven, 15-year track record.

With a global team of more than 59 professionals across five offices as at 31 December, 2020, QIC Global Infrastructure manages more than A$14.5bn (US$11.2bn) across 19 global direct investments and has realised more than A$7.2 billion (US$5.6bn) of investments for its clients[1].

Our sector-centric and thematic-based investment strategy deconstructs risk across sector value chains identifying relative value for investment across market cycles. This drives a targeted origination approach, enabling the firm to build diversified portfolios for our clients.

At QIC, our mission is to be a trusted fiduciary that delivers superior investment outcomes over the long-term for all stakeholders in a sustainable manner.

This mission is delivered through our investment philosophy and beliefs:

- Our clients' interests are at the centre of everything we do. We are a trusted fiduciary.
- We create value through active asset management, portfolio construction, embracing disruptive technology and a focus on people and culture.
- As an owner we are active stewards focused on responsible investment principles and alignment with key stakeholders.
- We find relative value through our thematic and sector focus by deconstructing industry value chains.
- We build resilient and diversified portfolios through our understanding of macro themes and market/industry cycles for infrastructure assets.
- We are innovative and courageous, willing to embrace challenges on the pathway to success.

1. As at 31 December 2020

Our Sustainability Principles

Our objective is to build resilient and adaptable portfolios that will deliver value over the long-term. This requires us to balance the interests of all stakeholders, including customers, the environment, community, employees, and shareholders.

1. We develop pragmatic, fit for purpose solutions that balance delivering stable returns with the interest of key stakeholders on environmental, social and governance issues.
2. We have a forward-looking, long-term perspective that identifies short-term sustainability factors as well as emerging risks and opportunities.
3. Infrastructure assets are privileged assets, and good stewardship of essential service assets is critical to building credible social licence.
4. Sustainability performance is an evolution of continuous improvement driven through our active asset management approach.
5. We believe sustainable and resilient businesses can make a positive difference to the lives of the people who work, use, and live in the communities in which these businesses are located.

Sustainability can mean different things to different people. For some it's all about the environment, for others it's a means of managing risk.

One of the common definitions of sustainability is meeting our own needs without compromising the ability of future generations to meet their own needs.

Our meaning for sustainability is more than that. We think of sustainability as a world where people are healthy, happy and can prosper, where people are treated fairly and with respect and the planet is thriving. A more resilient world as a result.

We know we aren't the only ones with who think this way. The UN's adoption of the 2030 Agenda for Sustainable Development is a clear signal of the expectation on countries, businesses, and society, and we utilise the UN's Sustainable Development Goals (SDGs) as a key reference point in our approach to sustainability. Having sustainability integrated into the way we invest and manage our portfolio companies is a fundamental driver of long-term positive investment returns.

Ensuring our companies are positively contributing to these outcomes will create opportunities and ensure they have the support of their employees, customers, and broader community to pursue them. We believe this will result in companies that are more likely to deliver superior investment outcomes over the long-term.

We apply the same approach to our team. We instill the same focus on our behaviours, approach, and outcomes as we do for our portfolio companies, with a particular focus on diversity, inclusion, and strong governance.

Our Global Footprint

As at 31 December, 2020

People. Planet. Economy.

A$14.5bn
FUM

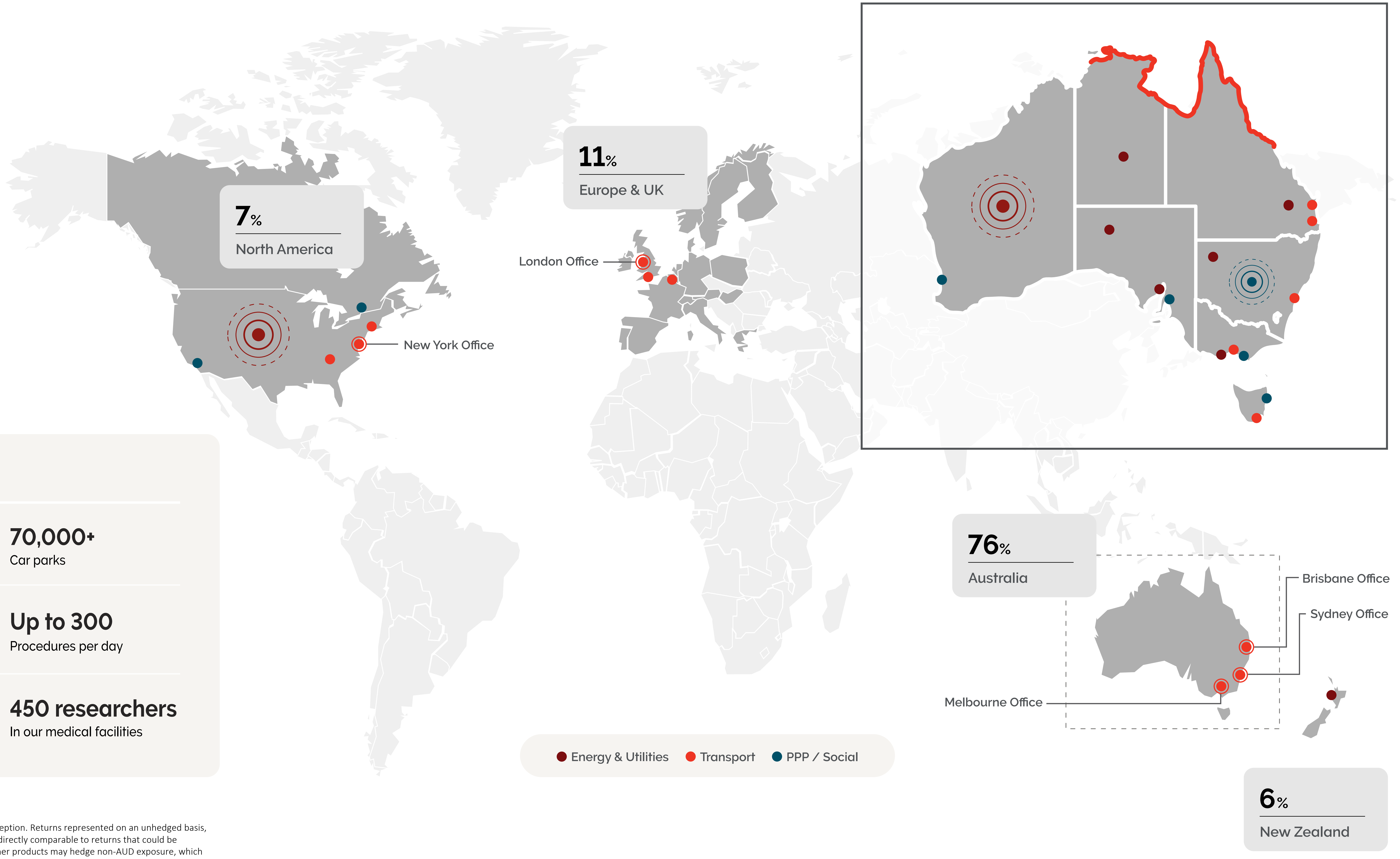
19
INVESTMENTS GLOBALLY[2]

14.0%
ANNUALISED NET IRR[1]

A$12.1bn
REALISED TO CLIENTS[3]

Investment Overview:

1,300 MW Electricity generated[4]	**23M passengers** Through our airports[4]	**70,000+** Car parks
465,000 homes Renewably powered	**4.2M TEU** Through our ports	**Up to 300** Procedures per day
10M customers Supplied with water	**2.3M road users** Through our toll roads	**450 researchers** In our medical facilities



All figures as at 31 December 2020 and in AUD unless otherwise noted. [1]Past performance of the entire portfolio managed by QIC GI since inception. Returns represented on an unhedged basis, net of all fees, carried interest and expenses. Inception of the first mandate was August 2006. It should be noted that this portfolio IRR is not directly comparable to returns that could be generated by other QIC infrastructure products and that different fees will apply. Also, the IRR represents AUD unhedged returns whereas other products may hedge non-AUD exposure, which could have a material impact on the returns achieved. Past performance is not indicative of future results. [2]The number of investments reflects the number of acquisitions sourced and managed by QIC Parties as at 31 December 2020. [3]Represents total distributions, return of capital and sale proceeds generated by the GI portfolio to our products and clients. [4]As at 30 June 2020.

Business Update

Since our last report we have deepened our commitment to sustainability and its integration across our investment process.

Sustainability is the responsibility of every member of the QIC Global Infrastructure team. 18 new people have joined our investment team and non-executive directors across our Australian, US and UK offices, including the creation of a new role, Principal – Sustainability, to lead the integration of sustainability into everything that we do.

We have continued our focus on technology and innovation, with cyber risk forums and cross-fertilising of ideas between portfolio companies as well as deepening our understanding and involvement in the emerging hydrogen industry. This included the release of our Red Paper, Gathering Pace: Infrastructure Opportunities in the Hydrogen Economy.

We have worked to finalise the transition of six companies into the portfolio. We have also been working closely with our portfolio companies to strengthen our capabilities in the emerging integrated renewables market, through activities such as the co-development of Pacific Energy projects including their hybrid energy project at Esperance in WA, and oversight of their bolt-on acquisition of Hybrid Systems in May 2020. The acquisitions and bolt-ons demonstrate QIC's thematic-focused investment strategy in action, as they apply to our targeted sectors of freight and logistics, gateway transport, healthcare, decarbonisation, and distributed energy.

Through our Board Directors and asset management teams we have provided hands-on support for our portfolio companies, particularly through the onset of COVID-related disruption. Investment team members were seconded into management teams to support these businesses, particularly for significantly impacted assets such as airports, to help navigate the unprecedented disruption. Our strong, established stakeholder relationships allowed portfolio companies to make better-informed decisions with an advanced ability to influence outcomes during and after a crisis, ensuring they remain resilient, sustainable, and prepared for any future disruptions.

Clients and Performance

In a tumultuous period for the global economy, QIC's Global Infrastructure team delivered continued growth and outperformance from Q4 2019 to March 2021.

This result demonstrates the resilience of our portfolio construction, the strength of our active management approach and the success of our thematic and sector-centric investment strategy.

Despite industry-wide valuation impacts across some of our assets such as airports, our portfolio has evidenced resilience. Our proven portfolio construction approach is focused on delivering diversification across asset level and macro factors, while delivering uncorrelated returns across market cycles was tested through COVID-19. The portfolio is in excess of its pre-COVID levels at AU$14bn (as at 31 December 2020) and is forecast to reach over AU$16bn with recent acquisitions.

During 2020, QIC adopted new ways to keep clients informed about their portfolio investments. This included virtual meetings and webinars, a new virtual deep dive series discussing asset valuations and QIC's first-ever virtual investor day, culminating in approximately 10 hours of content from 28 speakers, broadcast live to over 90 participants. This approach also saw a notable decrease in the production of physical materials.

Our Assets

BRISBANE AIRPORT

2007, Australia
QIC Interest: 25%
Transport, gateway transport

NORTHWESTERN ROADS GROUP

2009, Australia
QIC Interest: 25%
Transport

POWERCO

2009, New Zealand
QIC Interest: 58%
Energy & Utilities

PORT OF BRISBANE

2010, Australia
QIC Interest: 26.7%
Transport

LONG BEACH COURT HOUSE

2012, United States
QIC Interest: 40%
Social/PPP

CAMPUSPARC

2012, United States
QIC Interest: 100%
Transport, mobility-as-a-service

CRCHUM

2012, Canada
QIC Interest: 19.6%
Social / PPP

LOCHARD ENERGY

2015, Australia
QIC Interest: 50%
Energy & Utilities, gas storage

THAMES WATER

2016, United Kingdom
QIC Interest: 5.4%
Energy & utilities

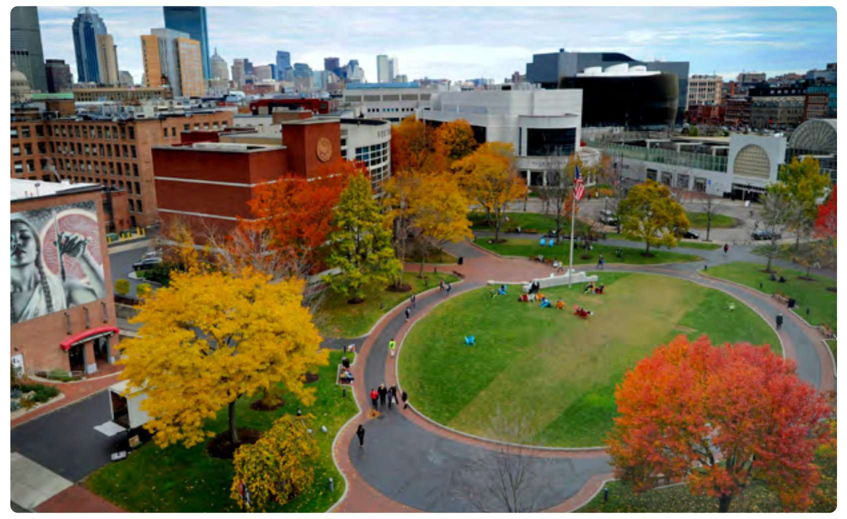
PowAR

2016, Australia
QIC Interest: 80%
Energy & Utilities, renewables

Our Assets (continued)

PORT OF MELBOURNE

2016, Australia
QIC Interest: 40%
Transport, gateway transport



MASPARC & MOBILITY

2018, United States
QIC Interest: 100%
Transport, mobility-as-service

EPIC ENERGY SOUTH AUSTRALIA

2019, Australia
QIC Interest: 100%
Energy & utilities

PACIFIC ENERGY

2019, Australia
QIC Interest: 100%
Energy & Utilities, distributed energy

BRUSSELS AIRPORT

2019, Belgium
QIC Interest: 15.84%
Transport, gateway transport

NEXUS HOSPITALS

2019, Australia
QIC Interest: 74.56%
Social / PPP, healthcare

GENERATE CAPITAL

2019, United States
QIC Interest: 15.2%
Energy & Utilities, distributed energy

SEA SWIFT

2019, Australia
QIC Interest: 100%
Transport, freight & logistics

HOBART INTERNATIONAL AIRPORT

2019, Australia
QIC Interest: 35%
Transport, gateway transport

Data Summary

Global Infrastructure – FY	Jun-19	Jun-20
Total Employees	9,317	11,413
% Female	28.6%	31.0%
Total recordable injury frequency rate (TRIFR)	12.0	11.1
Environment – Scope 1 emissions CO2-e	382,544	419,230
Environment – Scope 2 emissions CO2-e	357,158	334,865
Environment – Total Scope 1 and 2 CO2-e	739,701	754,096
Environment – Scope 1 emissions CO2-e (equity share)	119,409	164,250
Environment – Scope 2 emissions CO2-e (equity share)	51,519	58,510
Environment – Total Scope 1 and 2 CO2-e (equity share)	170,929	222,761

Global Infrastructure – FY	Jun-19	Jun-20
Energy – Total Energy Generated (GJ) (FY)	3,326,365	8,689,132
Energy- % of renewable energy (FY)	100.0%	71.9%
Energy – MW Installed capacity (FY)	966	1,303
Airports – Total number of Passengers (FY)	23,750,975	23,016,042
Toll Roads – Total number of users (FY)	2,306,533	2,142,237
Ports – Total TEU equivalent (FY)	4,357,918	4,159,291
Hospitals – Separations (FY)		31,289
Water – Total Customers	15,800,000	15,800,000
Compliance with drinking water quality standards (%)	99.96%	100.00%

Global Infrastructure – FY	Jun-19	Jun-20
No. of assets publishing a sustainability report	5	5
No. of assets with a NZE target	4	5
No. of assets with a public modern slavery statement	1	8
Total Number of direct assets (FY)	13	19
Assets under management ($bn) (FY)	12.27	13.73

1. Total number of passengers for FY19 does not include Brussels Airport or Hobart International Airport figures, given they were acquired in late 2019. Subsequently June 2020 only includes half year passenger data for Hobart and Brussels.
2. Due to the timing of transaction finalisation, separations only include half year results, (i.e. From Jan 20 to Jun 20)
3. Excludes small scale renewable energy initiatives based on materiality (i.e. solar panel system less than 50kw capacity).
4. Calculation excludes 3 assets as this metric was not actively tracked in these periods.
5. Emission reporting includes a 12-month period for portfolio assets. Some portfolio companies report their emissions on a calendar not financial year, and this was accounted for. For 2 portfolio companies, a conservative estimate of the FY20 emission profile was use due to data being unavailable.

Our Key Sustainability Pillars

Our key Sustainability Pillars remain unchanged from the last reporting period, highlighting our conviction in this area. These pillars underpin our approach to sustainability by acknowledging the significant areas of impact we should focus on in managing our infrastructure portfolio.

Climate Resilience

Preserve the integrity of the assets' physical conditions, operations and regulatory stability.

People and Culture

Build a resilient workforce today and for the future; one that has a diverse, inclusive and innovative culture.

Risk and Governance

Build and maintain robust, best-practice risk governance frameworks which empower management.

Community and Stakeholders

Build a culture of transparency to ensure the company is seen as a trusted organisation. Partner with customers and community stakeholders to ensure the business can make a positive impact.

Embedding Sustainability in Our Investment Approach

QIC has fully integrated the evaluation of opportunities against our sustainability pillars into our investment approach. Environmental, social and governance (ESG) risks and opportunities are assessed at each stage from initial screening to performance monitoring and reporting.

Initial Screen	Investment Evaluation	Active Engagement	Performance Monitoring & Reporting
• Identify key ESG risk and opportunities • Assess whether to proceed	• Detailed diligence of all ESG risks and opportunities. Identify value impact, incorporate into Investment Case	• Post acquisition engagement with management and Board on ESG risks and opportunities	• Establish appropriate metrics to monitor ESG performance and reporting • Scenario testing and development of action plans

Megatrends Underpin Our Investment Pipeline

Five key megatrends that impact infrastructure underpin our investment pipeline. Each megatrend has a unique set of consequences for infrastructure assets, but all relate to sustainability.

KEY CONSEQUENCES FOR INFRASTRUCTURE

Decentralisation and Localisation	Digital Convergence	Populism and Customer Centricity	Sustainability	Aging Demographics
Low carbon mobility (AVs, EVs, ride sharing)	**Artificial Intelligence (AI)**	**Social licence / stewardship**	**Climate resilience** (decarbonisation, green energy)	**Public debt**
Supply chain	**Cyber security**	**Regulation**	**Resource management** (incl. water management)	**Health care**
Infrastructure-as-a-Service	**Blockchain**		**Circular economy**	**Deaccumulation**

Report Card –
Marking Our Sustainability Objectives

Objectives	Result	Completion	Sustainability Pillar
NET ZERO CARBON STRATEGY Engage on a net zero carbon aspiration for the portfolio by 2030, underpinned by plans for each of our portfolio companies.	• GI developed a portfolio-wide NZE baseline and began developing NZE plans for each of our portfolio companies. • While focusing on these companies' pathway and commitments regarding scope 1 and 2 emission reductions, initial work was completed to understand the risks and opportunities associated with Scope 3 emissions. • Work will continue in 2021 to formalise a GI NZE target.		Climate Resilience
PHYSICAL CLIMATE RESILIENCE Complete desktop physical climate risk assessments for all our new assets.	• In 2020, GI completed a desktop physical climate risk assessment for all portfolio assets. • The review identified that most assets had low to moderate exposure to physical climate risks. • Further details can be found in the Climate Risk section of this report.		Climate Resilience
UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS Map our portfolio and assess its alignment to the United Nations (UN) Sustainable Development Goals (SDGs).	• In 2020, GI mapped and assessed our portfolio asset-by-asset to the UN SDGs. • The mapping used a framework to identify where our portfolio companies invested, contributed, and aligned with the SDGs. This assessment will be one of a suite of metrics used to evaluate the impact/risk across the portfolio. • Work is continuing to increase our ability to quantify the positive and negative contribution based on business metrics e.g. EBITDA, Capex etc. • Further details can be found in the SDG section of this report.		Climate Resilience People and Culture Risk and Governance Community and Stakeholders
SOCIAL LICENCE TO OPERATE Conduct an external best practice review of all our assets' social licence to operate.	• In 2020, GI conducted an independent best practice review of all our assets' social licence to operate. • Self-assessment surveys, documentation reviews and interviews were used to inform the assessment. • The findings from the review are being incorporated into our asset planning process. • Further details can be found in the Social License to Operate section of the report.		People and Culture Risk and Governance Community and Stakeholders
MODERN SLAVERY Understand modern slavery risk.	• The 2020 QIC Modern Slavery statement has been endorsed and published. • GI engaged directly with each of the relevant portfolio companies to ensure they completed their preparation and submission of Modern Slavery Statements by the 31 March 2021 deadline. • Further details can be found in the Modern Slavery section of the report.		People and Culture

Looking Ahead – Our 2021 Objectives

Our priority areas for 2021 are based on feedback from our clients, our assets and importantly those areas that we believe will be most impactful.

Net Zero Emissions

Progress asset level net zero emissions plans and establish a QIC Global Infrastructure NZE target.

Global infrastructure and our portfolio companies are committed to be contributors to the decarbonisation of the economy. Building and setting bold yet achievable net zero pathways is part of that commitment.

Capability and Governance

Work with our portfolio companies to ensure they have the appropriate sustainability capabilities and governance structures to manage risks and opportunities.

We believe it is critical for our portfolio companies to have the right skills and expertise, defined accountability and information flow to management and the Board to enable integration of sustainability into the business strategy and operations.

Evolution of Sustainability Integration

Review internal management systems and processes to optimise sustainability integration and apply continuous improvement across our clients' portfolio assets.

We want to lead by example when it comes to sustainability management. It's clear that sustainability is an evolving area and we want to ensure we stay at the forefront for our clients and portfolio companies.

Physical and Transition Climate Risks

Document and initiate mitigation options for asset physical and transition climate risks in line with the Taskforce on Climate-related Financial Disclosures (TCFD) Framework.

Enhancing our portfolio companies' resilience and positioning them for growth through the low carbon transition is a priority. Where needed, we will help them build fit for purpose strategies and approaches to climate risk management.

Transparency of Benefits and Impacts

Enhance our understanding and reporting of our portfolio companies' business model benefits and impacts across people, economy, and planet.

Being open about the contribution or impact of our portfolio companies is not only important for maintaining strong relationships it also a way of keeping a "wide lens" around risks and opportunities.

Our Approach to Sustainability and Governance

As fiduciary investors with a long-term mindset, we believe that sustainability is important to achieving long-term value.

We also believe strong governance is essential in growing long-term sustainable value, realising long-term sustainable investment returns for our clients, and building stronger assets for the customers those assets serve, their employees and the communities that they operate in.

This is particularly relevant given the forward-looking return environment for infrastructure investment. Managers will need to be very active in driving business plans and looking for further growth and expansion opportunities to adapt to ever changing political, social, economic, and environmental factors that considers all stakeholders and contribute to sustainable solutions. It is something of which QIC is very cognisant and continues to be central to our governance approach.

While issues such as a company's approach to climate change, diversity and inclusion may have previously been considered non-financial risks, that is no longer the case. Many examples of these issues are considered foreseeable, material, and actionable now. This is increasingly being emphasised in commentary from financial regulators and the legal community. We recognise this and are taking action through assisting our assets to prioritise these objectives, create diverse teams and act on long-term emerging issues such as climate change.

Our approach to investment and active engagement with our portfolio companies is well suited to proactively identify and manage these issues. We have a forward-looking, long-term perspective that identifies short-term sustainability factors as well as emerging risks and opportunities. We have integrated sustainability and stepped up our commitment across our asset management teams to encourage the development of real initiatives, including enhancing governance and expertise.

Our mission is to be a trusted fiduciary, operating in line with our values and leading by example. We hold ourselves accountable to our standards of performance – we earn trust, we are disciplined, we collaborate, we are accountable, and we strive to improve. These values are particularly important in the Directorship roles we play for our portfolio companies. Board representation is a non-negotiable requirement for our investments as it enhances our ability to influence governance, strategy, and management, and we take these responsibilities very seriously.

Ensuring the Board composition and Director competencies match the business requirements is critical. As part of this, we place a high priority on diversity. Diversity around gender, experience, skills, and backgrounds leads to strong board room dynamics and, in our opinion, better decision making. This is becoming increasingly important given the evolving duties and expectations of directors and the critical importance of both short and long-term business considerations.

Across our portfolio we are also emphasising the importance of data-driven decision making. We want to ensure our investee companies have the appropriate operational, financial, reputational and sustainability linked data and research to validate risks and opportunities that feed into the organisation's strategy. Enabling this sort of reporting is crucial as Boards worldwide face growing demands to balance the interests of shareholders, customers, the community, the environment, and other key stakeholders.

Open and transparent reporting ensures management are able to provide the right information at the right time about the business performance and other material items that could affect value or reputation. This openness and transparency provides essential clarity around sustainability-related data and when reported publicly helps maintain strong and positive relationships. It also empowers our team and the assets we manage to assess and manage the sustainability risks and opportunities that a rapidly changing environment provides.

As we saw during the COVID-19 pandemic, an active and hands-on approach to governance and asset management has been critical in protecting the portfolios, and I believe going forward, it will become an increasingly important factor in delivering true alpha.

Matina Papathanasiou
Deputy Head of Global Infrastructure

Mapping against the Sustainable Development Goals

The United Nations (UN) Sustainable Development Goals (SDGs) are 17 interconnected global goals that aim to deliver a more prosperous and sustainable future for all.

The goals focus on significant global challenges, including clean energy, climate action and addressing poverty and inequality, and have been broadly adopted by businesses globally as a method for tracking alignment with key environmental, social and governance indicators.

QIC has mapped its portfolios' alignment to the UN SDGs using a framework that considers our investment in, contribution towards and alignment with these goals. Currently, as there is no universal standard to map our portfolio to the SDGs, we have developed a methodology that looks to the emerging industry standards to ensure we are transparent in communicating the nature of our alignment.

Our SDG contribution

The QIC Global Infrastructure portfolio has the most material positive contributions against the following SDGs:

Next steps

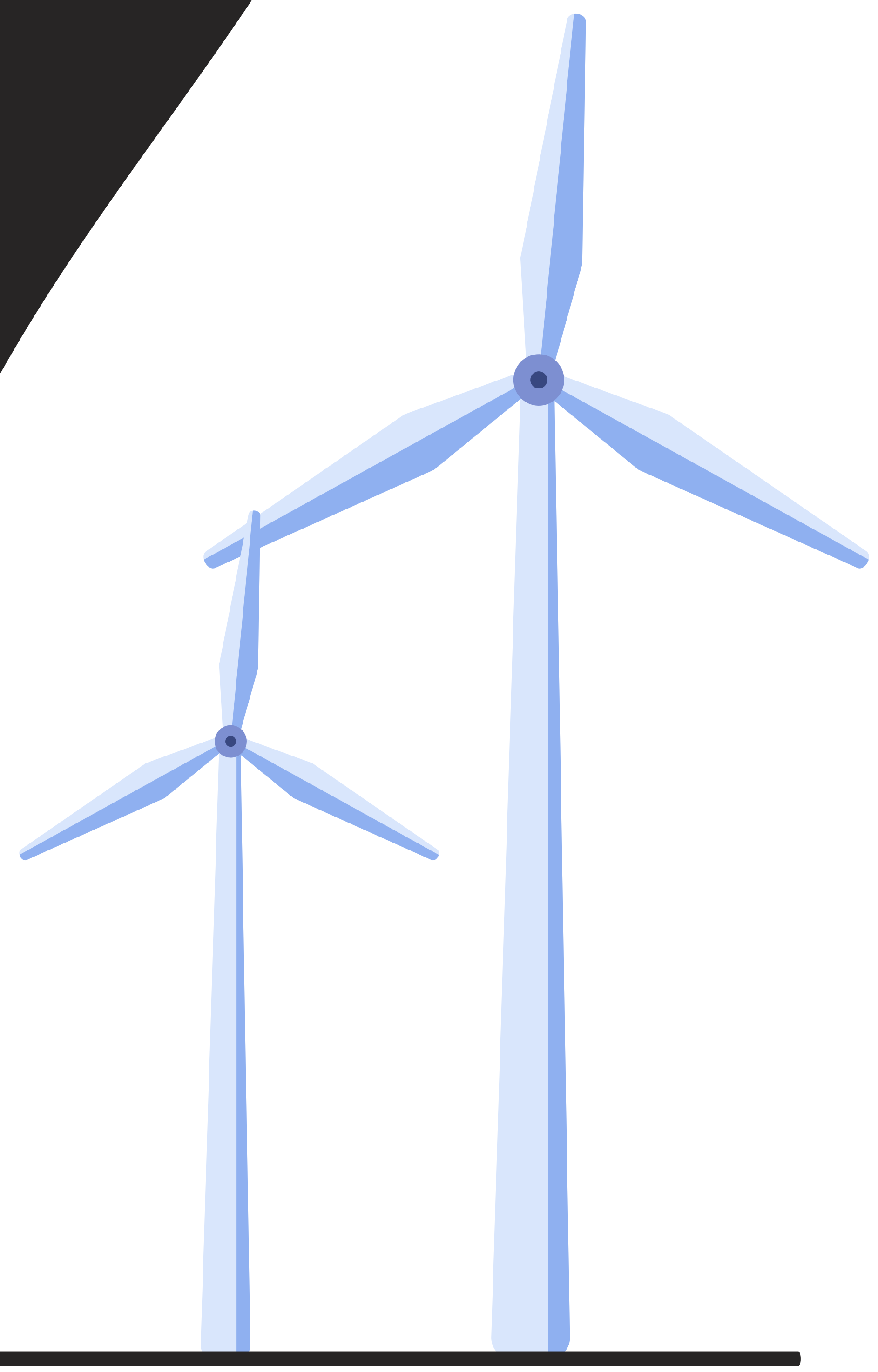
We acknowledge there is ongoing work to do to understand our impact and further map our portfolio to the SDGs. Key challenges include the availability of data to measure both positive and negative impacts, but we are committed to improving our methodology. We will be adapting our process to:

- identify the appropriate SDGs and targets associated with each asset
- develop key indicators to monitor and track that are consistent across our portfolios
- consider all the impacts of our investments to understand our net contributions.

Climate Risk

Climate risk impacts asset classes, regions, sectors, and companies in different ways.

QIC's strategy is focused on building a detailed understanding of risks and opportunities to continually refine our knowledge of managing these risks and identifying opportunities.



Our long-term goal is to estimate the materiality of climate risk the same way we assess other forms of investment risk.

Since 2018, QIC has reported annually under the Taskforce on Climate-related Financial Disclosure (TCFD) framework on our progress in understanding and managing climate risk for QIC's business.

Climate-related Risks	
Physical	Transition
Acute	Policy & Legal
Chronic	Technology
	Market
	Reputational

Under our approach to understanding climate risk within our Global Infrastructure portfolio, we undertake analysis of:

- **physical risk** – risk to assets from climate hazards and extreme weather events such as temperature change, extreme rainfall or drought, bushfire, and sea level rise
- **transition risk** – the legal, market, regulatory, reputational and technology risks associated with the transition to a low-carbon economy.

Physical Risks and Opportunities

We have undertaken the following activities:

- In 2017, QIC undertook a climate resilience assessment, which measured the resilience of portfolio assets to physical climate hazards and extreme weather events against the vulnerability and critical framework we developed.
- In FY19, we developed a bottom-up approach that considers the portfolio company exposure to a range of hazards under different climate scenarios.

The analysis of physical climate-related risks to date have provided valuable insights and identified areas for further focus, including more detailed physical climate risk assessments looking at material climate variables, asset location, historical performance, and potential vulnerability under future global climate emission scenarios.

The below table outlines the results of the FY20 assessment against the RCP8.5[1] 2050 scenario - the “business as usual” outcome likely if society does not make concerted efforts to cut greenhouse gas emissions. It shows the percentage of assets with a high, moderate, or low exposure and resulting vulnerability reflected in the ability to respond to climate change factors.

1 RCP – Representative Concentration Pathway (RCP) is a prediction of how concentrations of greenhouse gases in the atmosphere will change in future as a result of human activities

Where a portfolio company has an identified moderate or high vulnerability to a climate change variable, we are prioritising our engagement to support that management team with adaptation actions.

As climate science and the ability to utilise it continues to improve, we believe it is important to regularly review the exposure of our assets against the relevant factors. This will help “stress test” our assets’ adaptation planning and business continuity processes.

	Temperature		Extreme Rainfall / Drought		Fire		Sea Level Rise[1]	
	Exposure	Vulnerability	Exposure	Vulnerability	Exposure	Vulnerability	Exposure	Vulnerability
No. of Portfolio Companies High	33%	0	0	0	7%	7%	0	14%
No of Portfolio Companies Moderate	60%	53%	67%	47%	13%	7%	57%	58%
Number of Portfolio Companies Low	7%	47%	33%	53%	80%	86%	43%	28%

1 7 assets with coastal exposure were included in the sea level assessments.

Transition Risk and Opportunities

When it comes to transition risks and opportunities across our portfolio, we again used scenario analysis at the asset level for assets in our QGIF and QIP portfolios. We worked with KPMG to customise three climate change scenarios for this analysis:

Rapid Transition

This scenario is aligned with achieving a 1.5°C warming outcome and involves a rapid curtailing of emissions, seeing a global peak in 2022. It is government-led with penalties and/or forced closure of high emitting assets and sees fossil fuels being less than 20 per cent of the global energy mix by 2040. It also assumes a high range carbon price is in place by 2030 and a reduction in consumption across all sectors, especially luxury, due to changing consumer preferences.

Market-Based

This scenario is aligned with achieving a 2°C outcome and involves a business-led reduction in greenhouse gas emissions. There is an increase in consumption globally, focusing on circular economy principles, natural gas as a bridging fuel, and the energy transition largely technology-led, where low carbon growth dominates and incumbent industries atrophy. It assumes a low range carbon price is in place at 2020 and a medium-range price is effective by 2030.

Head In The Sand

The third scenario we examined is aligned with a 4°C outcome and involves a business-as-usual approach with little regulation beyond current levels. Fossil fuels remain ~50 per cent of energy mix, and there are high rates of global resource depletion and biodiversity loss. Inequality continues to increase across the globe.

These scenarios have been applied to understand the extent and type of transition risk our assets and portfolio have exposure to.

We have been guided by the Cambridge Institute of Sustainable Leadership (CISL) Climate Wise framework in this process.

The below charts show the unmitigated risks to our portfolio under the 3 different scenarios, reflecting the upside and downside risks associated with assets if they take no action to mitigate the identified factors before 2050.

The analysis shows the importance of portfolio construction in mitigating long-term climate related risks, with significant upside present for the portfolio even in an unmitigated perspective.

Scenarios

While it is important for QIC to understand risk at a portfolio and sector level, it is critical that the management team of our portfolio companies take ownership of the risk identification and resulting management plans.

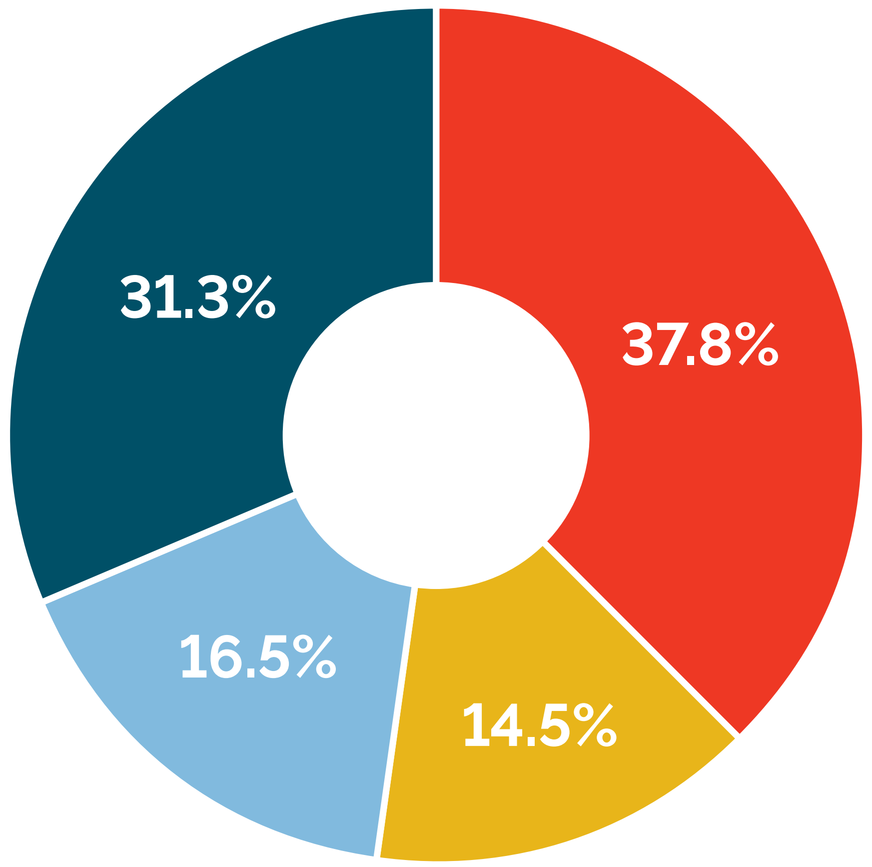
As a long-term investor, we are actively supporting our assets in this process and are well progressed in working with those with higher unmitigated risk profiles. We work with the management teams to develop business strategies that seek to ensure the assets are adaptable and resilient and positioned to capture the opportunities that climate transition presents.

We are also developing a key set of metrics that we will track and review periodically, to provide signposts as to which of the three scenarios is most likely to play out and understand how this may impact our real asset portfolios.

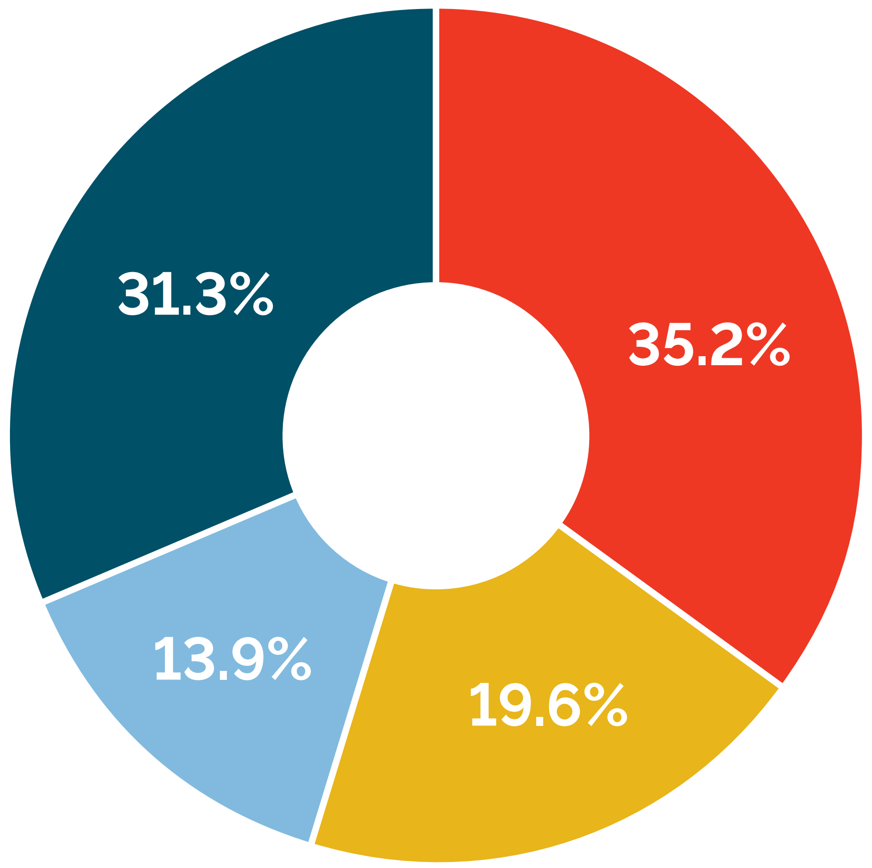
High Upside	Medium Upside	Low Upside	Minor	Moderate	Serious	Major

The scale represents the magnitude of the risk or opportunity across strategic, financial, and operational dimensions determined at a portfolio company level.

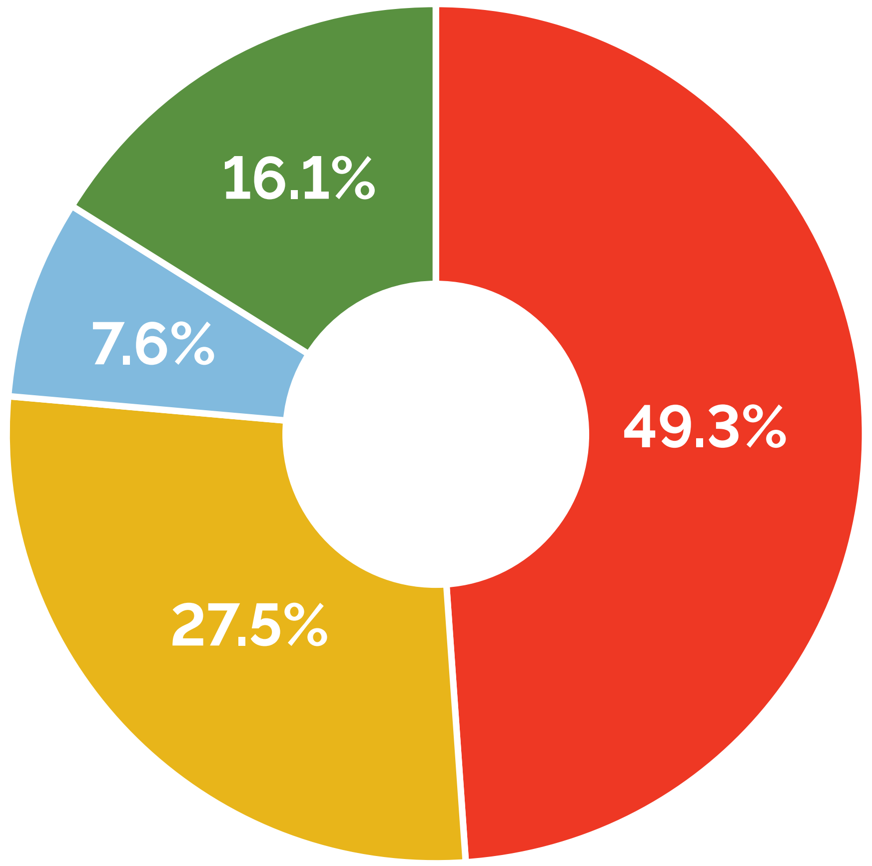
1 Includes portfolio companies from our pooled products.



2050 GI Portfolio[1] - 1.5° scenario



2050 GI Portfolio[1] - 2° scenario



2050 GI Portfolio[1] - 4° scenario

Modern Slavery

Modern slavery is a global phenomenon, and we recognise our opportunities for influence and commercial leverage in contributing to ending modern slavery practices.

The introduction of legislation such as Australia's Modern Slavery Act 2018 (Cth) ("The Act") and increasing attention from governments in the US and Europe seeks to actively reduce the risk of modern slavery occurring globally.

Our Obligations

As an Australian entity with an annual consolidated revenue of more than $100 million, QIC is required to report on the risk of modern slavery across its investment activities and portfolios and through its operations and procurement supply chains.

Pursuant to the Act, QIC has a standard modern slavery clause included in our contracts to manage potential modern slavery risk. We have published our first annual Modern Slavery Statement, describing our approach to identifying and addressing the risks of modern slavery across our operations, supply chains and investment portfolios.

Work to date within GI

To understand GI's exposure to modern slavery risk, we have worked with Fair Supply, an ESG data provider and professional services firm, to undertake assessment of the sectors and relevant supply chains of our portfolio companies to tier ten of their supply chains.

While this risk exposure assessment is not a measure of underlying risk, nor does it confirm the existence or non-existence of actual slavery, it is an efficient way to gain insight into the potential for modern slavery risk deep within supply chains and an important starting point for further assessment.

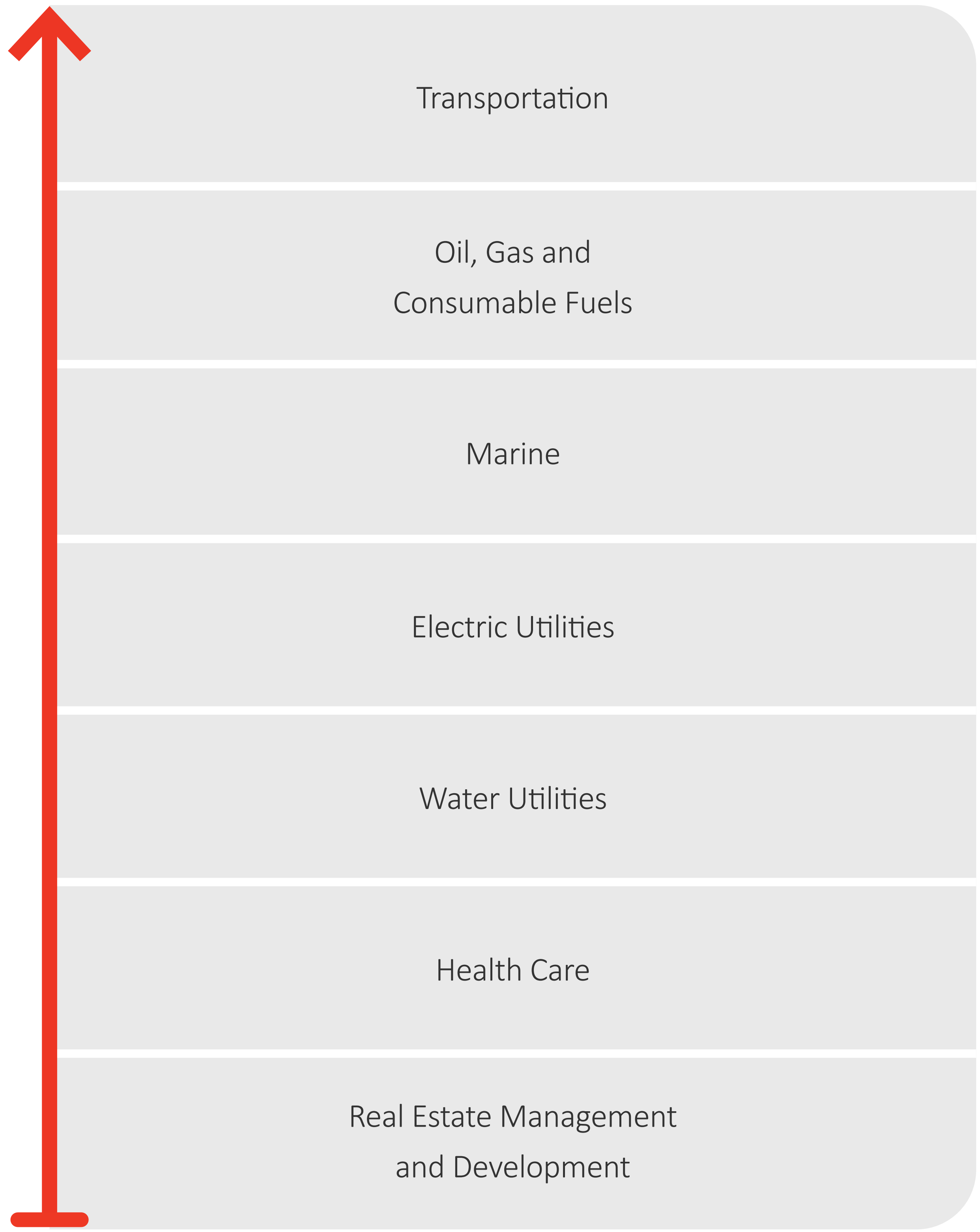
In addition to our work with Fair Supply, GI has taken a range of steps to identify and address modern slavery in our supply chains, operations and investment portfolios, including actively participating in a QIC cross-functional Modern Slavery Steering Committee and incorporating Modern Slavery within our active asset management approach.

Our asset managers worked directly with portfolio companies through their Boards and with management teams, to provide support where relevant and ensure Modern Slavery reporting obligations are met. Seven of our portfolio companies have fulfilled their obligations to produce publicly available modern slavery statements, six of those are covered by the Australian Government Modern Slavery Act and one under the UK Modern Slavery Act.

Next steps

As part of the ongoing program to address modern slavery risk across our portfolio we will continue our support of portfolio assets as they continually improve their systems, processes, and capability to address modern slavery risks.

Relative risk exposure of modern slavery by Industry for the asset classes managed by QIC Global Infrastructure[1]



1. Source – Fair Supply

Social Licence to Operate

Social Licence to Operate (SLTO) is an essential consideration in a company's long-term performance and sustainability.

Stakeholders are increasingly demanding greater consultation, accountability and transparency from organisations that have touchpoints in their lives and investments.

SLTO offers increased potential to improve commercial performance and strengthen stakeholder relationships but presents a significant risk for assets that lose the support of their stakeholders.

While the management of SLTO can be viewed as a means to manage risks to an organisation, we believe it is a fundamental component to our assets ability to operate without undue constraint and grow in a way that delivers value to customers, employees, community and shareholders.

By understanding the approach to SLTO across the portfolio, combined with an understanding of the emerging risks and opportunities, we can undertake constructive discussions with the management teams in our portfolio companies and assist in guiding their strategic decision making.

In 2020 we had our portfolio companies undertake an independent assessment of their approach to SLTO assessment exploring their performance across:

- Leadership and strategy
- Stakeholder management
- Governance and reporting
- Materiality and risk
- Value chain collaboration and management
- Culture and capability
- Systems and processes

The survey was complemented by desktop reviews of publicly available information and follow up interviews were completed with more than half of the companies involved in the survey. The interviews enabled us to validate the survey responses and get further into the detail of the practical application of management's actions and outcomes.

Not surprisingly the assessment identified assets with strong systems and performance and those that had less maturity and integration of their approach. This is consistent with the different stages of the business lifecycle of the assets and length of time within our portfolio.

We were encouraged to not find any portfolio assets performing in the low range of the assessment, however, areas of stronger performance and opportunities for improvement were common across several portfolio assets. These results will assist in ongoing engagement with our asset managers and provide a baseline for future evaluations while providing opportunities for sharing of best practice.

Social Licence to Operate (continued)

The assessment involved a self-assessment survey completed by key management, including CEOs, COOs, and Heads of Sustainability, to capture a point-in-time snapshot of their SLTO approach and performance.

Rating out of 5	Vision	Strategy	Commitments	Stakeholder engagement	Accountability	Compliance	Reporting	Materiality & Risk	Collaboration	Supply Chain	Culture & Capability	Policy	Management Systems	Digital	Average Score by Asset
4 > 5	4.3	4.2			4.1			4.1	4.1						
3 > 4			3.8	3.9		3.9	3.4			3	3.8	3.4	3.6	3.3	3.8
2 > 3															
1 > 2															

Areas of Strong Performance

- Vision and strategy
- Structure and accountabilities
- Materiality and risk
- Industry collaboration on SLTO

Opportunities for Improvement

- Supply chain management
- Use of technological solutions to measure and monitor SLTO
- Established SLTO policies
- Internal and external reporting

Industry Benchmarks

The PRI – Principles for Responsible Investment – is the world's leading body for responsible investment.

Backed by the United Nations (UN), the PRI has over 3,000 signatories from a majority of the world's largest institutional investors and professionally managed investments.

Infrastructure

QIC's 2020 scores for the direct infrastructure module.

2016	**A+**
2017	**A+**
2018	**A+**
2019	**A+**
2020	**A+**
Median Manager in **2020**	**A**

* Please see QIC's 2020 UN PRI Assessment Report on QIC's website for more information and page 21 of QIC's 2020 Sustainability Report for previous years' UN PRI results.

The UN PRI works to understand environmental, social and governance (ESG) risk factors and offers six principles for responsible investment practice to support a more sustainable global financial system.

QIC scored an A+ in the 2020 UN PRI assessment for infrastructure*

Section	Indicator			Median Peer score (# Peers)	Your Score	Change against Last Year
	Number	Type	Topic			
Overview	INF 02	CORE	Responsible investment policy for infrastructure	●●● (181)	●●●	–
Fundraising of Infrastructure Funds	INF 03	CORE	Fund placement documents and RI	●●● (143)	●●●	–
	INF 04	ADDITIONAL	Formal commitments to RI	●●● (136)	●	–
Pre-Investment (Selection)	INF 07	CORE	ESG issues in investment selection process	●●● (181)	●●●	–
	INF 08	ADDITIONAL	Types of ESG information considered in investment selection	●●● (181)	●●●	–
	INF 09	ADDITIONAL	ESG issues impact in selection process	●●● (172)	●●●	–
Selection, Appointment and Monitoring of Third-Party Operators	INF 10A	CORE	ESG issues in selection of third-party operators	●●● (81)	●●●	–
	INF 10B	CORE	ESG issues in appointment of third-party operators	●●● (81)	●●●	–
	INF 10C	CORE	ESG issues in monitoring of third-party operators	●●● (81)	●●●	–
Post-Investment (Monitoring and Active Ownership)	INF 12	CORE	Proportion of assets with ESG performance targets	●●● (181)	●●●	–
	INF 13	ADDITIONAL	Proportion of portfolio companies with ESG / sustainability policy	●●● (181)	●●●	–
	INF 15	CORE	Proportion of maintenance projects where ESG issues were considered	●●● (169)	●●●	–
	INF 16	ADDITIONAL	Proportion of stakeholders that were engaged with on ESG issues	●●● (181)	●●●	–
	INF 17	ADDITIONAL	ESG issues affected financial / ESG performance	●● (181)	●●●	–
Communication	SG 19A	CORE	Disclosure of approach to public	● (181)	●●●	–
	SG 19B	CORE	Disclosure of approach to clients / beneficiaries	●●● (181)	●●●	–

Sustainability in Action

Stories from 2020.

Epic Energy and IKEA

Epic Energy has partnered with IKEA to deliver an innovative solar energy storage project, which will provide on-site and exportable power capabilities through the largest grid-connected commercial microgrid in Australia.

The significant project includes installation of a 1.2MW_{DC} solar array and 3.4MW battery system at the IKEA Adelaide store. The excess energy will be stored on-site and sold into the South Australian electricity grid, providing strong economic viability for the project.

With system strength restrictions limiting the amount of electricity which is able to be exported into existing grids, electricity network operators and energy regulators are facing increasing curtailment risk of distributed energy resources networks, such as rooftop solar, resulting in the potential loss of useful renewable energy.

This decentralised approach to renewable energy generation and storage provides a method of safely, securely and reliably exporting surplus clean energy into a low-voltage urban network, setting the foundation for a sustainable new energy model that will play an important role in Australia's energy mix over the coming years.

An innovative energy infrastructure company, Epic Energy owns and operates infrastructure across gas and electricity markets. The company is establishing a diverse range of energy assets, including a portfolio of renewable energy infrastructure, as part of their commitment to meeting Australia's energy needs now and in the future.

Sustainability in Action

Stories from 2020.

Thames Water

QIC Global Infrastructure portfolio asset Thames Water has undertaken a significant recruitment and employment upskill program to support people whose employment was disrupted by the impacts of COVID-19.

Having already taken on 750 new starters since the beginning of the pandemic, the company plans to recruit more than 1,000 people in 2021. Plans are also underway to triple the number of apprenticeships offered by Thames Water, supporting 50 unemployed young people as part of the UK government's Kickstart Scheme and launch sector work-based academies in partnership with the Department of Work and Pensions (DWP). Other initiatives being undertaken by Thames Water as part of this drive to support COVID-19 recovery efforts include:

- Providing opportunities for young people who've been in care and people with convictions to work in the sector after signing the Care Leavers Covenant and Ban the Box pledge.
- Initiatives to further improve the diversity of its workforce, including enhancement of its education programme with local secondary and SEND (Special Educational Needs and Disability) schools.
- Working with the London Progression Collaboration to share its apprenticeship levy with small businesses and other social enterprise projects, to help them recover from the impact of COVID-19
- Launch of Thames Water's first shared apprenticeship scheme, working in collaboration with its supply chain to build skills across the utility sector.

As one of the UK's most essential services, Thames Water serves its 15 million customers across London and the Thames Valley by moving more than 7 billion litres of water and wastewater each day. A robust, diverse, and committed workforce is essential in ensuring delivery of exceptional customer engagement and maintenance of resilient systems and assets.

Sustainability in Action

Stories from 2020.

Sea Swift Independent Cultural Review

QIC Global Infrastructure recently played a key role in conducting an independent culture review of people, processes and systems for portfolio company Sea Swift, the largest shipping company in Northern Australia.

As a provider of essential services and a key contributor to growth in the region, its ongoing success depends on a strong corporate culture with a highly engaged workforce.

The review encompassed Human Resources, and Health, Safety, Environment and Quality management practices, including operating models, strategic objectives, people planning, performance and talent management, as well as engagement with participating employees through open, honest, and collaborative conversations.

Observations were categorised across eight core focus areas, and provided detailed insights into the organisation's culture and how it is manifests in the business, how the employees communicate with one another within their teams and across divisions, and business capabilities from a corporate and operational perspective.

Sea Swift is the leading provider of general cargo and charter freight services to remote communities in Far North Queensland and the Northern Territory, delivering essential cargo such as food, fuel, household, medical and educational supplies and building products. As the vast majority of Sea Swift's customers do not have all year-round road access, sea freight provides a vital connection for these remote coastal and island communities who have few other reliable and economical alternatives for transporting freight.

Sustainability in Action

Stories from 2020.

Cybersecurity

With most of the world now connected digitally, including infrastructure assets, cyber-attacks are becoming increasingly common for infrastructure assets and their managers.

QIC has recognised this growing risk, leveraging collaboration across QIC's portfolios and working with leading cybersecurity firms to take three-pronged action, which has included:

- creation of a Cyber Security Forum to increase knowledge and maturity of all collaborating organisations
- conducting a series of deep dives assessing cyber risk management capabilities
- creating a balanced executive scorecard for cyber risk management capability assessment across the asset portfolio.

This work has provided the basis for the establishment of a framework for continuous improvement, including baseline assessment for portfolio companies during the transition period, formulation of the cybersecurity improvement roadmap, and risk-based continual reassessment of capability against the risk appetite for each Board.

Industry engagement and developments

QIC is a member of regional and international initiatives which provide guidance and opportunities to collaborate on some of the challenges of ESG implementation. Throughout 2020 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.

Memberships

GRESB INFRASTRUCTURE

Investor Group on Climate Change

CDP DRIVING SUSTAINABLE ECONOMIES

PRI Principles for Responsible Investment

riaa Responsible Investment Association Australasia

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