

ESG MONITORING

1. About Providence Asset Group

Providence Asset Group (**PAG**) is an organisation that is focused on creating impact investments through commercialising technology for generating and storing electricity. The Providence Infrastructure Fund (**PIF, Fund**) makes direct investment in energy generation and storage infrastructure entities.

This document sets out PAG's approach to investing responsibly and management of environmental, social and governance (**ESG**) issues. This document also outlines the principles in which PAG aspires to and the procedures for measuring the Fund's performance in the ESG areas.

2. PAG's ESG Principles

PAG is committed to responsible investments that will create sustainable, long-term value in close partnership with its investee companies' management team, partners and the broader community.

The Fund's investments will align with PAG's long-term vision and strategy by satisfying three achievable fundamental benefits:

1. Economic – Providing its investors with sustainable dividend yields and capital returns that are comparable to non-renewable Australian infrastructure funds;
2. Environmental – Helping Australia and the rest of the world reduce its reliance on fossil fuels and achieve a reduction in CO2 emissions to assist in combating climate change; and
3. Social – Increasing investment and development in regional Australian communities to foster economic, environmental and social wellbeing.

The Fund has been a signatory of the Principles for Responsible Investment (**PRI**) since January 2020. PAG will regularly monitor its investee companies regarding their performance and continued delivery of economic, environmental, and social benefits. PAG will report annually on its performance in ESG areas. PAG is committed to implementing the following six principles:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

PAG seeks to address the United Nation's Sustainable Development Goals (**SDG**). As such PAG will formulate its ESG performance measurement around the SDG Goals, specifically SDG 7 for affordable and clean energy as well as SDGs 8, 9, 11, 13 (see Figure 1).



Figure 1- United Nation's 17 Sustainable Development Goals

3. Monitoring ESG Performance

As ESG measures may not be absolutely quantifiable, PAG will also measure investee companies' ESG performance based on qualitative assessments. All assessments will be backed up with a well-documented rationale.

Quantitative Measures

PAG will quantitatively measure performance in its investee companies in the following SDGs:

- SDG 7 for clean and affordable energy - measure environmental impact by the amount of MWh of renewable energy generated, the tons of CO2 avoided and any electricity consumption cost savings.
- SDG 8 for decent work and economic growth – measure the number of jobs and economic value generated in regional areas.

- SDG 13 for climate action – measure the contribution to the state and nation's zero carbon emission targets.

PAG will aggregate the quantitative results for its investee companies in these ESG areas to report ESG performance at the Fund level.

Qualitative Measures

All investee companies are invested with the aim of providing ESG impact with financial return. In order to measure ESG impact qualitatively, PAG will score each investee company on their contribution to SDGs 7, 8, 9, 11 and 13. PAG will also measure the other SDG areas where applicable. Qualitative scoring will be based on the following four ratings:

- 1 – business activity creates strong negative ESG effect
- 2 – business activity creates some negative ESG effect
- 3 – business activity creates some positive ESG effect
- 4 – business activity creates strong positive ESG effect

PAG aims to make investments that have a positive environmental and/or social impact. PAG's ESG investments should achieve a minimum rating of 3 in all ESG areas.

On an annual basis, all investee companies are required to complete a questionnaire in order to evaluate the ESG performance. Through this questionnaire, the Fund will monitor and evaluate the progress of the investee company in the targeted SDG and governance areas. The questionnaire will seek to evaluate whether investee company is in line with ESG impact expectations based on a description of ESG activities and outcomes.

PAG will aggregate the qualitative rating of the SDGs for its investee companies, using weighted average based on investment value, to provide qualitative ratings at the Fund level.

4. PAG's Investment Process

Prior to investment, PAG has a thorough investment process where it assesses the ESG impact of each prospective investee company against the goals and 5 pillars of PAG's Impact Investment Strategy shown in Schedule 1 below. All material findings will be documented.

During the due diligence process, PAG reviews all prospective investments for risks and opportunities, including core characteristics of impact investing in section 5. Any investment made requires an ESG review to be completed that highlights any issues related to key factors such as environmental, climate change, community responsibilities and anti-bribery and corruption. The due diligence includes qualitative rating referred to in section 3 above.

Following investment, PAG will continue to work with investee companies and management to ensure that the company has the necessary support, including access to innovation and technology through PAG's research and development investments, to both maximise its success financially and meeting ESG objectives.

5. PAG's Impact Investing Core Characteristics

PAG utilises the Global Impact Investing Network's core characteristics in its investment approach, as follows.

1. Intentionality

Impact investing is marked by an intentional desire to contribute to measurable social or environmental benefit. Impact investors aim to solve problems and address opportunities. This is at the heart of what differentiates impact investing from other investment approaches which may incorporate impact considerations.

2. Use Evidence and Impact Data in Investment Design

Investments cannot be designed on hunches, and impact investing needs to use evidence and data where available to drive intelligent investment design that will be useful in contributing to social and environmental benefits.

3. Manage Impact Performance

Impact investing comes with a specific intention and necessitates that investments be managed towards that intention. This includes having feedback loops in place and communicating performance information to support others in the investment chain to manage towards impact.

4. Contribute to the Growth of the Industry

Investors with credible impact investing practices use shared industry terms, conventions, and indicators for describing their impact strategies, goals, and performance. They also share learnings where possible to enable others to learn from their experience as to what actually contributes to social and environmental benefit.

SCHEDULE 1 – PAG IMPACT INVESTMENT STRATEGY





PROVIDENCE ASSET GROUP

OUR GOALS

To deliver sustainable Economic, Environmental and Social benefits to our investors and the communities we operate in.

1 ECONOMIC

Sustainable investor returns delivered through a diversified portfolio of assets and world class projects

2 ENVIRONMENTAL

Driving sustainable practises to combat climate change

3 SOCIAL

Investing and developing Australian communities to foster social wellbeing

PROVIDENCE ASSET GROUP

OUR STRATEGY

Our 5 strategic pillars are designed to optimise the generation, storage and distribution of renewable energy, drive innovation in clean technologies and deliver market leading investment solutions.

