



quinbrook  
**infrastructure**  
PARTNERS

# Investment Impact and Stewardship Outcomes Report

QUINBROOK INFRASTRUCTURE PARTNERS

2021

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## FRONT COVER

Oak, by Sander Weeteling. Representative of Flextricity Grove, supporting forestry in Scotland.

## SCOPE

This report covers Quinbrook's stewardship of investee companies and assets of funds managed by Quinbrook in the 12 months to June 2021. The report should be considered alongside Quinbrook's Stewardship Policy.

# Contacts

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# Introduction

Quinbrook is an active direct investor and investment manager. We pursue a highly integrated management approach, working closely with wholly- or majority-owned and controlled Investees to steward investments from the Board level through to day-to-day operations.

Quinbrook aims to protect and enhance the value of invested assets for the long-term benefit of our Investors. Through active governance control, continuous engagement with our Investee management teams, and consistently applied investment and asset management processes, we seek to achieve enduring alignment in the pursuit of positive climate, environmental, social, and governance impacts from our investing activities.

## STEWARDSHIP PHILOSOPHY AND INVESTMENT APPROACH

Investment stewardship is central to Quinbrook's investment strategy and asset management practices, drawing on the hands-on, long-term industry experience that the Founders and Senior Management have in building, owning and operating low carbon and renewable energy infrastructure assets and businesses, and in creating governance and incentive mechanisms to align the aims of each portfolio company with those of our Investors. Quinbrook's Founders, dedicated Environmental Social and Governance (ESG) team, and Investee ESG representatives, oversee and support the implementation of Quinbrook's ESG and Responsible Investment (RI) initiatives. Overall, Quinbrook's stewardship approach is based on direct, regular engagement with Investees, sole or majority decision making controls and majority Board representation. We seek to be leaders in our industry, and to share best practices, research, and ideas both amongst our portfolio companies and with the wider investment community.

This report, covering the 12 months to June 2021, seeks to provide Investors with greater transparency, awareness and insight into Quinbrook's commitment to investment stewardship, to the United Nations Principles for Responsible Investment (UNPRI), the United Nations

Sustainable Development Goals (UN SDGs), Task Force on Climate-Related Financial Disclosures (TCFD), and to ESG issues generally.

Quinbrook seeks to align with the UK Stewardship Codes through the implementation of its Stewardship Policy, supporting and enhancing the management and governance of typically majority-owned portfolio companies, to support both short- and long-term risk-adjusted returns for our Investors. As an active asset manager, Quinbrook directly manages its investee portfolios, working day to day with management teams, managing Boards to guide and direct portfolio companies' activities to align with our Investor objectives. Climate mitigation and resilience, sustainability, social impact and governance are central to our management and strategy, and we believe that stewardship and ESG risk management is intrinsically tied to both short- and long-term risk mitigation and therefore the sustainable value of each of our investments. Over the past year, we have seen the close stewardship of these aims, repeatedly drive and support outcomes aligned with the interests of our Investors.



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Image Briana Moyle, Lead Biologist, on the Gemini Solar Project



# 1 Letter from the Founders

## A CRITICAL OPPORTUNITY TO SUPPORT POST-COVID-19 GROWTH, JOBS AND SUSTAINABILITY THROUGH NEW NET ZERO ENERGY INFRASTRUCTURE INVESTMENT

Over the last year, the COVID-19 pandemic forced many of us to reconsider and alter our habits and priorities amidst a growing awareness of the impacts climate change is having on our lives and livelihoods. We believe there is a greater consciousness around the role which long-term infrastructure investment can and must play in simultaneously redressing the economic impacts of COVID-19 whilst delivering positive impact for our communities. Tackling climate change through large-scale, carbon reducing infrastructure investment is now a high priority for governments the world over.

Our Inaugural Stewardship Outcomes Report comes at what we believe is a critical time for all asset managers to increase their ESG and stewardship activities and to accelerate our collective influence and innovation and drive positive impact. Quinbrook believes that through our specialist focus on investments that build new assets and businesses that support a sustainable, just transition and accelerated pathway to Net Zero, we are better able to protect and enhance the value of all capital – human, environmental and financial – for our Investors and broader society. The way we steward our Investees is critical to the achievement of our objectives.

## ACCELERATING STEWARDSHIP THROUGH ACTIVE MANAGEMENT, A HANDS-ON APPROACH AND STRONG LEADERSHIP

This Report provides a summary of the ways that, over the past 12 months, we worked to improve our Investee engagement, measurable ESG impact, protection of invested capital and the effectiveness of our risk management: through robust leadership, strong governance and Board controls enabling an active approach to managing our portfolio companies. These activities are supported by over two decades of both industry and funds management experience the Founders have in clean energy infrastructure and carbon reduction businesses. We believe that this hands-on experience as business operators is a key part of our ability to lead, understand and work effectively with our Investee teams to drive better and more aligned outcomes for our Investors.

During the year Quinbrook's Founders, investment team members and Board representatives have been able to lead our portfolio companies to provide lower cost, renewable energy to scores of schools, colleges or communities in disadvantaged areas; create regional and rural fair work and training opportunities; provide pollinators to support local farmers in their communities; provide secure, reliable peaking energy to support more renewables capacity to accelerate the 'net zero' transition; and plan for improved 'end of life' outcomes for our assets through innovative recycling.





# 1 Letter from the Founders



## DRIVING AN INNOVATIVE, MORE SUSTAINABLE, FUTURE-FOCUSED PORTFOLIO

Alongside this, we have established joint ventures and made new investments into areas of innovation that we believe will enable the creation of more sustainable societies in the future, for example, providing secure renewable energy to power the explosive growth in data centres as COVID-19 intensified internet use; building new assets that provide control, dispatchability and synchronicity to the energy grid as it transitions to renewables, reducing the risk of black-outs and failing power markets; growing VPP networks to empower home owners to embrace and harness the full benefits of solar and battery storage by forming a new type of 'collective' that helped keep the lights on when coal plants have failed; or creating strategies that help to stem job obsolescence, by locating new energy infrastructure in communities that have relied to date on jobs in coal mining or landfilling waste.

As we move toward COP 26 in November 2021 we look to increase our commitment to ESG and the achievement of 'net zero' targets in the US, UK and Australia by working with a broader range of industries that will now seek to rapidly decarbonize using secure, cheap and increasingly dispatchable renewable energy and storage infrastructure. Given the significant fall in the cost of renewable power and storage the world over and the huge scope of new possibilities now emerging, we are focused on the significant impact that we and our Investees can have on a broad range of industries including logistics, data, construction, transport, hydrogen and even agriculture and water supply.

## RECOGNITION AND CONTINUOUS IMPROVEMENT

We are proud that our commitment to stewardship, responsible investment and ESG has been recognised during the year by external groups such as UN PRI, and ESG Investing. In 2020 Quinbrook attained the highest UN PRI rating of A+ / A+ in each of its submitted categories.

In 2021 Quinbrook's Low Carbon Power Fund was awarded overall Investment Fund of the Year, as well as Best ESG Investment Fund: Energy Transition and Best ESG Investment Fund: Infrastructure by ESG Investing<sup>1</sup>, reflecting Quinbrook's dedication and commitment to positive ESG and Stewardship Outcomes.

This recognition strengthens our conviction that we are on the right track, and propels our focus on continuous improvement, new initiatives and industry collaborations. There is still a long way to go, and many areas where Quinbrook must still work to improve the performance and impact of our Investees and to continuously improve by working with and learning from other leaders. This is a challenge that we are excited to continue to progress as we seek to further improve the positive impact of our Investee portfolios.

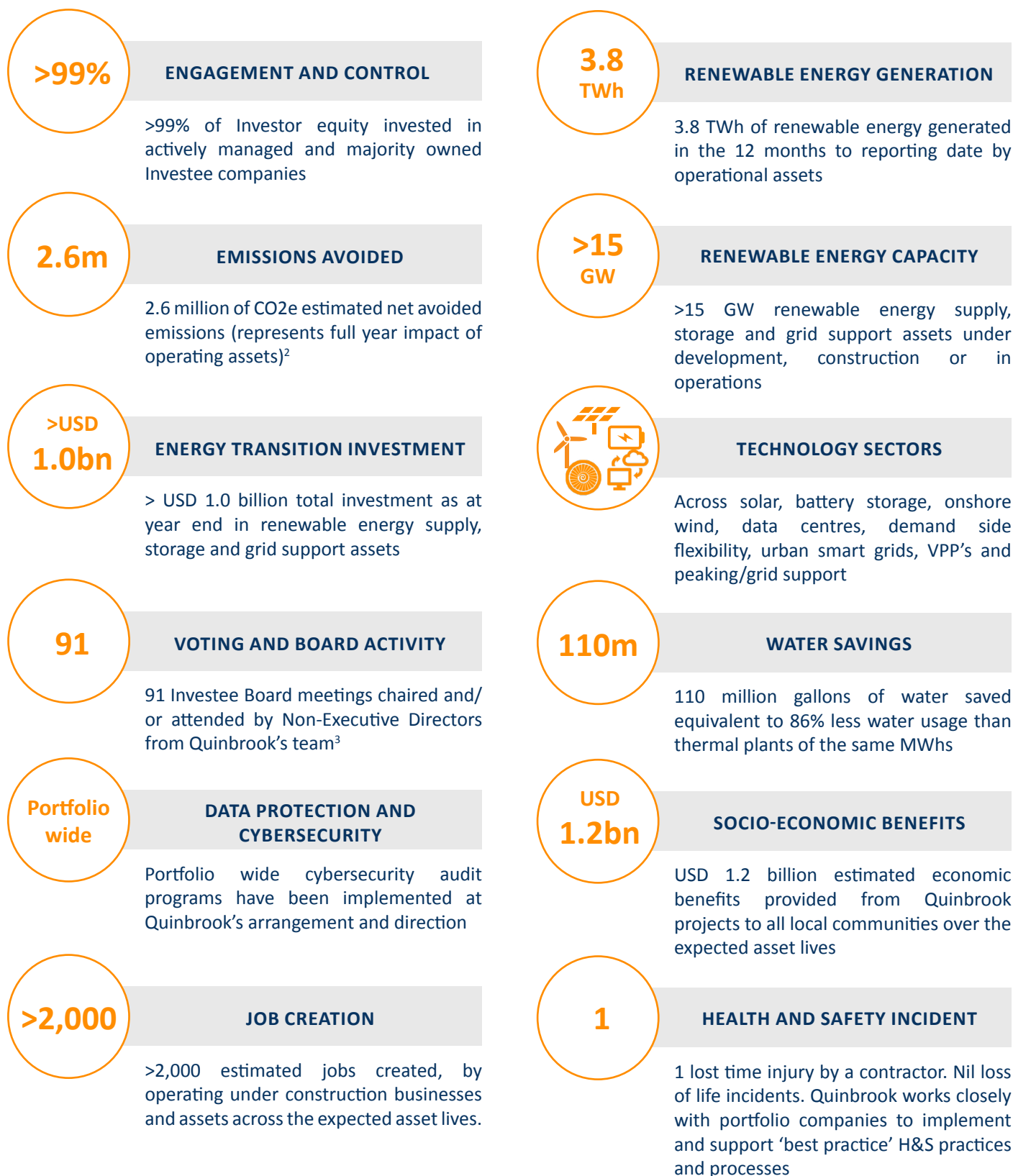
**David Scaysbrook and Rory Quinlan**

Managing Partners and Co-Founders

<sup>1</sup>Awarded February 2021; Quinbrook was the only winner among more than 90 finalists in 17 investment fund categories; Quinbrook is not a paid subscriber to ESG Investing nor did it pay as a condition of eligibility; awards are made based on nominations by market participants, including Quinbrook, and assessed by a panel of independent experts.



## 2 Quinbrook's Stewardship at a Glance



<sup>2</sup> Includes operating portfolio and assets under late construction, based on estimated displaced emissions through renewable energy produced net of scope 1, scope 2 and, where calculated, scope 3 emissions produced. <sup>3</sup> Refers to the 12 months to December 2020 due to latest available collection of reporting data.

### 3 Investment Approach and Fiduciary Responsibilities



Quinbrook is an investment manager specialising in investment primarily in unlisted low carbon and renewables supply, storage and grid support infrastructure and related assets and businesses that support the transition to Net Zero, in the UK, US and Australia. Quinbrook's investment horizon typically includes up to 10 years (or more), as well as open-ended funds, however, Quinbrook's assessment of financial, ESG and climate risk, extends across the asset or economic life of each investment.

Quinbrook's Investors include institutional clients, from the UK, US and other regions. As at the reporting date, Quinbrook had US\$1.5 billion in assets under management.

Our role as a fiduciary, investor, and manager of low carbon and renewables infrastructure, is inherently tied to climate risk mitigation through long-term, real asset investments that deliver enduring carbon emissions reduction. Our focus on sustainability, ethics and stewardship supports and extends well beyond this, given our investments impact not only our Investors, but a broad stakeholder population including the many communities in which our businesses operate and where our assets are built and located. Beyond this, we are conscious of the impacts our Investees have on society at large, through job creation and preservation, improved business transparency and governance, greater community engagement, increased team diversity, promotion of a business culture supporting principled and ethical behavior and, importantly, reduced environmental impacts from the daily operation of our energy infrastructure assets.

We believe that the integration of ESG practices and commitments into our own investment processes and ongoing asset management as well as promoting the same within our Investee enterprises, is fundamental to both long-term value creation and value protection. This commitment equips us to anticipate, plan for and avoid certain risks whilst also identifying opportunities to create lasting value through improved resilience of essential infrastructure and related businesses.

To this end, Quinbrook seeks to provide high levels of transparency and communication with its Investors. During the year, Quinbrook communicated with Investors

and sought their views on stewardship and fund outcomes through:

- discussion of areas of focus and improvements in ESG and TCFD reporting and reporting effectiveness;
- interrogating around investor concerns such as human rights, a just transition and job obsolescence. This has led to Quinbrook implementing or prioritising key areas of stewardship, such as seeking opportunity for investment in communities that can promote economic benefits in areas adversely impacted by decarbonisation, growing awareness and programs to support employee mental health, and extensive modern slavery due diligence around global supply chains and resulting assessment work;
- reporting requirements in addition to quarterly stewardship, ESG and TCFD reporting; and
- conducting 1:1 discussions with Investors on request, LPAC meetings, broader briefing updates and scheduled discussions (including at the annual AGM), to enable transparency around Quinbrook's stewardship effectiveness, processes and portfolio company outcomes and to ensure Quinbrook has direct means of communication with Investors in relation to their needs, in particular in relation to reporting or voting on particular outcomes where required. This has led to, for example, investments not being sold, in line with investor preferences.

Quinbrook has also taken part in discussions with regulators to understand and help support potential changes in regulation and reporting requirements, particularly those also potentially impacting Investors.

## 4 Focus on Climate and ESG



Quinbrook is a specialist low carbon and renewable energy infrastructure asset manager, that aims to protect and enhance the value of investments over the short and long-term for the benefit of our investor clients. Quinbrook's core business is dedicated to building and managing sustainable energy infrastructure, businesses, technology, and real asset-based solutions that have a long-term, positive impact on climate, climate mitigation, resilience and transition, the environment, local economies, stakeholders and communities.

Each of our funds has a core commitment to climate risk mitigation and emissions reduction. This is primarily demonstrated by investing in the creation of new or growth of existing infrastructure assets businesses. Quinbrook specialises in constructing new renewable supply assets, battery storage, smart grids and demand side flexibility assets and businesses. Quinbrook is also active in the

development of grid support and stability assets that provide greater reliability and security of power supply. For example, building new dispatchable peak power assets that can provide low emission electricity during peak demand periods, reducing risk of blackouts and supporting the further growth of non-dispatchable, intermittent renewable energy such as wind and solar.

Figure 1 Quinbrook's Investment Universe





## 4 Focus on Climate and ESG

Building on this, we are also committed to devising new strategies and seeking innovative investment opportunities that can create new infrastructure assets and businesses that support an environmental and socially responsible, just, secure, affordable and reliable transition to Net Zero. Fundamental to this is the creation and preservation of jobs, supporting ongoing training programs, being active in environmental protection and driving positive community benefits (especially in rural and disadvantaged regional communities), all in a way which assists COVID-19 economic recovery yet with greater human inclusion and diversity.

Quinbrook believes that supporting responsible investment and positive stewardship outcomes as an investment manager requires strong engagement, active management and the effective control of portfolio companies, from the Board level through to the framing of incentives for employees and contractors.

We believe that effective ESG risk management is intrinsically tied to both short and long-term risk mitigation

measures and therefore the fundamental sustainable value of each of our investments. This view is increasingly backed by empirical data and estimates which have shown that attention to ESG risks can reduce the cost of capital, and moreover, that up to 50% of company valuations may be at risk due to ESG related issues, such as water resources, changing weather patterns and climate change, environmental destruction and breaches in human rights<sup>4</sup>. There is further empirical evidence to support the beneficial impacts of strong governance, the alignment of interests and greater diversity in management teams. As such, we take significant measures to better assure that our focus is equally on the delivery of positive financial returns to Investors and that our commitment to ESG is formally embedded in our overall asset management and operations, governance structures, internal procedures, evolving investment thesis, decision-making, business culture and delegation of responsibilities. Quinbrook seeks to integrate RI and ESG criteria into each step of our investment and decision-making processes.



<sup>4</sup>Tonello, M, "Corporate Investment in ESG Practices", August 2015. Whelan, T. and Fink, C., "The Comprehensive Business Case for Sustainability" Harvard Business Review, October 2016.

## 5 Alignment with the United Nations SDGs

The United Nations has highlighted climate change mitigation as one of the most important objectives of its Sustainable Development Goals (SDG). These climate focused SDGs align well with the core of Quinbrook's

overall investment strategy. Moreover, Quinbrook also works to quantifiably, and at scale, support many other UN SDG targets as discussed below:

### CORE AREAS OF DIRECT IMPACT AT SCALE TOWARD UN SDGS



### AREAS OF FURTHER OR INDIRECT ALIGNMENT AND IMPACT



Quinbrook's various Portfolio Companies over the year, have directly delivered outcomes that align with the UN SDGs, including:

- Affordable Clean Energy, in particular in community settings and in disadvantaged areas;
- Decent Work and Economic Growth opportunities, particularly in regional and rural areas where clean energy assets are often located. We also look for opportunities to support job creation and training in areas where job displacement is also a factor due to the accelerating energy transition e.g. Job redundancies in coal mining;
- Investing in or partnering with businesses that are driving new energy Innovation and Infrastructure, particularly in areas where technology can improve the reach and capabilities of renewable energy control, clean energy tracking and tracing flexibility, and reliability of supply;
- Building and maintaining assets to support Sustainable Cities and Communities, enabling a fairer transition to sustainable energy sources; and ultimately
- Take direct Climate Action, creating new assets through project development and construction that directly help to avoid emissions at scale.

Beyond these areas of direct impact, Quinbrook seeks to support each of the key agendas of the UN SDGs such as:

- No Poverty, through fair work and diligence in human rights and processes against modern slavery;
- Good health and well-being, particularly through better environmental justice enabling communities most at risk to avoid pollution and emissions from fossil fuels;
- Quality education, for example supporting direct school programs in the adoption of renewable energy and working with universities and mentoring programs that support improved education and access to enable greater diversity in the industry;
- Gender Equality through fair and non-discriminatory hiring and engagement policies ;
- Life on land, in addition to climate impacts, assessing and seeking to minimize the operational footprint of invested assets and their collective impact on land, and seeking ways within projects to better protect the environment. e.g. initiatives such as support of wildlife pollination programs and desert tortoise rehabilitation programs; and
- Strong Institutions, through improved Governance and alignment with the United Nations Global Compact

## 6 Investment Approach and Active Ownership

### DAY-TO-DAY ENGAGEMENT

Quinbrook's funds are typically the sole or majority owners of Investee companies. This is a central part of Quinbrook's active management strategy, that enables Quinbrook to directly manage our investments, and work with management on a day-to-day basis to implement changes, adopt new strategies, ensure ESG alignment and to direct company activities by exercise of voting and Board control.

### EARLY INTERVENTION AND ESCALATION

Central to this active management is an 'early intervention' approach, which aims to alleviate any issues prior to their escalation and in many ESG related instances, prior to

even reaching the Board. To achieve this, Quinbrook drives outcomes in portfolio companies through a variety of mechanisms. These include initial commercial structuring, employee incentive alignment and key contracting terms, positive and negative screening, policy and process implementation, Board representation, regular informal and formal meetings and sessions with Investee staff. Capital deployment by Investees is also typically considered by Quinbrook's Investment Committee, prior to or after Board approval, enabling more consistent analysis of investment opportunities and the adherence to Quinbrook's ESG and related policies. In instances where escalation is required, due to Quinbrook's level of involvement and control of Investees, we have been able to act directly to implement any required changes.

We believe a 'hands-on' early intervention approach drives better alignment and outcomes. As such, Quinbrook's Investment and Asset Management teams work day-to-day with Investees.





## 6 Investment Approach and Active Ownership

Figure 2 Quinbrook's Approach to ESG Investment and Stewardship



## 6 Investment Approach and Active Ownership

### DISCIPLINED INVESTMENT APPROACH TO RI AND ESG INVESTMENT

Quinbrook manages and controls Investee capital allocation and all new investment initiatives. Both the Investment Committee and Quinbrook representatives appointed to Investee Boards play a role in the responsibility for approving new projects and investments and, in this approval process, are focused on the evaluation of a host of specific criteria such as overall portfolio impact, risk diversification and macro trends, issues specific to ESG, RI and overall risk management. During the year, Quinbrook's Investment Committee made decisions to decline Investee projects due to concerns about ESG risk.

Within Quinbrook's Investment Process a structured, systematic process has been adopted to screen assets aligned with Quinbrook's ESG and RI Policy, conduct extensive due diligence across ESG and climate risk and resilience factors, and summarise these for presentation to the Investment Committee.

Quinbrook has implemented an ESG and Climate Risk Scoring and Screening System for new investments, enabling the Investment Committee and Manager Board to consistently align decision making with evaluation and diligence of ESG impacts and benefits. The below Figures 4 and 5 show the key ESG and Climate Risk categories of due diligence investigation that are prioritised, summarised and provided to the Investment Committee for consideration.

The Investment Committee considers ESG and climate risks, opportunities and impact, as well as UN SDG alignment as an integrated part of the overall assessment of each potential new investment, or follow-on capital allocation. The Head of ESG is a voting member of the Investment Committee to ensure clear consideration of these areas of focus.

As a result of this process, outcomes have included requirements for increased due diligence on select issues prior to Investment Committee approval, adjustments in contracting structures to reflect ESG and RI alignment, rejection of investments, requirement for integration of key policies and procedures post-acquisition to ensure alignment with Quinbrook policies. Quinbrook's majority and active ownership approach provides significant scope to address areas of concern and actively drive portfolio companies to align with Quinbrook's ESG and RI policies. The process also seeks to ensure that Investees are already culturally and operationally aligned with Quinbrook's overall ESG and RI approach and requirements even prior to investment, and that they are open to implementation of refinements and improvements post investment.

In addition to this, Quinbrook's Valuation Committee assesses ESG and RI risk, opportunity and impact each quarter when reviewing the valuations of each portfolio company. Based on data from PRI/Preqin, this would place Quinbrook in the minority 1% of private equity firms actively implementing ESG to this degree.<sup>5</sup>

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Through a more robust Investee RI, ESG and climate assessment framework, Quinbrook seeks to drive better ESG and climate-risk focused decision making.

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<sup>5</sup> Preqin and PRI "Private Equity ESG Bubble"

## 6 Investment Approach and Active Ownership

Figure 3 Quinbrook Investment Committee ESG Risk and Opportunity Score Categories

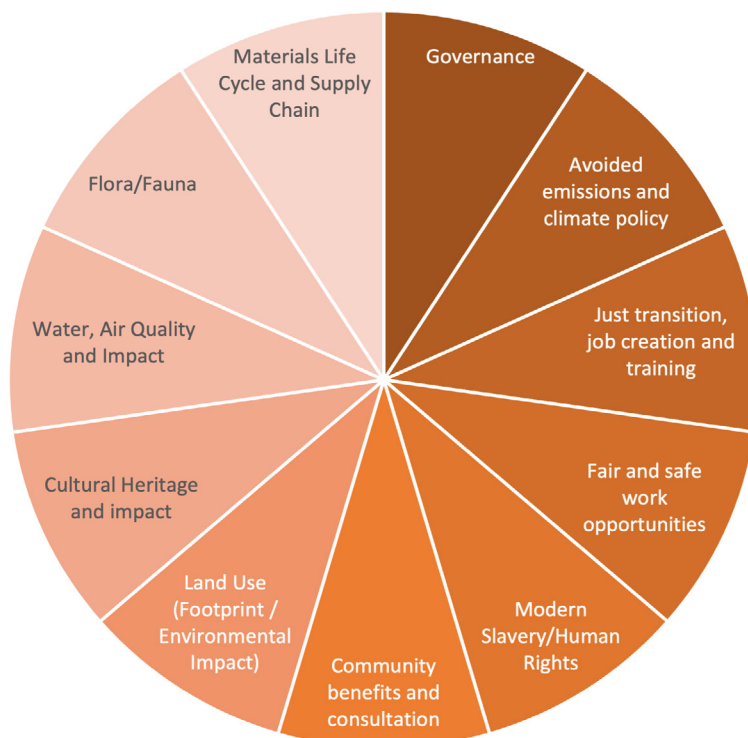
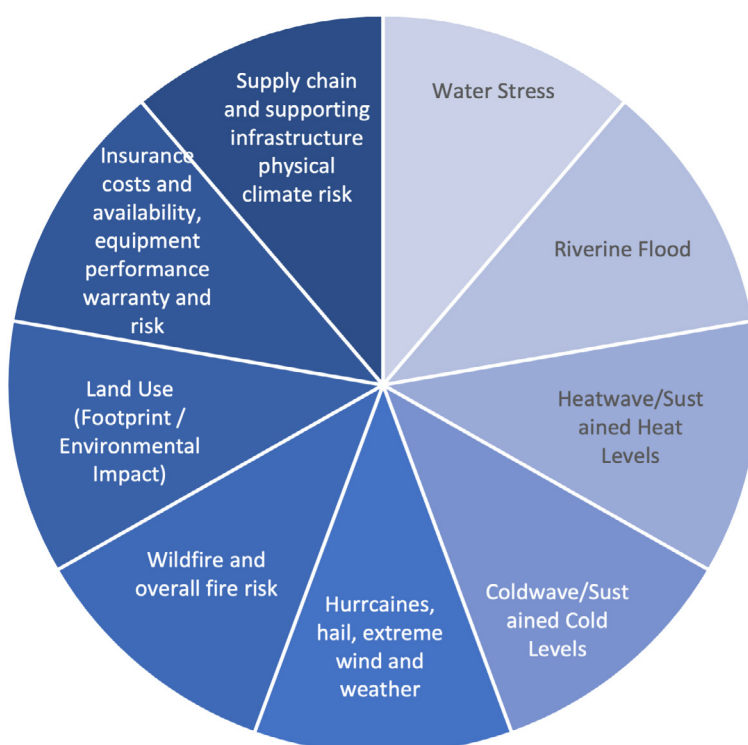


Figure 4 Quinbrook Investment Committee Physical and Climate Risk Score Categories





## 7 ESG and Implementation Progress

### MONITORING, IMPLEMENTATION AND EFFECTIVENESS

Quinbrook directly monitors and manages Investees and does not rely on third party service providers or account managers. Instead, Quinbrook's Founders, the dedicated ESG specialist and broader investment team members are instrumental in driving day-to-day ESG and RI efforts, putting in place initiatives to more robustly and better

align Investees with Quinbrook's policy and culture. Over the last 12 months Quinbrook focused on rolling out more consistent training, processes, policies and tools to help support each of our Investees across their operations, reporting processes and their data gathering on environmental, social and community impacts. This was driven by the Quinbrook Founders and team members working directly with the Investee management teams.

Figure 5 DanDan Solar Project, Guam





## 7 ESG and Implementation Progress

During the year, Quinbrook has worked internally to update and review its ESG, Whistleblowing, Stewardship, Human Rights, Modern Slavery and other policies and processes including working with external advisers to improve our policies' outcomes and impact.

The below table lists some of the processes that were reviewed, implemented or improved on during the year, for day-to-day support and guidance of portfolio companies and evidence of the effectiveness of some of these activities.

### Key ESG Implementation in Portfolio Companies – Progress over the Last Year

#### IMPLEMENTATION GOALS ACHIEVED DURING THE YEAR

- Structured onboarding and governance process, helping to reduce risk and improve operating efficiencies
- Implementation of more streamlined governance and Board reporting process
- Safe 'back to office' return schedules
- Implementation of carbon tracking and tracing and local marginal emissions partnerships
- Collaboratively working to develop Investee strategy and business plans
- Reporting, eliminating, mitigating and disclosing conflicts of interest
- Implementation of delegations, cash control processes and audits
- Improved remuneration structures, aligning key Investee management with Investor goals
- Consistent Investment Committee Climate and ESG Risk Scoring Matrix Assessment
- Monthly Investee Board Reporting on H&S, Environment and broader ESG issues
- Quarterly Investee TCFD and climate data collection and reporting
- Improved Environmental, Health and Safety practices through policy and practice guidelines
- Investee Cybersecurity Improvements and Audits
- Implemented Supplier Code of Conduct Due Diligence for Procurement and Contracting
- Implemented Modern Slavery Due Diligence for Procurement and Contracting
- Valuation impact assessment through Quarterly ESG and Climate Risk reporting
- Whistleblowing Policy and employee contract updates
- Supported Environmental Justice through certain investments
- Commenced formal Life-cycle analysis and established new solar and battery recycling partnerships
- Lobbying, regulatory and policy work around climate, ESG education and compliance training
- Collaboration and Information Sharing across Investees and with industry partners
- Training including diversity, inclusion, modern slavery, climate financial impact

Quinbrook tracks portfolio ESG metrics on a quarterly basis at Quinbrook level, and monthly or bi-monthly at Board level, including implementation (where necessary) of policies and processes, review of specific outcomes,

evaluation of incidents and otherwise. Quinbrook's Managing Partners, Board members, ESG team, Head of ESG and Head of Compliance each support the ongoing assessment of Quinbrook stewardship activities.

## 8 Robust Governance Structures

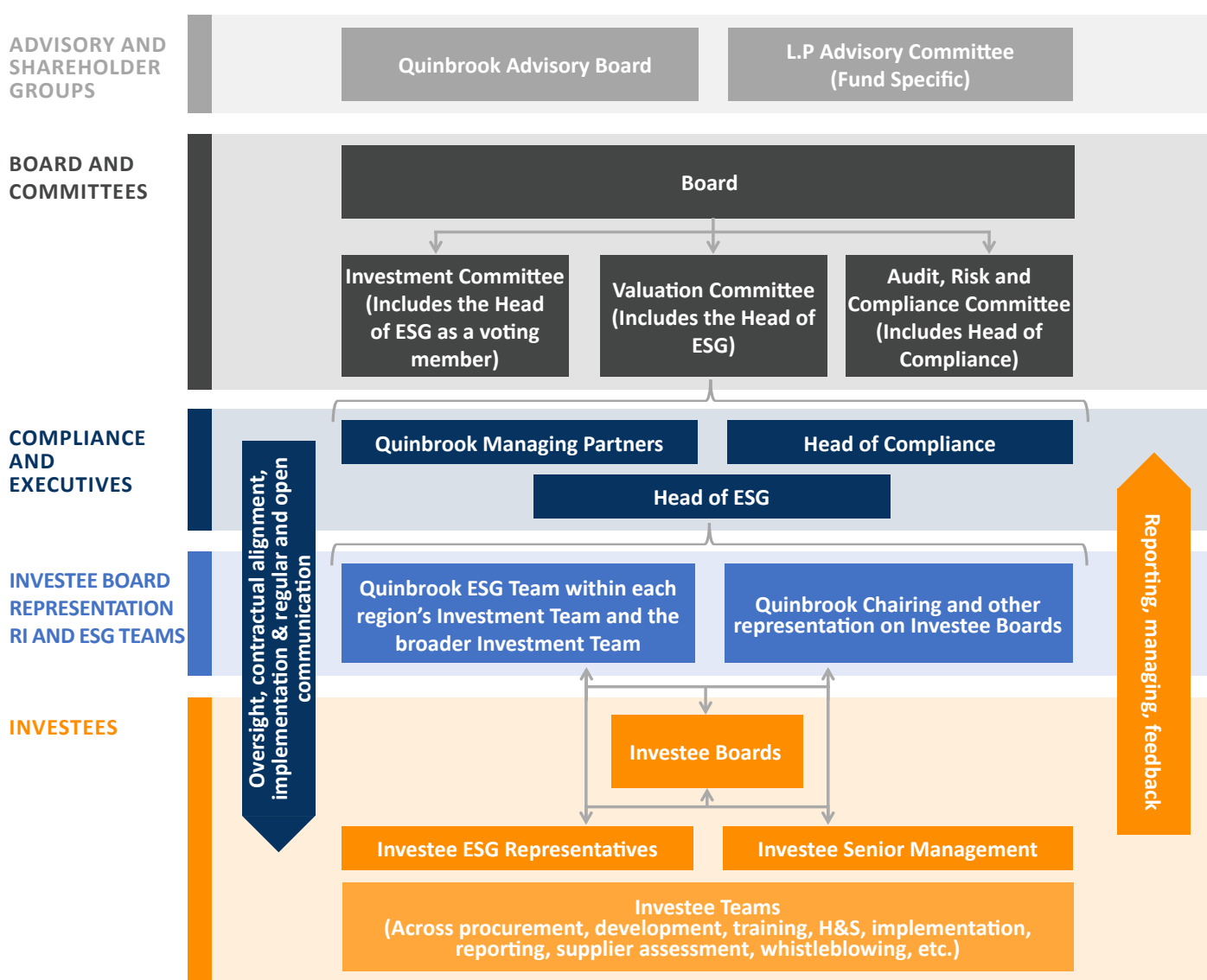
### GOVERNANCE STRUCTURES

Quinbrook's overall governance approach is guided by Quinbrook's Stewardship, ESG, Human Rights and other policies and built on sole or majority ownership of each portfolio company, which enables close working relationships with Investees, a high degree of 'hands on' guidance and control, Board representation and an overall culture of transparency.

Quinbrook's Head of ESG is a voting member of the Investment Committee, and a member of the Valuation Committee, in order to further drive oversight of and commitment to ESG from the top and awareness of climate risks and opportunities as a key component of both initial and ongoing investment decision making.

The governance structure adopted by Quinbrook for Investee companies is illustrated below.

Figure 6 Quinbrook's Investee ESG and RI Governance Structure





## 8 Robust Governance Structures



### TEAM, ESG AND RI GOVERNANCE STRUCTURES

Quinbrook's team is drawn from a diverse level of industries and backgrounds. The team members' training and qualifications include engineering, environmental science, law, industry operations, economics and energy markets, asset management, accounting and finance. Quinbrook supports the team in continuing to improve qualifications and training, including unconscious bias, modern slavery and cybersecurity.

Quinbrook has a dedicated team who are responsible for ESG across the firm. Managing Partner, David Scaysbrook, is primarily responsible for ESG at Quinbrook. In addition, four ESG Ambassadors (in the UK, US and Australia) support the team and portfolio companies in defining, implementing and driving improved ESG and climate strategies, practices, reporting and policies across the managed portfolios.

Quinbrook also believes that ESG and climate considerations should be integrated into day-to-day management and stewardship of portfolio companies, and are the responsibility of the team as a whole. Quinbrook believes that optimal value outcomes for our investors are intrinsically tied to the sound assessment and management of ESG risks, adherence to the principles of responsible investment (RI) and awareness of both climate risks and opportunities. The ESG team is integrated into the Investment Management Team such that ESG is not sidelined or part of any silo. The ESG team leads the design, implementation, reporting and training, however ESG and RI responsibilities are shared by all team members. ESG representatives are appointed within portfolio companies. Quinbrook's ESG team works very closely with them to support adherence to policies and their implementation.

### ADVISORY BOARD

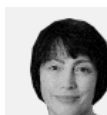
To support the implementation of Quinbrook's Stewardship, the team draws on the experience of its Advisory Board members. Quinbrook's Advisory Board Chairman Mark Fulton and member Dawn Turner, are recognised leaders in climate and stewardship. Mr Fulton has led the consortium of the PRI Inevitable Policy Response and has represented Quinbrook on joint venture work groups with CERES and the PRI. Following the end of the reporting period, Fiona Reynolds, CEO of PRI, and Kurt Akers, also joined Quinbrook's Advisory Board. The Advisory Board meets quarterly, as well as having regular ad-hoc discussions with team members or supporting Quinbrook in external collaborations and events.

Figure 7 Quinbrook's Advisory Board<sup>6</sup>

#### SENIOR ADVISORS



**Mark Fulton**  
Senior Advisor  
Climate Policy



**Dawn Turner**  
Senior Advisor  
ESG and LGPS



**Kurt Akers**  
Senior Advisor  
US Infrastructure



**Fiona Reynolds**  
Senior Advisor  
ESG & Climate Policy

<sup>6</sup> Please note that Fiona Reynolds and Kurt Akers were appointed in 2021, shortly post the reporting period. <sup>8</sup> Calculated based on equity investment.

## 9 Board Control and Effectiveness

Quinbrook has majority control (more than half the board members / votes) on >99% of Investee Boards. A Quinbrook team member (usually one of the Founders), acts as Chairperson of the board on 99% of Investee company Boards<sup>7</sup>.

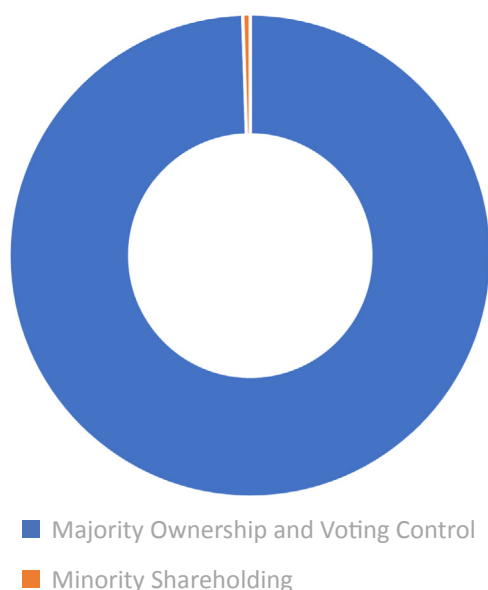
This enables the high levels of influence and alignment that Quinbrook endeavours to drive within its managed portfolios. For a non-typical investment where Quinbrook funds hold a minority investment (<1%), Quinbrook was informed of decisions by the Board, held certain minority protection voting rights and engaged the board of the company on major new initiatives. In another Investee, in which Quinbrook's funds hold less than 40% of the shares, Quinbrook structured the commercial agreements such that Quinbrook representatives hold certain veto rights for

major corporate decisions, thereby establishing Quinbrook to influence key strategy, hiring, mergers, policies and practices.

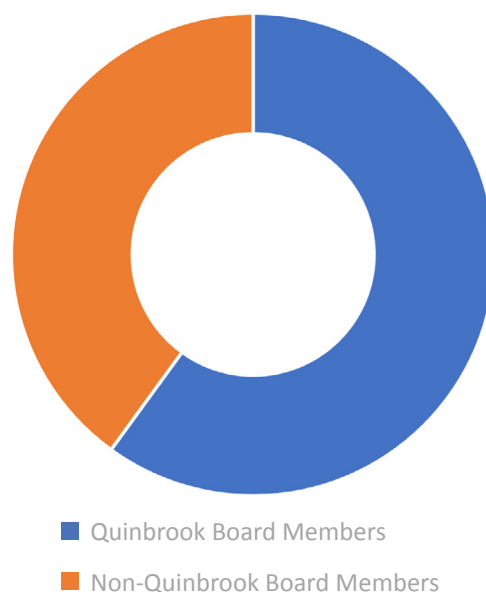
Board oversight ensures that ESG matters are considered at the highest levels of each business. Quinbrook's team is then able to work with Investees to actively monitor the implementation of Board requests and approvals, such as implementing specific ESG risk mitigation measures, adherence to procurement policies, hiring of key staff, budget completion and data gathering/reporting. During the year, Quinbrook continued to support a merger between two Investee companies, to improve synergies, but importantly, to also provide more robust compliance controls and governance oversight within the combined enterprise.

Through regular engagement and ultimate governance control, Quinbrook is able to impact a portfolio company's key decision making, strategy, processes and policies to align Investees with Quinbrook's ESG and Stewardship Policy.

**Figure 8** Investee Company's where Quinbrook holds Majority Ownership and Voting Control



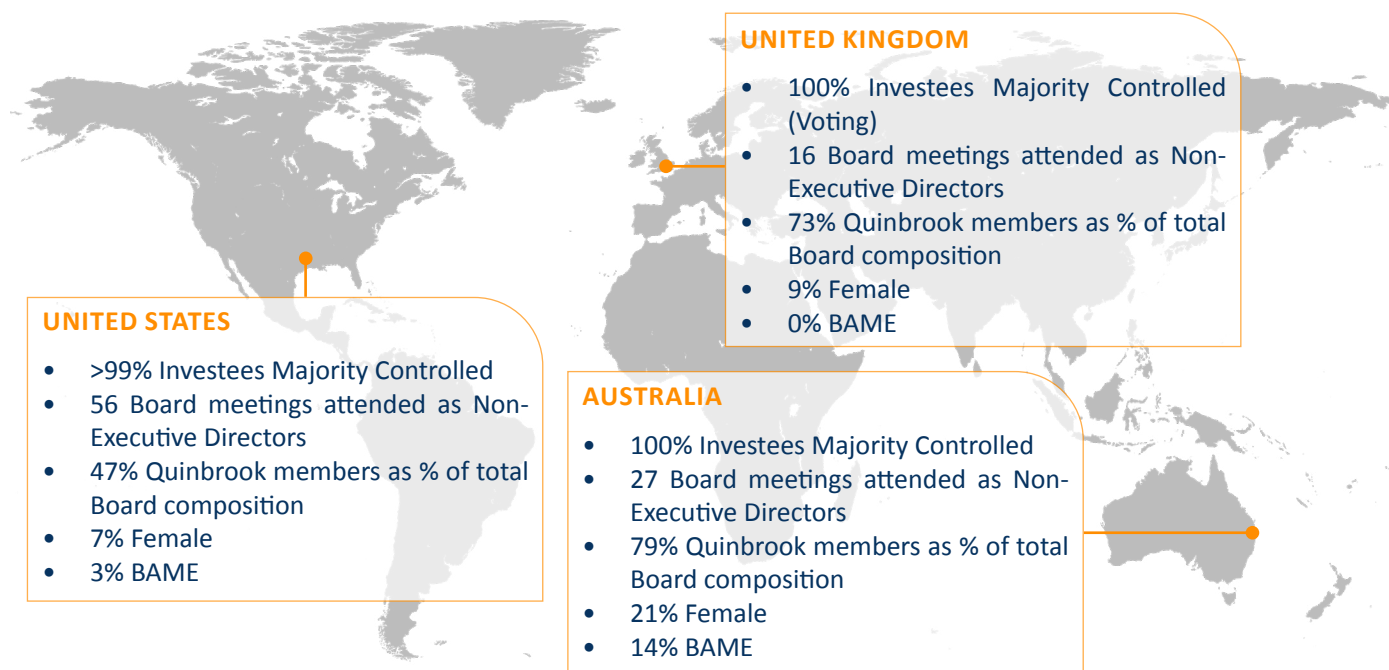
**Figure 9** Overall % Representation of Board Positions Across Quinbrook's Portfolio



<sup>7</sup> Calculated based on equity investment.

## 9 Board Control and Effectiveness

Figure 10 Voting and Board Control Statistics<sup>8</sup>



Each portfolio company has, on average, at least one board meeting a month with a total of 91 formal board meetings Chaired and attended by Quinbrook representatives over the 12 months. At each board meeting, Quinbrook supports Investee companies to report on a range of ESG metrics, in particular focusing on material ESG risks, opportunities or impacts. Quinbrook works with Investees to ensure ESG metrics are reported and monitored, including topics such as cybersecurity, health and safety, climate change, environmental incidents, supply chain risks in relation to modern slavery or environmental impact, climate risks on performance, insurances and market pricing.

Moreover:

- Through day-to-day involvement, oversight or management of Investees, Quinbrook's team is able to intervene early in areas of potential conflict, or where we believe Investee strategy or decision making does not align with the aims of our Investors and/or Quinbrook's policies;
- Through Board representation, contractual alignment and majority voting controls, Quinbrook is able to

better promote beneficial change within companies to strengthen financial and ESG performance and align corporate behaviour with Investors' long-term interests not only through the formality of board control, but also through day-to-day involvement with the management teams, regular management meetings, quarterly reporting, and annual audits; and

- A diverse board is also an effective board, providing diversity of thought, concerns and perspectives. Studies show that high corporate social responsibility reporting is more relevant in terms of market value for companies with gender-diverse boards<sup>9</sup> and Quinbrook strives to improve diversity on all Investee Boards. Quinbrook's Investee Boards are, on average, 55% Quinbrook representatives, 11% women and 8% BAME. This level of diversity is aligned and consistent with the overall employment statistics for women and BAME in the energy industry, however, Quinbrook is actively trying to improve diversity across Investee Boards and at all levels. Further details on our diversity and inclusion aims are included in section 15 Diversity and Inclusion.

<sup>8</sup> Statistics are based on averages in each region as at/in the year ending December 2020. Excluding minority holdings, US Boards of Investees comprise on average 67% Quinbrook Board members. <sup>9</sup> Nekhili, M., Nagati, H., Chtious, T. & Nekhili, A. (2017). Gender-diverse board and the relevance of voluntary CSR reporting. *International Review of Financial Analysis*, 50, 81-100.



## 9 Board Control and Effectiveness

### KEY BOARD AND ENGAGEMENT OUTCOMES

Through Board controls, day-to-day proximity to and engagement with Investee management, Quinbrook is able to drive outcomes that are aligned with our policies and create beneficial long-term outcomes for stakeholders and

Investors or, intervene early to seek to correct or escalate areas where we see divergence. The below showcases just some of the key outcomes achieved during the year arising from Quinbrook's Board representation, voting, decision making, day-to-day engagement and overall management:

#### High Level Stewardship Outcomes

##### >15 GW

renewable and climate mitigation infrastructure and businesses under operation or development as at the reporting date.

##### ALIGNMENT-BASED EXECUTIVE REMUNERATION

put in place by Boards in several portfolio companies to create better long-term alignment with Investors through profit share arrangements.

##### PURCHASING POWER

Quinbrook has negotiated with suppliers or contractors favourable pricing or other terms, that through Quinbrook's relationships, are able to be shared more broadly across the portfolio companies.

##### PORTFOLIO-WIDE CYBERSECURITY AUDIT PROCESS

commenced portfolio-wide to fortify existing cyber controls in each company and promote consistent application and risk mitigation.

##### PORTFOLIO WIDE COVID-19 RESPONSE AND SAFETY SUPPORT

supporting ongoing responses to COVID-19, prioritizing employee safety, business continuity and data protection, and safe return to work.

##### COORDINATING JOINT POLICY RESPONSES AND SUBMISSIONS, MARKET REFORMS

Quinbrook led policy responses and submissions to regulatory agencies.

##### COMPLIANCE/GOVERNANCE DRIVEN MERGER AND NEW MANAGEMENT EMPLOYED

to enable more robust compliance, reporting, customer service between two Investee companies, where weaknesses were assessed.

##### RISK REDUCTION THROUGH DIVERSIFICATION

voting against Investee projects that failed to provide risk diversification, to reduce exposures and risks to markets or counterparties.

##### RISK MITIGATION THROUGH CONTRACT NEGOTIATION

Quinbrook often leads or supports negotiations to improve risk mitigation and terms, including counterparties, debt or other providers.

##### VOTES AGAINST INVESTEE PROPOSALS

early intervention or voting against Investee management recommendations. Including halting acquisitions we believed lacked appropriate governance or where evidence of unsafe practices was found.

##### MANAGING CONFLICTS OF INTEREST

Quinbrook has intervened in Investee hold or exit decisions, to better align outcomes with fund objectives.

##### POLICIES REVIEWED, APPROVED AND IMPLEMENTED

for implementation, across ESG, Modern Slavery, Diversity & Inclusion, Harassment and Bullying, Whistleblowing, Conflicts of Interest.

##### INVESTEE CASH CONTROL AUDITS COMPLETED

across all portfolio companies. Quinbrook resolved 38% of identified issues immediately and 62% are under 6-12 month review plans.

##### BEST PRACTICE INFORMATION SHARING

Quinbrook facilitates information sharing and discussion between Investees, to support each in learning better practices and processes.

# 10 Climate Related Disclosures and the Environment

## CLIMATE-RELATED FINANCIAL DISCLOSURES

Quinbrook supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Investments are dedicated to developing and building sustainable energy infrastructure, businesses, technology and real asset-based solutions that have a long-term, positive impact on our climate, the environment, local economies and communities. Mobilising investment in low carbon infrastructure technologies, such as renewable power generation, is central to meeting the 2015 Paris Agreement commitments to *"holding the increase in the global average temperature to below 2°C above pre-industrial levels"*<sup>10</sup>.

## CLIMATE INDUSTRY RESPONSE

Quinbrook is also a member of the Net Zero Asset Managers Initiative, and supports the United Nations Inevitable Policy Response, as well as participating in other conferences, educational seminars or research groups to support continuing momentum in climate change investment, collaboration, marked-wide solutions, technology, and innovation.

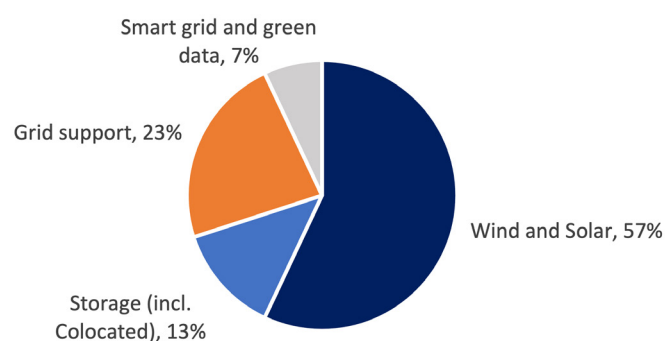
## CLIMATE STRATEGY

Quinbrook's investments are exclusively in low carbon and renewable energy supply, storage and grid support, infrastructure, and related businesses and assets that we believe can support the transition to a low carbon economy, through production of renewable energy, energy storage, access to renewable or community energy, construction of distributed renewable energy, and new grid support solutions that directly enable more intermittent renewables capacity to be safely and efficiently managed on the electricity grid as power markets rapidly decarbonise. This

strategy aligns with Net Zero goals and the key principles of the Inevitable Policy Response Scenarios, anticipating rapid changes in the energy system, including that that electricity, gas and hydrogen will replace coal across industry sectors by at least 2040<sup>11</sup>.

Quinbrook's climate strategy extends beyond emissions avoidance and renewable energy generation, to investing in assets and businesses that are critical to enabling a more secure, reliable transition to Net Zero such as energy storage, grid stability and inertia, grid technology and controls and the provision of 24/7 green energy to core and emerging industries such as data, hydrogen, green construction and logistics.

Figure 11 Invested Capital Split by Technology<sup>12</sup>



During the year, Quinbrook continued to work with Investees to grow, progress and fortify their invested asset portfolios, each supporting climate risk mitigation, the clean energy transition and overall resilience. Overall, Quinbrook's management and guidance has continued to drive the scale of the contribution made by the fund portfolios; constructing and developing significant new capacity across renewable energy supply, storage assets and grid support businesses.

100% of Quinbrook's Investee companies support the clean energy transition through the generation of renewable energy, storage, more secure peaking power and grid stabilisation and support, social housing or community energy supply including solar and battery storage and demand side flexibility.

<sup>10</sup> <http://www.oecd.org/g20/topics/financing-for-investment/clean-energy-infrastructure.htm> <sup>11</sup> <https://www.unpri.org/forecast-policy-scenario-macroeconomic-results/4879.article> <sup>12</sup> As at 31 December 2021

# 10 Climate Related Disclosures and the Environment

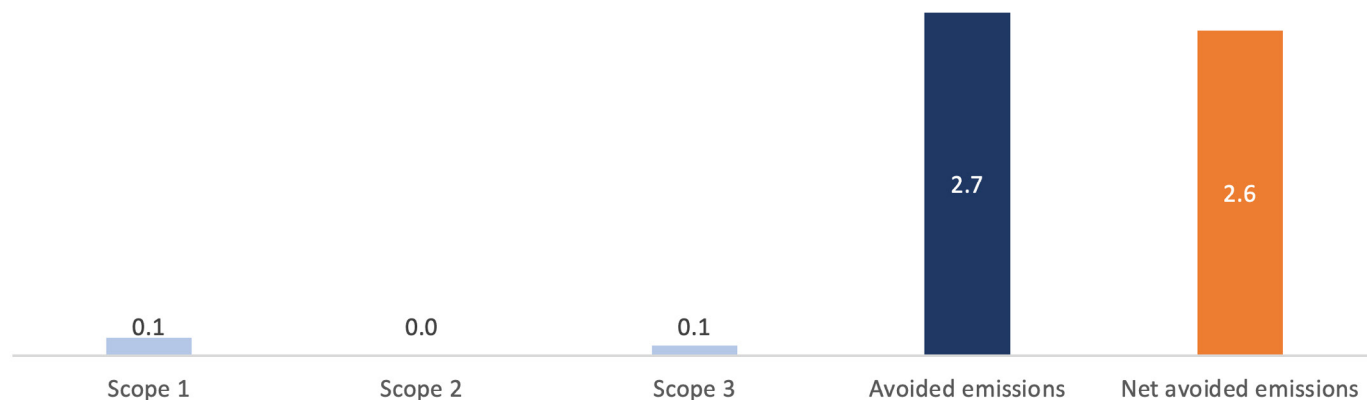
TCFD and Climate Metrics as at 30 June 2021





# 10 Climate Related Disclosures and the Environment

**Figure 12** Combined Investee Company Emissions vs. Avoided Emissions 12 Months to June 2021 (tCO<sub>2</sub>e million)<sup>13</sup>



## GOVERNANCE AND RISK MANAGEMENT

Climate risk management is central to Quinbrook's overall governance processes and structures. Quinbrook's Board, Managing Partners, Risk, Valuation, and Investment Committees are responsible for climate governance oversight, supported by the ESG and broader investment teams and Quinbrook representatives as Members of Portfolio Company Boards. Climate impacts and risks are regularly assessed by each of these parties through established investment process scoring and materiality analysis.

Further details on the climate and environmental materiality, risk and opportunity impact assessment undertaken by Quinbrook in its investment and decision-making processes and ongoing valuations and asset management are shown above in section 6, *Disciplined Approach to RI and ESG Investment*.

## FINANCIAL IMPACT AND ASSESSMENT

Quinbrook's portfolios are constructed to be resilient, well-positioned, and adaptable to future and current changing climate scenarios, policies and demand. Overall, Quinbrook believes that new climate policy and rapid renewable growth scenarios would: drive increasing demand for the purchase of renewable energy through a proliferation of higher purchase commitments, especially from corporate buyers; increase renewable power demand overall; and heighten the critical need for more renewable, grid balancing and storage to support accelerated decarbonisation. Assets are assessed in relation to resilience and risk to changing climate scenarios. Quinbrook anticipates carbon pricing impacting the UK natural gas assets, and hence has built this into the base case portfolio return forecasts for relevant funds. We also estimate that negative carbon price or may be offset by other positive outcomes such as higher revenues for grid support services as accelerated renewables build increases market demand for these support services. Quinbrook is working with the Inevitable Policy Response team and other climate financial impact consultants to provide more detailed financial impact reporting to Investors in our funds.

<sup>13</sup> Scope and avoided emissions are calculated based on available portfolio and industry grid intensity, output and other emissions data. For Scope 2 and Scope 3 data in particular, this information can be limited and the data presented may change due to ongoing refinement and improvements of methodology.

# 10 Climate Related Disclosures and the Environment

## CASE STUDY: SUPPORTING THE U.K.'S ENERGY TRANSITION TOWARDS NET ZERO

- Quinbrook is focused on helping drive the United Kingdom's energy transition toward Net Zero emissions of greenhouse gases by investing in infrastructure supporting improved energy security, ongoing economic recovery and job creation following COVID-19.
- Quinbrook's UK investments to date, including in demand side response and high efficiency peaking power capacity, are consistent with the U.K. Government's policies to create a smarter, more resilient and flexible power system in the U.K. that enables the Net Zero transition to progress and achieve the significant carbon emissions reductions required from the energy sector.
- The Net Zero commitment is projected to increase the UK's number of "green collar jobs" to approximately 2 million and boost the value of exports from the low carbon economy to £170 billion a year by 2030.
- Quinbrook acquired Flexitricity, an early mover in a very small group of demand-response operators in Great Britain. Flexitricity has been an innovative market participant for over 10 years addressing customer demand management as decarbonization accelerates, creating real cost savings for energy consumers whilst also enhancing grid support during periods of system stress and higher power prices.
- The Flexitricity 'Virtual Power Plant' consists of an aggregated 540MW of distributed flexible energy resources from a wide range of different assets owned by customers across Great Britain.
- Quinbrook governs Flexitricity's Board and supports all day-to-day management initiatives, ESG impact measurement, training and operations, enabling more affordable clean energy and supporting key United Nations Sustainable Development Goals across climate action.
- Quinbrook's team directly drives the day-to-day project development and operations of Velox Power, (a UK business dedicated to constructing and owning a diverse portfolio of grid supporting, clean and renewable gas generation assets), helping to create and preserve jobs in the UK, and provide real and measurable ESG impact with the deployment of our investors' capital, supporting the clean energy transition with new peaking power capacity creating more sustainable cities and communities, innovative infrastructure, job creation and economic growth.



# 11 Driving Sustainable Progress and Innovation

Quinbrook believes that our Investees can create meaningful impact in creating more sustainable progress and innovation within the communities in which we invest. Our focus sectors include the decarbonisation opportunity

arising in green data, green hydrogen, green steel and construction, agriculture, aviation fuels and water supply, each relying in the long-term on the availability of affordable renewable power.

Quinbrook is focused on supporting Investees and in key areas of progress and innovation in industrial decarbonisation that we believe are set for high growth, yet to do so sustainably, requires significant investment in reliable, low cost clean energy supply.

## CASE STUDY: GREEN DATA CENTERS DRIVING THE DATA REVOLUTION

- During the year, Quinbrook commenced investment into the supply of renewables and 'powered land' solutions for green data centres, supporting renewables-powered hyperscale and high performance computing data centre campuses in the US and Australia
- The objective to deliver low-cost 'around the

clock' clean power supply and back-up resiliency solutions, enabling data centre operators to meet their 'net zero' targets

- Data centres are a major consumer of electricity and in 2019 made up 1% of global electricity demand, and five of the top 10 global corporate PPA off-takers

Figure 13 US Data Centre Energy Use

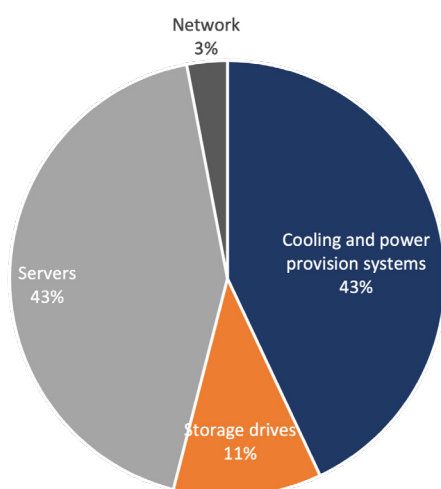


Figure 14 Global PPA Volumes by Sector



Sources: IEA, Data Centres and Transmission Networks, 2020; BNEF Corporate PPA Tracker, 2020; IEA, Data Centres and Data Transmission Networks; BNEF Corporate Net Zero Targets Primer; US Data Centre Energy Usage Report, 2016



# 12 Life Cycle Impact and Footprint

End of life impacts are an area of focus and concern for most infrastructure assets, particularly within renewables for solar and battery storage assets. Quinbrook has worked with portfolio companies over the year to implement

innovative new recycling programs, and end of life analysis to support responsible recycling of solar PV and battery assets at the end of the useful life.

## CASE STUDY: RESPONSIBLE CONSUMPTION, REUSE AND RECYCLING

- End of life and lifecycle impacts are a critical consideration in accessing the long-term sustainability of new renewables assets particularly as the scale of battery and solar waste grows.
- In 2020, portfolio company GlidePath Power Solutions LLC (GlidePath), a US-based independent developer and operator of utility-scale energy storage and renewable energy projects, partnered with Renewance to advance battery recycling and repurposing efforts for the energy storage industry
- Renewance is an industrial battery life cycle management company and a winner of the US Department of Energy Battery Recycling Prize. Hundreds of millions of lithium-ion batteries are currently being deployed in the U.S., elevating the need for better regulatory compliance, environmental protection, and conservation of precious metals. Renewance provides battery life cycle management software and services

that allow energy storage companies to focus on their core business while increasing safety and sustainability.

- The Renewance Connect platform will additionally help reduce operating costs and complexity for GlidePath, while increasing the environmental benefits of the company's battery storage assets. Renewance employs local, safe reuse and recycling programs at end of life
- Quinbrook also works with Investees to prioritise the selection of solar and battery equipment that is lower in toxicity, more readily recyclable at end of life, or less hazardous overall and has initiated end of life recycling options across our Investee businesses.



# 13 Human Rights and Supply Chains

A key focus and outcome during the year was the implementation of better supply chain assessment and due diligence, particularly across project construction counterparties, battery, solar and other equipment suppliers. Quinbrook worked with external specialist advisers to develop a suite of policies, tools and data inputs that would enable Investees to better assess risk of human rights violation, environmental risk, corruption and other issues in key equipment supply chains. During the year, Quinbrook worked closely with Investees to implement these through:

- Implementation of a Supplier Code of Conduct
- Implementation of Human Rights Policies
- Preparation for Modern Slavery Transparency reporting
- Implementation and training on Modern Slavery Due Diligence processes, legal contracting terms and questionnaires
- Board level approval and encouragement of projects working with groups responsible contracting and freedom of association, supporting schools located in disadvantaged areas.

## CASE STUDY: HUMAN RIGHTS IN SUPPLY CHAINS

- Quinbrook has worked with expert human rights advisers, and supported portfolio companies in implementing robust Human Rights and Supplier Codes of Conduct, to enable the selection of suppliers and contractors committed to protection of human rights
- This includes extensive screening of suppliers based on key industry supply chain risks such as cobalt mining and use of suspected forced labour in or from Xinjiang China.
- Quinbrook's ESG team is working with procurement teams to screen and assess equipment suppliers seeking to choose supply from groups committed to human rights
- Quinbrook was able to guide and work with Investee procurement and contracting teams

to demand increased levels of disclosure from suppliers, avoiding suppliers or products using forced labour in Xinjiang, seeking alternatives to cobalt in lithium ion NMC batteries by shifting to LFP batteries, or to work with companies seeking alternative sources of cobalt.

- Quinbrook's representatives on portfolio company Boards, also supported and approved work with unions on sites, such as the IBEW (Electrical Workers Union).



# 14 Health and Safety

Quinbrook's Founders and many senior team members have come from a power industry operational, engineering and project development background, working on-the-ground in energy and infrastructure development and construction business. This drives a robust focus on health and safety across our portfolio companies. Quinbrook's team works closely with the management teams of portfolio companies to implement processes, policies and practices that we believe enable 'best practice' outcomes.

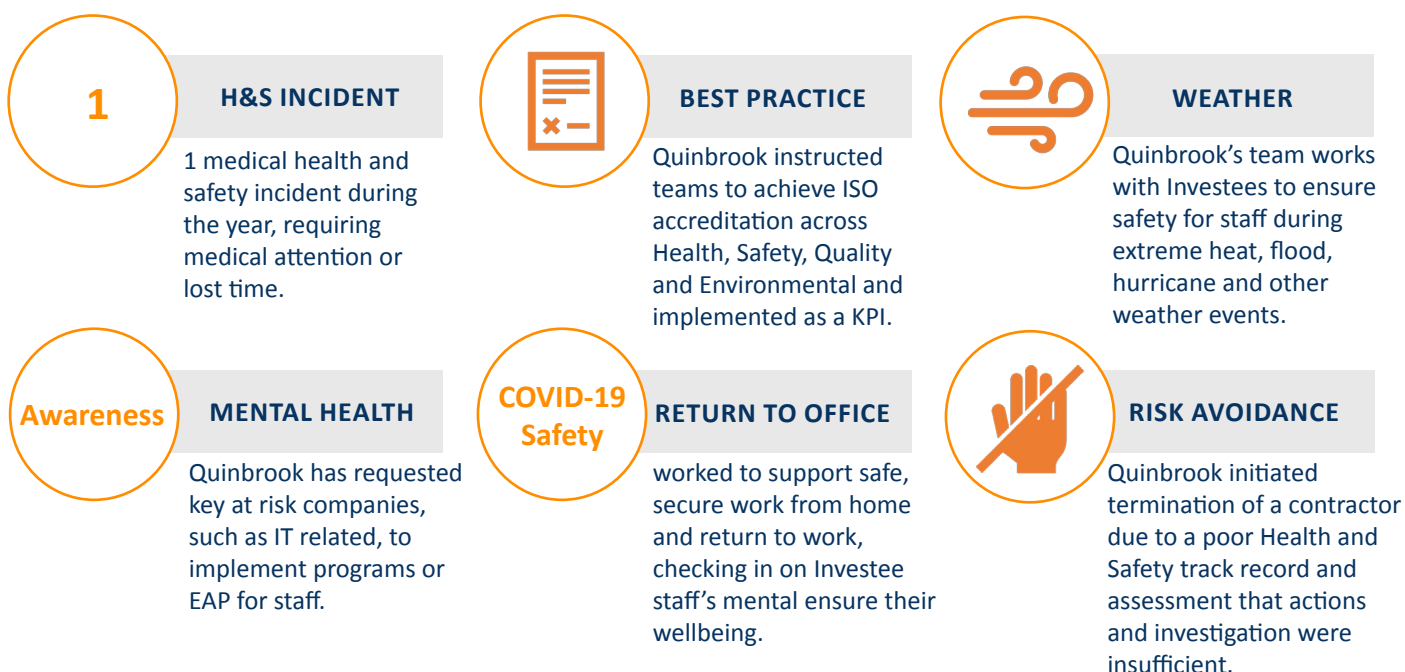
At regular Board meetings, Quinbrook representatives on Investee Boards, review the safety Job Hazard Analysis reports, any incidents reported and work with senior management on follow up protocols, training, additional safety or other measures to mitigate future risks and the risk of repeated occurrence. Quinbrook has implemented KPIs for Investee company staff in instances where we felt safety precautions or training were insufficient, or where new approaches were needed such as mental health.

Examples of key safety measures implemented include:

- Strict adherence to Site Safety Plans (SSP)
- Job Hazard Analysis based on guidance from the Occupational Safety and Health Association (OSHA)
- Assessment of contractor track records
- OSHA certified personnel requirement
- COVID-19 safety protocols and distancing
- Working with children safety protocols and checks for workers on-site at schools
- Hazardous Materials and Waste Management Plan, as well as a Spill Prevention and Emergency Response Plans
- Specialist fire and safety plans, implemented with local fire brigades
- Project planning and design changes, to reduce potential health and safety risks



## Key Health and Safety Metrics and Outcomes



# 15 Diversity and Inclusion

Quinbrook believes that to consistently achieve the most optimal outcomes, Investees should rely on the contribution of all employees, their active inclusion in the enterprise, engagement and ensure their wellbeing. Quinbrook requires all Investees to provide equal employment opportunities to all employees and applicants without regard to race, ethnic origin, gender, sex, religion or belief, disability, age or sexual identity in accordance with applicable laws. Quinbrook is committed to taking action to prevent and to eliminate any form of discrimination directly or indirectly both within Quinbrook and at Investee companies. Through day-to-day engagement with management and Board representation, Quinbrook has supported the following outcomes across some of its Investee companies:

- Implementation of Equal Employment Opportunity Policies
- Working with recruitment companies to seek application pools that better reflect the diversity of the broader population in which the relevant business operates
- Adjusting business practices, tools and access for employees with disabilities
- Mentoring and support programs for women in

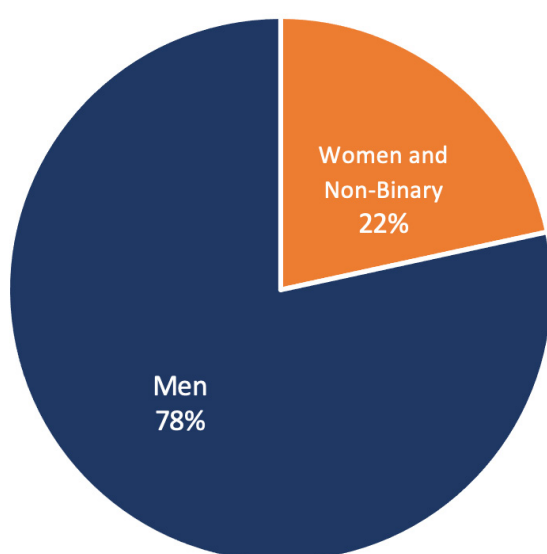
Investee companies

- Providing training on unconscious bias
- Working to provide an inclusive culture, through flexible work practices for its people (even prior to COVID-19), including support for parental or other leave or return to work programs and additional flexibility
- Job creation and training initiatives, including in rural areas, economically depressed regions and working with Indigenous groups.

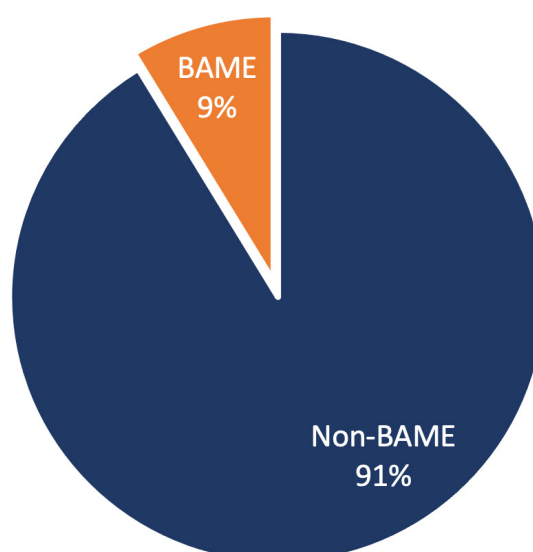
During the year, Quinbrook collaborated with other companies, regulators and Investors to discuss on-the-ground implementation of diversity and inclusion initiatives, and what can be put in place, beyond simply 'policy' and targets.

Quinbrook believes that through improved knowledge and data gathering and disclosure, we are better able to drive diversity and inclusion outcomes and, as such, we collect diversity metrics from Investees on: (i) gender, age, country, ethnicity and minority groups; (ii) return from parental leave; (iii) promotions and parental leave taken by gender and ethnicity; (iv) educational background.

**Figure 15** Diversity & Inclusion (All Reporting Investee Employees)<sup>14</sup>



**Figure 16** Diversity & Inclusion (All Reporting Investee Employees)



<sup>14</sup> Reporting on diversity statistics is voluntary, both at company and individual level and statistics may not represent all employees.



## 15 Diversity and Inclusion

Diversity across all levels, from Board directors, senior executives and junior candidates, is a key focus for Quinbrook. We are highly cognizant of some of the complexities that are involved in improving these figures. For example, in the energy industry as a whole, women represent only 14% of the overall workforce<sup>15</sup>. In the UK, only 5% of the energy and utility workforce is estimated to be BAME<sup>16</sup>. An effective approach to improve diversity, therefore extends beyond simply Board appointments. While Quinbrook is focused on improving diversity at the Board level, we are aware of the fact that to improve at Board level, we also need to support opportunity, education and training at all levels of employment within the energy and investment management industry.

To this end, during the year, Quinbrook continued working to improve the representation of women and BAME within the senior levels of portfolio companies, through targeted hiring programs, to better represent the diversity of the population. Quinbrook works actively in hiring, promotions and Board appointments to seek to create a fairer and more equitable hiring or Board appointment process.

For example, Quinbrook's teams have been trained in unconscious bias to consciously seek to remove such bias'. Quinbrook has requested recruiters actively seek out candidate pools that better represent the diversity of the broader population and in 2020 this was in part successful, with the senior appointments of a number of women and BAME candidates across Investee companies and Boards within Quinbrook. We believe that diversity of all kinds improves Board effectiveness and supports better risk management.

Being aware of the smaller representation of women and BAME in the industry has also led Quinbrook to partnering with groups such as The Diversity Project and #TALKABOUTBLACK's Catalyst After School Program, designed to tackle the underrepresentation of ethnic minorities in the asset management industry. Providing greater opportunity at early stages of career or education is one means of supporting greater diversity in the future. Members of Quinbrook have also volunteered to support Women's Clean Energy Hackathons or Mentoring programs to support the advancement of women in the industry.



<sup>15</sup> Jun 2019, Women in power: why the energy industry needs more female workers <sup>16</sup> Mar 2019, Energy and utility giants announce diversity pact

# 16 Job Creation and Training

## JOB CREATION DURING COVID-19

During a difficult year for many industries, Quinbrook has continued to support Investees in growing their teams and filling a variety of new positions, as well as continuing to create jobs through continued project development and new asset construction at COVID-19 safe job-sites. Quinbrook's strategy is focused on the creation of new early infrastructure assets and company growth, which has enabled the creation of local, fair jobs and training throughout the year. As at the end of the year, operating and under construction assets within Quinbrook's broader Investee portfolios are forecast to create over 2,000 jobs over their projected lifetimes, in addition to indirect contracting, manufacturing and positive economic impacts.

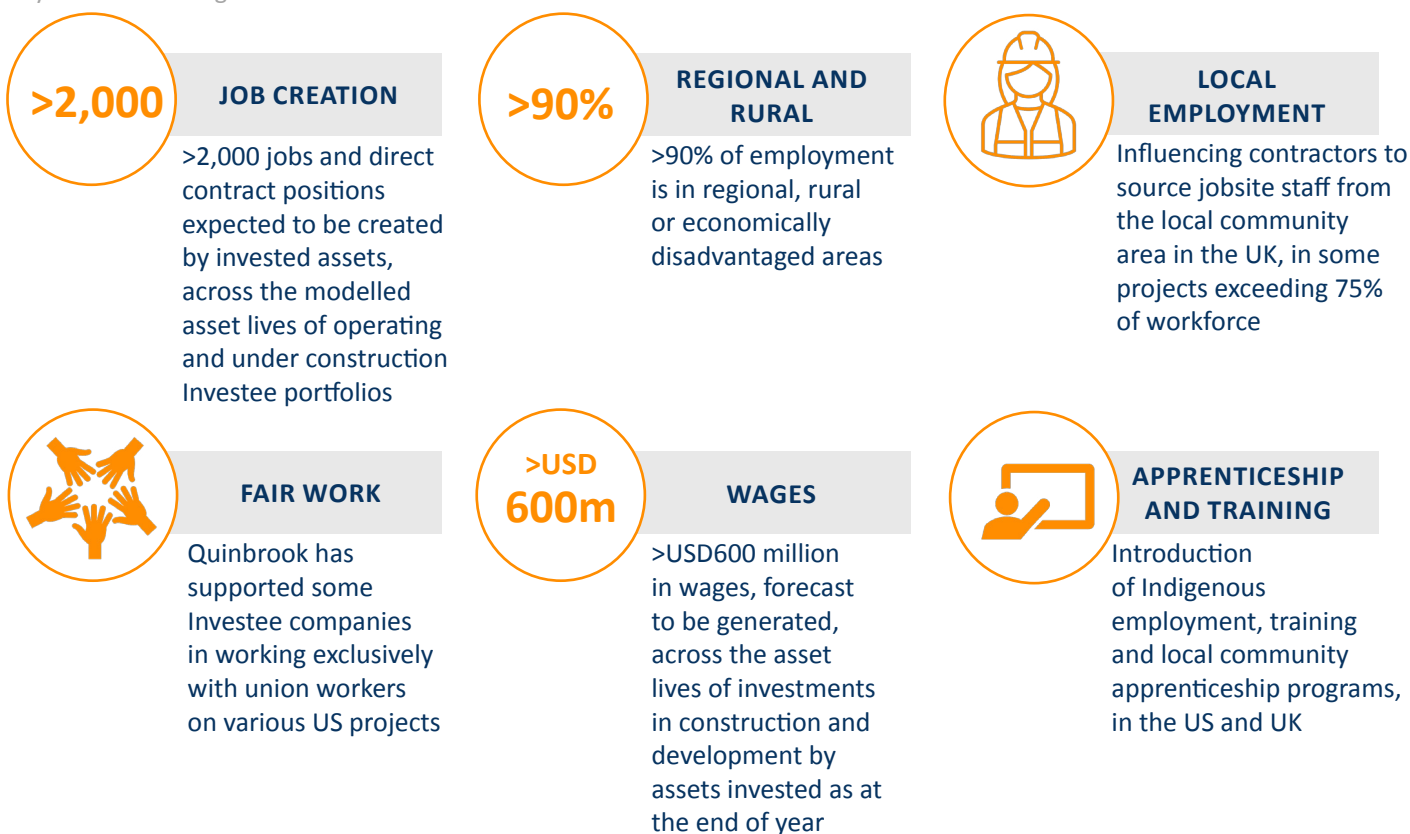
## FAIR WORK

Fair work is central to Quinbrook's implementation of its ESG policies and commitment to Responsible Investing. As one example, the recent Primergy Illinois solar portfolio was constructed by local IBEW labour in a multi-site construction program extending over a six-month period.

IBEW is a labour union that represents nearly 750,000 workers and retirees in the electrical industry in the US. Quinbrook's portfolio company, Primergy Solar, continues to support mentoring, training and hiring programs through new solar projects that are located in areas that are economically disadvantaged.



## Key Job and Training Outcomes



# 17 Community and Environmental Justice

Quinbrook actively works with each portfolio company to support their ongoing community involvement and to seek opportunities to support relevant local communities having a meaningful say in new project developments.

Quinbrook's projects directly support communities which otherwise may not have the opportunity or resources to procure more affordable renewable energy schemes for their energy needs. New projects also help reduce the impacts of pollution and emissions in communities at risk. Quinbrook, through its direct operations, management and work with Investees, supports improvements in energy affordability, security and reliability, while specific projects seek to also alleviate energy poverty in certain disadvantaged communities.

As one example, over the past 12 months Investee company Scout's windfarms produced over 3 TWh of renewable energy, from operating assets located in five regional communities across four US States. Key outcomes in the community from these assets, approved and supported by

Quinbrook's Board members and Investment Committee include:

- Over US\$ 240 million of benefits estimated to these local communities, across the expected asset lives, through leases to local farmers and landholders and tax abatement programs;
- Providing an additional source of income that can supplement more volatile farming income;
- Creating jobs and promoting economic development;
- Working closely with community leaders and working with input from community members
- Subcontracting work to local companies with good track records and strong core values;
- Increasing local tax revenue to support communities in which Scout's assets operate; and
- Partnerships and sponsorships with local non-profit organizations.

## Community and Environmental Justice Outcomes





# 17 Community and Environmental Justice

## CASE STUDY: 'CALIFORNIA SOLAR IN DISADVANTAGED COMMUNITIES' PROGRAM

During the year, Quinbrook's portfolio company Primergy continued co-development of five solar projects, totalling 14.5 MW with partner Forefront Power. The projects will be completed under the California Public Utility Commission's ("CPUC") Solar in Disadvantaged Communities Program ("DAC Program"), designed to increase accessibility and adoption of renewable energy within disadvantaged communities.

Focus communities are those that are defined as low income and disproportionately burdened by, and vulnerable to, multiple sources of pollution, an area of priority for Quinbrook to support better equality and justice outcomes, through access to low-cost renewable power and its expected environmental benefits.

These projects build on community projects Primergy

has already completed supplying solar power to over 35 community schools and colleges, improving energy affordability and implementing pollination programs to support farmers and providing an estimated US\$30 million in economic benefits and energy cost savings.





# 17 Community and Environmental Justice

## CASE STUDY: SOUTH AUSTRALIAN SOCIAL HOUSING VIRTUAL POWER PLANT

Quinbrook works closely with Investee company Energy Locals, supporting its continuing partnership with Tesla and the South Australian Government, providing retail services to the South Australian Virtual Power Plant.

This VPP has supported the provision of affordable energy to over 1,000 social housing communities and has provided critical grid support during major grid failures. The VPP seeks to provide more affordable, reliable and secure

energy to disadvantaged communities.

Following the program's trial success, the VPP is now targeting 50,000 households over coming years, including up to 5,000 social housing communities. The project anticipates that consumer bills could be reduced by up to 20% and provide access to power during network outages that would otherwise lead to blackouts.





## 18 Cybersecurity

Quinbrook requires all Investees to prioritise cybersecurity, a key area of risk for all businesses. This expectation is influenced by Board initiated programs and directives, as well as portfolio-wide reviews. During the year, Quinbrook:

- Commenced a cybersecurity audit and maturity assessment through a third-party provider, to assess any areas of gaps or improvement at Investee operations. Investee companies worked directly with the third party to review and then test systems on an ongoing basis
- Appointed new CTO staff member to improve all technology and cybersecurity systems within an Investee company
- Implemented Cyber Security training within Quinbrook, to support improved risk mitigation 'in-house'
- Requested the inclusion of cybersecurity in insurances coverages



# 19 Conflicts of Interest



Quinbrook is required to identify, prevent and manage conflicts of interest that arise, or may arise, in the course of conducting its regulated activities between:

1. any of the Advisers, including managers, staff or any person directly or indirectly linked to them by control, and a client of that Adviser; or
2. individual clients of Quinbrook that arise or may arise in the course of any of its investment management activities. This applies wherever the circumstances may give rise to a material risk of damage to the interests of Investors.

Quinbrook adheres to three primary mechanisms to manage conflicts of interest:

- Controlling conflicts of interest;
- Avoiding conflicts of interest; and
- Disclosing conflicts of interest.

Quinbrook follows a clear process to identify, assess and manage conflicts of interest. Conflicts are addressed

through outright avoidance, disclosure, control, and monitoring.

Examples of conflicts of interest during the year have included:

- Cross-directorships in investments, which have been managed through disclosure, implementation of decision-making structures to ensure no conflicted parties have sole or majority voting rights or where conflicted parties have been excluded from voting or decision making; and
- Economic interest (outside of carry or Fund investment alignment mechanisms) in potential or actual investments, has been managed through disclosure, removal of the conflicted team member from the particular investment team altogether, implementation of more senior, non-conflicted members of the team exercising greater oversight, decision making and scrutiny in commercial decisions or structuring. Conflicted members are not able to participate in ultimate investment decisions.

## 20 Alignment and Incentivisation

Quinbrook structures its incentivization schemes both internally and with Investees to promote strong stewardship and alignment on strategic and operational objectives and to maximise long-term value. During the year, Quinbrook's team worked with several Investees to interview and hire new senior team members and implemented profit sharing agreements to support long-term incentivisation consistent with Quinbrook's

objectives of investor return targets. To ensure stronger governance, and alignment between all stakeholders, Quinbrook has structured employment performance KPIs and profit sharing agreements both internally within Quinbrook's investment team, where all staff performance and remuneration reviews include assessment of ESG and stewardship activities, and with Investees that include mechanisms and structures such as:

STRUCTURE / MECHANISM	DESCRIPTION
<b>Employee Profit Sharing Arrangements</b>	<ul style="list-style-type: none"> <li>Linking Investee senior management teams to company performance outcomes.</li> </ul>
<b>ESG Based Bonuses or KPIs</b>	<ul style="list-style-type: none"> <li>Implement ESG related bonuses and structures into team reviews, assessment and remuneration.</li> </ul>
<b>Long-term Incentive Sharing Arrangements</b>	<ul style="list-style-type: none"> <li>Reducing upfront payments and linking remuneration of management teams to key milestones (e.g. non-voting, profit sharing, following the achievement of a hurdle rate of return)</li> </ul>
<b>Management, O&amp;M and Developer Performance Contracts</b>	<ul style="list-style-type: none"> <li>Allocating risk to counterparties by aligning both initial and ongoing remuneration/compensation with long-term project performance</li> </ul>
<b>Construction and Contractor Performance Contracts</b>	<ul style="list-style-type: none"> <li>'Wrap around guarantees' guaranteeing the obligations of the contractor (such as design, costs, timing, performance)</li> <li>Ensuring contractors adhere to Quinbrook's Supplier Code of Conduct, Health and Safety, and Modern Slavery policies</li> </ul>
<b>Conflicts of Interest Policies and Rules</b>	<ul style="list-style-type: none"> <li>In instances lacking alignment, Quinbrook has implemented measures by which the Investment Committee, Board or even LPAC may intervene to promote alignment with preferred investor outcomes.</li> </ul>

### CASE STUDY: ALIGNING REMUNERATION STRUCTURES

During the year, Quinbrook continued the merger of two Investee companies, primarily to better position the combined enterprise for growth and to strengthen management and compliance capabilities, to reduce risk and gain synergies from shared functions. This merger is expected to significantly support the growth of each company. To support this change, between September and December 2020, the Quinbrook team was involved in over 30 interviews for the expansion of the C-Suite team and oversaw and managed the merger of the businesses, seeking a solution that worked culturally and continued to support the existing staff. Quinbrook interviewed prospective candidates, voted on the final candidate selection and worked closely with existing team members to create a new remuneration system better aligned with the long-term performance outcomes of the Investee companies post-merger.



## 21 Tax and Cost Transparency



### TAX TRANSPARENCY

Quinbrook supports the UN PRI's statement that effective corporate tax can support sustainable development, mitigate rising inequality and support inclusive growth and prosperity, by financing much-needed public services, and enabling governments to fund social and environment programmes to address some of the pressing global challenges we face today.

Quinbrook has never voted for nor actioned tax structures that would remove tax transparency. Quinbrook supports all Investees in paying taxes in the locality, state or country where they operate and all Investees are directed to comply with the tax laws and regulations in the regions of operation. Quinbrook recognises the importance of taxation to the funding of good public services on which our Investees and stakeholders rely, and our Investees to commit to paying their fair contribution. Quinbrook also works with Investees to complete country-by-country reporting to local tax authorities on taxes paid or due. Following Quinbrook's Transfer Pricing policies, the group may allocate economic activity based on value that is created.

Quinbrook has worked closely with some US-based Investees who have elected to take part in property tax abatement programmes, that act as incentives to develop renewable projects in rural and economically depressed areas. It is estimated that Investee company projects

taking part will commit over US\$100 million through these programmes to local infrastructure improvements and social programs. Funds are divided up between the state, counties, municipalities and school districts and, as one example, over half of the expected value from one site is expected to fund local county schools.

### CASH TRANSPARENCY AND CONTROLS

Quinbrook conducted a review of the cash controls in place across its portfolio companies. This took the form of interviews with the information security officers and financial controllers at each company, and an examination of the systems and processes in place. Across the portfolio 38% of issues identified were remediated immediately. Action plans were developed and implemented for the remaining 62% of issues, with a view to a follow up review after 6-12 months. Quinbrook remains engaged with the portfolio companies to guide this remediation and has instituted a broader cybersecurity plan for each business. This is designed to foster collaboration between the companies facilitated by Quinbrook, and the sharing of best practices across the broader portfolio.

On acquisition or establishment of new Investee companies, Quinbrook also works with management teams to implement robust cash controls, policies, delegations and other financial control mechanisms.

## 22 Industry and Policy Support and Collaboration

Quinbrook has worked with numerous industry, research and advocate partners to promote better outcomes in global climate action, investment, education and policy. Quinbrook is also a supporter of key industry initiatives, such as UN PRI and TCFD. The below lists some of the key

memberships, associations or think-tanks that Quinbrook has supported during the year, that in turn, we believe, can positively impact Investees, stakeholders and our Investors.

### Examples of Quinbrook's Collaborative Industry Engagements

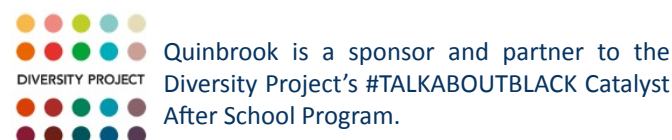
#### Signatory of:



Awarded A+/A+ rating in 2020 as a signatory to the UNPRI and member of the UN PRI Infrastructure Advisory Committee



Quinbrook is a sponsor to and member of the Centre for Climate Finance & Investment Advisory Board and engages with the centre on a regular basis, in relation to innovation, research, data and trends in clean energy.



Quinbrook's team has taken part in think-tank discussions with Ceres, seeking to improve the environmental and social impact of renewable energy development and assets



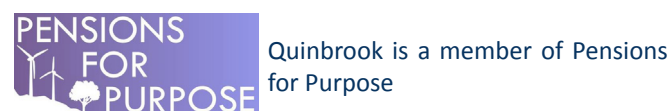
Quinbrook was an industry partner, supporting research and commercial aspects and case studies, for their Power-to-X (P2X) Industry Feasibility Study.



TCFD Supporter, working to improve Climate-related Governance, Strategy, Risk Management and Metric Reporting within our Investee companies and Portfolio



Quinbrook is a supporter of the United Nations FCCC Race to Net Zero, committed to halving our emissions by 2030 and achieve net zero emissions before 2050 (following end of year). Quinbrook also supports the UN Inevitable Policy Response, through research and working groups.



Quinbrook's team supports EnergyLab, a collaboration of leading universities, energy utilities and clean energy organisations, supporting Investee access to innovation and scaling companies

#### Winning the Race to Zero: Journey to COP26

Quinbrook's team has taken part in numerous conferences, panels and other market education events, to help drive understanding of the market needs to continue driving toward Net Zero.

## 22 Industry and Policy Support and Collaboration

### ADVISORY BOARD COLLABORATION

The Advisory Board supports Quinbrook in collaborating and connecting with key influencers and stakeholders in the industry and creates a conduit for Quinbrook to also communicate its position on key topics and issues. For example, Mark Fulton has supported Quinbrook in working with the Inevitable Policy Response, providing market and commercial data, and Dawn Turner often works with the

Quinbrook team in external conferences and events, as well as providing ongoing information on market standards and progress in RI and ESG.

### INVESTEES INDUSTRY COLLABORATION

Quinbrook supports Investees in their own memberships, support and work with industry organisations, including those listed below.



## 23 External Awards and Recognition



Quinbrook seeks to be a leader in Climate and ESG initiatives and works closely with our Investees through an integrated, disciplined and collaborative approach to effective risk management and growth through strong stewardship. During the year, Quinbrook was proud to be recognized by the UN PRI, ESG Investing, IJGlobal and Investment Week for our efforts and progress.

### RECOGNISED WITH UN PRI'S HIGHEST RATING

Quinbrook is a signatory to the UNPRI and each year we report on our efforts across investment, risk management, collaboration and broader work in ESG, climate mitigation, energy transition and resilience. Since commencing mandatory reporting, over the past three years, Quinbrook has achieved an A+/A+ rating each year, the highest rating achievable in the modules that Quinbrook submits. In 2020 (the latest available results as at the reporting date) Quinbrook was awarded the maximum stars (30/30) across combined submitted modules. In 2020, UN PRI reported a total of 7,000 corporate signatories across 135 countries and was reported to be the world's largest voluntary corporate sustainability initiative.

Figure 17 Quinbrook's UN PRI Scorecard 2020

SECTION	SCORE (OUT OF 3)
Responsible Investment Policy	★ ★ ★ 3/3
Objective & Strategies	★ ★ ★ 3/3
Governance & Human Resources	★ ★ ★ 3/3
Promoting Responsible Investment	★ ★ ★ 3/3
ESG Issues in Asset Allocation	★ ★ ★ 3/3
Assurance of Responses	★ ★ ★ 3/3
<b>Total Score 30 ★ (out of a max. 30 ★ from 10 indicators)</b>	

### ESG INVESTING AWARDS<sup>17</sup>

Following the end of year, the Quinbrook Lower Carbon Power Fund was awarded ESG Investment Fund of the Year by ESG Investing, selected from over 130 finalists and each of the numerous winners of each award category. The award related to ESG, climate and stewardship activities and performance of the Fund during the year.

In addition, the Fund received two further ESG awards for Best ESG Investment Fund: Infrastructure and Best

ESG Investment Fund: Energy Transition. Quinbrook is pleased with these industry acknowledgements of the work undertaken by our dedicated team and we continue to work to continuously improve on our ESG processes and impacts. The Fund's asset creation strategy, positive climate impacts, job creation, on the ground community benefits, ESG risk mitigation methodology and our portfolio company engagement and stewardship outcomes, were just some of the elements taken into consideration.

Best ESG Investment Fund:  
Energy Transition



ESG Investment Fund of the Year



Best ESG Investment Fund:  
Infrastructure



<sup>17</sup> See Note 1



## 24 Third Party Engagement and Service Providers

Quinbrook directly manages its portfolio companies and does not use other parties to engage on Quinbrook's behalf, use proxy advisers or investment consultants.

Escalation is carried out in the day-to-day management of portfolio companies where required, or alternatively, because of Quinbrook's integrated work with Investees, areas of concern or issues are able to be resolved directly and well before escalation measures are required. For example, Quinbrook was able to implement extensive modern slavery policies, processes and audit tools and procedures, enabling portfolio companies to be working extensively to seek to avoid human rights issues in solar PV supply chains, before these had to be escalated.

Quinbrook does, however, work on a targeted basis with third party service providers across key areas to support Quinbrook's internal team in more specific areas of stewardship. This includes services in:

- Cybersecurity and business continuation auditing of portfolio companies and within Quinbrook
- Modern Slavery due diligence process assessment and legal requirements, and may also include specific

factory auditing of portfolio company supply chains for high-risk procurement

- Overall environmental, community, socio-economic or cultural impact reporting on specific portfolio company projects
- Carbon tracking and tracing, climate and TCFD assessment, methodology and reporting processes
- Life-cycle and end of life waste and recycling processes and analysis, particularly for battery technologies
- Sustainable data centre design
- Climate and ESG research, workgroup and information platforms, including government climate assessment frameworks, the United Nations Inevitable Policy Response as well as standard platforms such as Bloomberg and S&P climate and ESG research.

Quinbrook maintains high levels of scrutiny over its appointment of service providers and has had positive feedback from external groups on the systems implemented or supported by these providers.

## 25 Exercising Rights and Responsibilities

Quinbrook's team chairs and maintains Board positions on all portfolio company Boards, actively and directly works with management teams on a regular basis, and seeks to raise, avoid, mitigate and manage any key issues early on in their identification, through direct stewardship and portfolio company management.

Quinbrook typically invests in unlisted infrastructure and related businesses. As such, this approach is taken across invested asset classes and geographies and direct management has enabled Quinbrook to mitigate and manage risks early, adjust company operations or business plans, implement policies, structures, KPIs and processes to enhance alignment and seek to grow investment opportunities aligned with Quinbrook's ESG and Stewardship Policy and goals.

In the single instance where Quinbrook does not hold Board representation of a portfolio company, Quinbrook seeks to continuously assess the ongoing alignment of the company with the Fund and Investee goals and has written to directly engage the management. To date, the investment is strongly aligned with Quinbrook's ESG Policy and goals, however, this is not typical of Quinbrook's direct investment preferences.

Quinbrook also collaborates directly with joint venture partners to drive sustainability outcomes. For example, during the year Quinbrook supported the implementation of improved ESG policies and procedures within the Birch/Rowan joint venture.

## 26 Review and Assurance



Quinbrook conducts an annual ESG progress and improvements review and planning exercise, to continuously seek to improve our performance. This includes a review of policies and processes. During the year, this has included implementation of a Stewardship, ESG and Human Rights policies. Quinbrook has worked with portfolio companies to implement or refine parallel policies, in addition to supporting procedures such as the Supplier Code of Conduct and Modern Slavery Due Diligence process. During the year, Quinbrook also reviewed and refined its ongoing Board oversight and meeting structures, to streamline and create more efficient, effective reporting procedures.

Quinbrook is increasingly looking to work with external parties to support this review and better assurance of our ESG and stewardship activities.

Some initiatives this year have included:

- Reporting to UNPRI
- Cybersecurity audit program implemented across the portfolio
- ISO Certification: Quinbrook has instructed teams to achieve ISO accreditation across Health, Safety, Quality and Environmental and implemented as a KPI
- Regular third-party technical assessment during large project design and planning stages, across air quality and emissions, environmental, socioeconomic, cultural and other impacts

- Undertaking of a stewardship, ESG/RI assurance review
- Discussions with regulators to drive improvements in reporting, taxonomy across the industry and within Quinbrook
- ESG compliance and regulatory updates and training

In 2021, we undertook additional activities to improve our governance and assurance processes including:

- Improvements in stewardship and ESG oversight through the appointment of the Head of ESG as a voting member of the Investment Committee and a member of the Valuation Committee
- Canvassing potential platforms to enable more automated ESG and climate data collection and long-term monitoring and assessment
- Work with KPMG to support and refine methodology of TCFD reporting

We continue to work across the managed portfolio, with internal teams and external industry groups to seek areas to constantly improve our alignments, stewardship and governance.

**Quinbrook Infrastructure Partners**

**June 2021**