



Argo Managed Funds (“AMF”)

## A Summary of Responsible Investing Policy

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## 1. INTRODUCTION

Responsible investing is one of the central business considerations at Argo, defining our corporate values, investment activity as well as relationship with our clients, suppliers and employees. Together with fulfilment of fiduciary duties to our investors and focus on return and risk, taking a responsible approach to investing is a critical success factor for Argo embedded both in formal processes and company's culture. This document outlines guiding principles and key implementation arrangements that we have committed to observe with regard to responsible investing.

*Investing responsibly* means that we aim to deploy and manage our client's capital in a way that supports sustainable future for the society at large. Many of our investments are specifically targeting new impact towards sustainability goals, and we make no investments that are expected to trigger opposite impact. Our asset management practices have been designed to foster improvements in asset performance on environmental, social and governance dimensions (ESG). We work continuously to strengthen alignment and engagement on ESG with various internal and external stakeholders.

Our responsible investment policy relies on frameworks, principles and metrics elaborated under:

- United Nations' [Global Compact Principles](#) and [Sustainable Development Goals \(SDG\)](#);
- [GRI Standards](#);
- [Principles for Responsible Investment \(PRI\)](#);
- [Task Force on Climate-related Financial Disclosures](#) of the Financial Stability Board;
- [American Investment Council guidelines for Responsible Investment](#);
- [Sustainable Finance Disclosures Regulation](#);
- [ICGN Global Stewardship Principles](#);
- [GRESB Infrastructure](#);
- [NABTU Scorecard](#).

We also embrace policies and requirements originating from our investors, which include some of the world's largest institutions investing in infrastructure.

Attention to climate change and reduction of carbon footprint is one of the prominent topics for Argo within the wider ESG context. This is a concrete area where infrastructure investment can make a substantial contribution to a more sustainable world, as manifested on a global level in the Paris Climate Treaty and by G20 Workgroup on Long Term Investment, as well as captured in many international, national and state-level policies.

We have been deploying specific measures to monitor and where possible reduce carbon footprint of Argo Managed Funds (AMF). By managing portfolio impact on climate change, we not only act as good corporate citizens but also better meet our investors' allocation objectives and optimise risk and return profile of the portfolio. One of our investment beliefs is that addressing the ESG risks contributes toward more attractive returns over the long term.

Carbon footprint is one example in the range of critical ESG indicators that we measure and manage in the AMF portfolio. Other indicators cover areas from diversity and social impact to occupational safety, consistent with ESG definitions described in the following section.

## 2. KEY DEFINITIONS

In defining various ESG elements we combine information from general frameworks, such as SDG and PRI, infrastructure-specific tools, such as GRESB Infrastructure, as well as our own experience with investee companies of AMF.

Exhibits below set the basic scope of ESG factors considered when implementing this policy.

*Exhibit 1. Environmental Factors*

Environment policy
Training
Environmental protection expenditures
Climate change risks
Pollution and waste management
Sustainable use of resources
Biodiversity

*Exhibit 2. Social Factors*

Employment
Training
Safety
Archaeology and cultural heritage

*Exhibit 3. Governance Factors*

Company's impact on economic and social environment
Stakeholder's management and relations
Shareholder's rights
Board structure
Transparency
Compliance

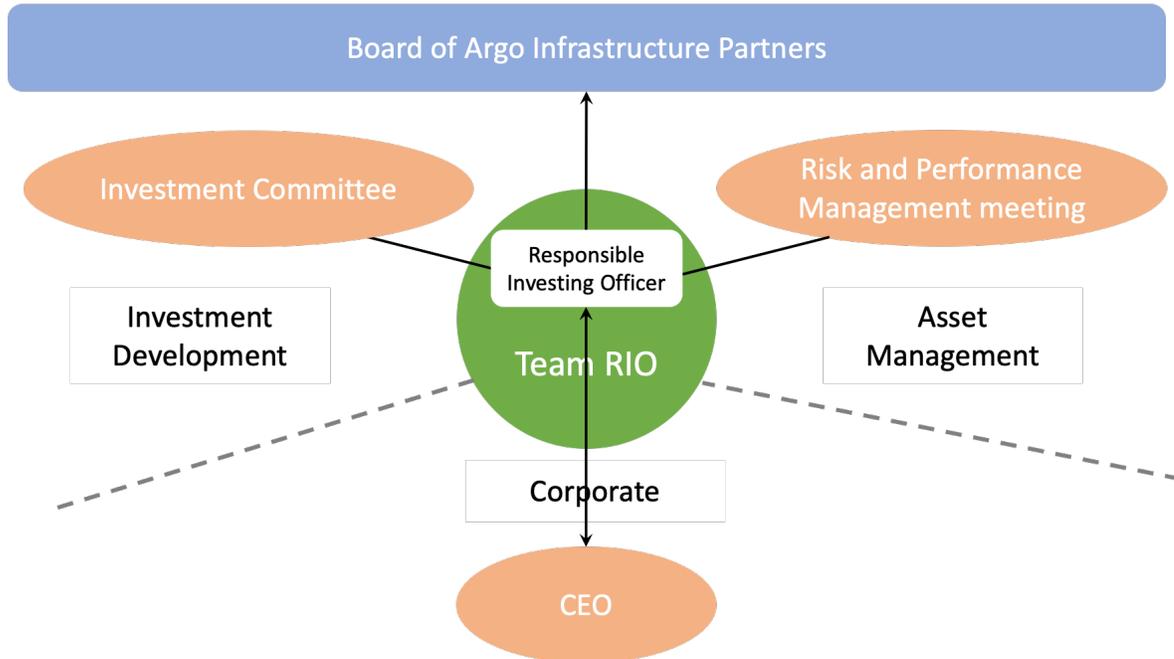
### **3. ORGANIZATION**

#### **3.1. Corporate Responsibility**

Argo established a dedicated function for dealing with responsible investing and stewardship, led by Responsible Investing Officer (**RIO**). Team RIO provides professional inputs on ESG-related considerations, working closely with investment and asset management teams as they are building value of AMF, and with corporate team on matters affecting ESG standing of Argo as a firm.

RIO is a member of Argo Senior Management Team and reports directly to the Board of Argo Infrastructure Partners. Team RIO participates in Investment Committee meetings (**IC**) and Risk and Performance Management meetings (**RPMs**). Also, RIO champions various internal and external initiatives, such as development of sustainability tools, engagement with industry and policy makers on ESG topics, benchmarking reporting, etc.

Exhibit 4. Governance of Responsible Investing



Measures to ensure alignment on achieving sustainability outcomes include, without limitation:

- ESG-related KPIs for relevant directors and employees (in team RIO and in other teams);
- Internal ESG screening requirements for underwriting investments;
- Internal ESG monitoring and reporting cycle for investments in the AMF portfolio;
- Regular reporting to clients on AMF ESG performance;
- Participation in industry platforms benchmarking ESG performance.

AMF ESG performance is discussed regularly during Risk and Performance Management meetings. In the context of protecting and enhancing value of AMF, each RPM discusses risks and opportunities related to sustainability outcomes, identifies and commissions portfolio actions and, where necessary, escalates matters to the Board.

The Argo CEO is the ultimate person responsible for implementing objectives and measures set out in this policy, including the allocation of adequate personnel and financial resources. The CEO vets all client reporting, including that related to ESG.

We seek independent verification on ESG performance in all AMF assets, usually through an external or internal audit.

### 3.2. Reporting

There is a mandatory ESG section in each of the following reports and submissions:

- investment proposal, presented to the IC for approving a new investment;
- asset management report on AMF assets, presented to RPM;
- investor report, issued to clients.

Each of the ESG sections must follow a standard format and meet minimum disclosure requirements set on the basis of ESG definitions from Section 2.

Argo reports various aspects of its ESG performance to industry benchmarking platforms at least annually as well as publishes ESG-related disclosures on our website and through industry media.

## **4. STEWARDSHIP**

### **4.1. Key Objectives**

As an active manager of our client's capital, Argo engages closely with companies in our portfolio. We endorse [ICGN Global Stewardship Principles](#) and are committed to exercising our investor rights responsibly.

The base of our stewardship model is fostering alignment between Argo and each of the investee companies on our investment objectives, including sustainability goals. We inform each of the companies about our ESG framework and direct, where we can, (or else, encourage) them to improve sustainability outcomes, including in the relationships with their business partners and employees. We also engage with our investment partners to the same purpose.

Beyond asset-specific work, we engage with industry associations, policy makers and governments to stay apprised, and influence the development, of latest standards in corporate governance and stewardship.

### **4.2. Operating Protocols**

We regularly produce and update Asset Management Plans (**AMPs**) for each of the portfolio companies, starting with a Transition Plan, prepared when the investment is made. Each AMP must be approved by IC or RPM and, depending on asset circumstances, would define objectives and principal tasks for a period up to two years, including matters pertaining to ESG. An AMP would usually assign priorities to different tasks, considering magnitude and probability of the benefits they can yield.

Key channels for exercising our stewardship duties at portfolio companies include:

- Argo-appointed representatives voting at board meetings and shareholder meetings;
- Argo professionals (including team RIO) engaging with directors and employees on specific initiatives;
- Argo engaging with other shareholders for developing shared agendas and implementation programs;
- Argo engaging other industry and policy stakeholders with a view of fostering progress toward AMP objectives.

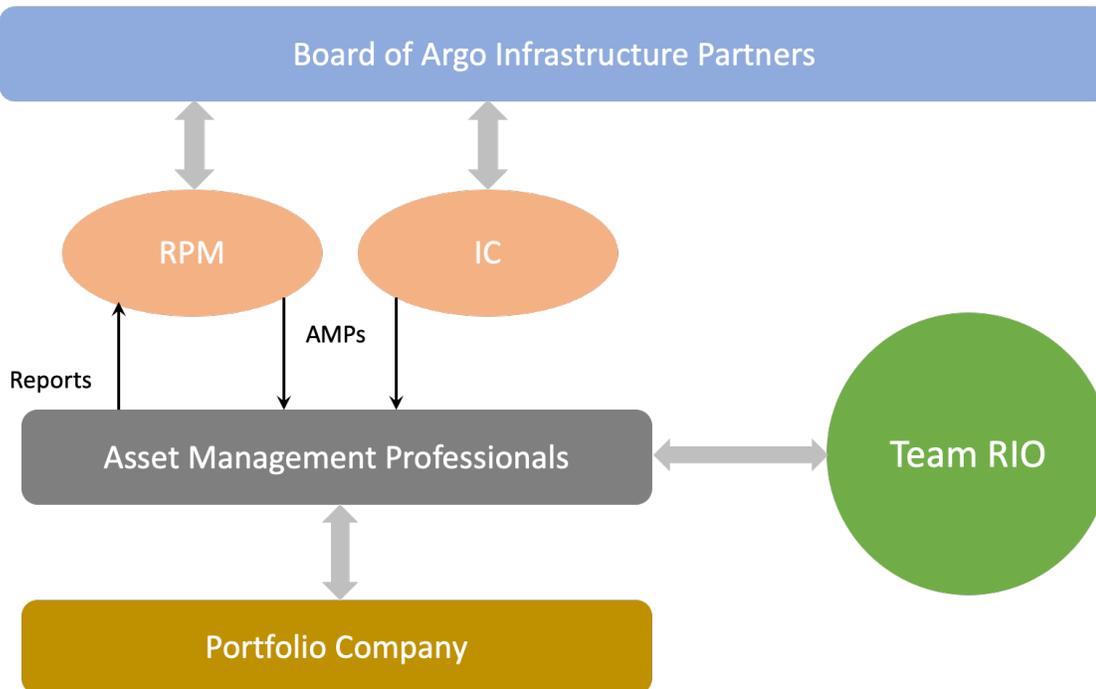
We make sure that AMP requirements are captured, to the fullest extent possible, in business and action plans of each portfolio company. While relevant ESG topics vary from one asset to the other, we always focus on achieving the following:

- the company Board is equipped with adequate technical and financial expertise, as well as benefits from independence and diversity;
- corporate governance arrangements follow good market practices, such as presence of audit and compensation committees;
- Argo has adequate representation in the Board and shareholders meeting to advance implementation of ADPs and constructive dialogue with other directors and shareholders;
- the company has adequate capacity to comply with national and local environmental, health and occupational safety requirements applicable to its business;
- the company follows Argo's policies in relation to ethical and governance matters, such as Policy on Conflict of Interests, Remuneration Guidelines and Responsible Contractor Policy.

Dedicated members of Argo's asset management team and team RIO are monitoring performance of each portfolio company. They report relevant findings, such as progress toward AMP, company's Board updates, policy-related

engagements etc, to the RPM at least quarterly through the internal asset management report. Based on those reports, the RPM not only decides on new asset management actions but may also provide input to the IC relevant to future investment decisions.

*Exhibit 5. Stewardship Operating Protocols*



### 4.3. Stewardship Tools

Three types of tools support our stewardship activities.

Forms and templates. We developed standard forms and contents requirements for asset management plans, reports and submissions sent to IC and RPM, as well as for client reports. Each of those forms includes a dedicated section on ESG. We also use an ESG questionnaire for screening potential investments and recording ESG performance of portfolio companies. All those forms and templates rely on ESG Definitions in Section 2.

Policies and Guidelines. This policy, together with other relevant policies are communicated and enacted throughout Argo organisation as well as at portfolio companies. They set a basis for promoting responsible investing in the company culture at Argo and the AMF portfolio companies.

KPIs. We often set ESG-linked performance targets for our employees as well as for contractors and management of portfolio companies. This way Argo fosters alignment on the policies, implementation of AMPs and on other relevant business objectives.

Usually, AMP provides a single high-level source on ESG objectives for managing individual assets. The contents of an AMP is always adapted to specific infrastructure sector and asset circumstances.

## 5. ENGAGEMENT AND EXCLUSION

On-going dialogue with external stakeholders from business and research community as well as with public bodies, is a key instrument for implementing this policy and for updating it going forward. One important direction of such engagement is the engagement with our investors. We regularly invite their feedback on the quality of our policies and reporting, and incorporate that feedback, where we can, into existing and new investment mandates. We also engage with industry associations and policy makers to understand latest trends in responsible investing and ensure alignment to our practices.

Exhibit 6. Argo Engagement Circle



Argo exclusion policy with respect to investors and assets is based on requirements of [UN Global Compact](#). We also commit to additional exclusions on assets when requested by clients – for example, investing in coal and related activities or in heavy oil terminals. Admission of investors to AMF is subject to KYC process according to SEC requirements.