

Disclaimer

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1 Introduction

Policy Purpose

The purpose of this policy is to confirm our commitment to our investors with an outline of our Responsible Investment and Environmental, Social and Governance (ESG) Policy for Woodbridge Capital (Woodbridge). This policy applies at both a corporate level and an investment level for all investments in Australia and New Zealand.

In line with UN Principles for Responsible Investment (PRI), Woodbridge defines Responsible Investment as:

- Responsible Investment is a strategy and practice to incorporate ESG factors in investment decisions.

Woodbridge defines ESG as:

- ESG risk and ESG opportunity where an environmental, social or governance condition or event that, if it occurs, could cause a material negative or positive financial impact on an investment.

Our Beliefs

This policy is supported and driven by the following beliefs of ours:

- Our acknowledgement and the continued growing acknowledgement in the financial industry and academic research that Environmental, Social and Governance risks have an impact on investments.
- Woodbridge operates as an investment manager and as part of our fiduciary duty to our investors we must consider these risks in managing investor capital.
- We believe that there are several social and sustainability megatrends underway which will bring exciting investment opportunities.
- Investor interest and demand is growing for Responsible and ESG investing with greater transparency in this environment.

As well as the benefits for our investors we believe that our approach to Responsible Investment will lower reputational risk at the corporate level and investment level for Woodbridge.

Woodbridge is focused on implementing best in practice Responsible Investment approaches in Private Credit and wants to increase awareness of Responsible Investing in Private Credit. Private Credit has several challenges and lower levels of Responsible Investment in comparison to the public market investments. Some of the challenges facing Private Credit investment managers are:

- Lower disclosure levels than public markets including a lack of data.
- Lack of established reporting standards and regulatory oversight.
- Scarcity of methodologies.
- Private Credit investment managers typically don't have ownership or control of the asset or the business.
- Private asset owners (borrowers) having capacity restraints or limited resources.

Woodbridge are committed members of the following groups and their guidelines.

- Signatory of the UN-supported Principles for Responsible Investment (PRI).
- Member of the Responsible Investment Association Australasia (RIAA).

We are committed to collaborating with these organisations and our peers to overcome the challenges in Private Credit.

Policy Background

The policy has been developed by the Responsible Investment and ESG committee. The policy is formally reviewed every twelve months and more frequently if determined to be necessary by the Responsible Investment and ESG committee.

The committee is comprised of 2 executive members and 1 non-executive member. The committee meets quarterly to review and prepare the following:

- Assist in overseeing the Company's Responsible Investment framework that affects the Company's business, strategy, operations, performance and reputation;
- Consider current and emerging matters relating to corporate responsibility and Responsible Investment;
- Continual development of the current Responsible Investment risks framework;
- Supporting the Investment Committee in Responsible Investment Approaches;
- Monitoring the Responsible Investment industry, market and regulatory developments including collaborating with peers, Responsible Investment organisations and industry groups;
- Representation and engagement on the Company's memberships and industry bodies;
- Analysing relevant third party research and data; and
- Relevant research papers, educational and thought pieces for external distribution.

Policy Compliance

All employees will receive ongoing training regarding the Responsible Investment and ESG policy and investment process with onboarding training for new employees. The Investment Committee is responsible for employee training and ensuring the Responsible Investment and ESG policy is implemented through the investment process flow.

2 Responsible Investment Guidelines

Philosophy

Woodbridge's philosophy is to achieve attractive risk adjusted returns whilst managing downside risks for investors within a strong risk management framework. To achieve this, we look to identify all major investment risks and consider ESG risks as part of the investment process. Woodbridge's Private Credit strategy identifies ESG risks at both a country level (Australia and New Zealand) and at a sector level (agriculture, commercial office, retail, residential, industrial and hotel for example). We are continually expanding on our list of ESG risks and growing our research and knowledge on ESG. We currently source research from the following groups:

- Industry groups such as PRI, SASB, IGCC, RIAA and the CFA Institute.
- NABERS, Green Star and Global Real Estate Sustainability Benchmark (GRESB).
- Real Estate service firms (for example, JLL and CBRE).
- External consultants including environmental and other consultants.

Environmental Risks

We acknowledge the growing environment risks and the impact this has and will continue to have on investments. In particular we are focused on the following risks:

- Climate change and greenhouse gas emissions, extreme weather.
- Pollution (other).
- Energy efficiency.
- Water efficiency and water scarcity.
- Waste management.
- Site conditions and contamination.
- Biodiversity, Habitat & Land Use.

We consider climate change as a systematic risk that impacts investment markets through both physical risks and transition risks. Physical risks comprise extreme weather events (storms, flooding, wildfires, droughts and earthquakes for example) and changes in the climate (rising sea levels, coastal erosion and higher temperatures for example). Transition risks occur as the world shifts towards a low-carbon economy. Some transition risks include:

- Policy risk from changing regulations (for example, introduction of a carbon tax and regulatory fines).
- Legal risks regarding potential litigation and liabilities for contribution to climate change.
- Technology risks where low carbon innovations disrupt established industries.
- Market preferences where asset demands may change as the world shifts towards a low-carbon economy.

Other risks include:

- Reputational risks due to mismanagement of environmental risks effecting borrowers and assets.
- Operational risks impacting asset operations.

Social Risks

Social risks are an important investment consideration in our fundamental credit risk review and are risk factors that directly affect people and communities. It is important that borrowers understand these risks as part of their operations. They vary widely by sector and may include:

- Local Stakeholders & Communities (indigenous rights for example).
- Employment Conditions, Labour Rights, Health & Safety.
- Living & social experiences at an asset or building.
- Animal welfare.

Governance Risks

Governance risks are an important investment consideration in our fundamental credit risk review and review of the borrower. There is considerable due diligence done on borrowers to manage credit risk however as part of the investment process we also engage with the borrower to understand their Responsible Investment credentials including their awareness of ESG risks and their ability to manage such risks (resources, capability etc) that may have a negative impact on an asset. The assessment of governance risks assists us as a lender in reviewing the credibility of a borrower and their Responsible Investment credentials.

Governance risk factors range from detrimental to illegal and may include:

- Controlling shareholders and other capital providers.
- Related party transactions and fees.
- Business ethics.
- Tax avoidance.

Woodbridge believes that high standards of corporate governance will lead to a strong culture and asset performance without excessive risk taking and an ability to ensure asset or project operations are appropriately conducted.

3 Responsible Investment Approaches

Negative Screen

We use a negative screen on all investments to avoid credit investments that do not align with our responsible investment framework and ethical standards. Woodbridge believes that assets excluded by the negative screen are at an increased risk of a fall in asset valuations due to lower long-term demand stemming from an increased awareness of ESG risks and increasing investment allocations towards Responsible and ESG Investment and ethical investing. Woodbridge refrains from investing or lending to assets that have any exposure through asset value or income to one of the following sectors or activities:

- Tobacco and Tobacco alternatives production.
- Military.
- Controversial Weapons.
- Nuclear Weapons.
- Fossil Fuel exploration and extraction (coal, gas and oil).
- Animal Cruelty.
- Adult entertainment venues.

The scope for excluding controversial weapons is defined as any involvement in the development and production of biological and chemical weapons, depleted uranium ammunition/armour, anti-personnel mines or cluster munitions/sub-munitions and their key components.

The scope for excluding nuclear weapons is defined as any involvement in the development, production and maintenance of nuclear weapons.

Woodbridge will refrain from investing or lending to assets where more than 25% of the total asset value or income is derived one of the following sectors or activities:

- Tobacco retailing and sales.
- Gambling (for example licensed gaming venues, pubs and casinos).
- Fossil Fuel retailing and sales (for example petrol stations).
- Deforestation and detrimental change in land use.

As a lender Woodbridge is not always able to influence the borrower from changing the asset value or income as Woodbridge is not an asset owner. If then during the term of a loan, the asset value or income changes so that the asset falls within one of the above sectors, then Woodbridge will look at solutions to have the loan repaid in the earliest possible manner.

Woodbridge also does a review of each borrower for the following:

- Ensuring the entity, it is lending to does not own other assets that may breach the negative screen. It is standard for each borrower to use a single purpose vehicle where the borrowing entity only owns the asset being financed.
- An AML / KYC review is done on borrowers to understand the structure and ultimate beneficial owners to ensure there is not a breach of any negative screen.

Responsible Investment and ESG Integration

Responsible Investment and ESG integration have been incorporated throughout the Woodbridge Investment Process Flow. Our expertise is focused on efficiently identifying, analysing, and managing ESG risks, through the following steps.

Initial Credit Review

Once a credit investment has passed the negative screen, the initial credit review commences:

- The initial screening process involves the Woodbridge Investment Team engaging with the borrower in understanding the fundamental credit risk. As part of this the Investment Team identifies ESG risks using Woodbridge's Responsible Investment risks framework which identifies ESG risks.

Investment Committee

After the initial credit review, an Investment Committee meeting is held:

- The decision to proceed with issuing a term sheet for a credit investment is made by the Investment Committee. The Investment Committee will consider financially material ESG risks in conjunction with the fundamental credit review of the credit investment considering the investment timeframe, capital structure, asset risks, credit terms and exit strategy.
- In analysing material ESG risks the Investment Committee focuses on ensuring all downside risks are considered and if necessary, scenario analysis is conducted. Some scenarios when considering financially material ESG risks may include, for example, adjusting an assets valuation lower by increasing its future CAPEX requirements if the valuer has only considered a minimum CAPEX requirement (in event of an office building being significantly energy inefficient).
- Typically, a higher potential return or stronger loan covenants such as a lower loan to value ratio is required for credit investments that have progressed through the Investment Committee for credit investments that have financially material ESG risks.

Due Diligence

During due diligence the Investment Team will incorporate Responsible Investment and ESG due diligence as part of the process. This involves:

- The borrower completing a Responsible Investment due diligence questionnaire and providing data if available. The focus will be per our ESG risks framework.
- The Investment Team will deal with consultants as required including consultants, valuers, quantity surveyors and sales or leasing agents for example.
- The Investment Team will consider internal and external research as required to assist in due diligence.
- On completion of due diligence Woodbridge completes risk ratings across each environmental, social and governance risk item. The risk ratings are based on Woodbridge's own opinions, assumptions, subjective views, beliefs, and judgments.

Credit Committee Approval

Prior to the credit investment proceeding to financial close, the Credit Committee will review the fundamental credit risk with the due diligence completed (including Responsible Investment and ESG due diligence) as part of its standard Credit Committee process.

Loan Monitoring

All credit investments have monthly reporting requirements, which assist Woodbridge in the ongoing loan monitoring of a borrower and any material ESG risks (identified in the initial credit review and due diligence as well as any other potential ESG risks that are identified during the ongoing loan monitoring). During the monthly reporting any material ESG risks may be discussed with the borrower in regard to managing these risks. The risk ratings are reviewed and updated monthly (if necessary).

Responsible Investment Opportunities

We believe there are several social and sustainability megatrends underway which will bring exciting investment opportunities. We will look to benefit from these megatrends which are shaping the world currently and into the near future. Some examples of current megatrends are below.

There is a current undersupply in housing and apartments which has been causing housing affordability to be front of mind for Australians. Build to rent projects (including affordable and social housing) are set to benefit from this current apartment undersupply trend with several positive social benefits:

- An opportunity to meaningfully address the housing undersupply issue.

- Provide greater accommodation availability and raise the quality of living standards for renters.
- The creation of local communities and the security of a home for renters. This helps renters feel an increased sense of safety, wellbeing and belonging.
- Construction and related industries job creation.
- Provide greater delivery of key worker accommodation in proximity to jobs.

Growing concern around environmental risks are creating new opportunities due to the movement towards a low carbon economy, these opportunities include:

- Sustainability linked loans where borrowers commit to improvements in asset sustainability (office refurbishment and/or a direct outcome achieved by funding provided).
- An example of a current incentive Woodbridge offers, interest rate discounts are available for borrowers who obtain an independent energy rating for their property during their loan term - a 0.05% discount for a 4-star energy rating, a 0.10% discount for a 5-star energy rating and 0.15% discount for a 6-star energy rating. We accept ratings from recognised providers, including NABERS and Green Star. Typically, a higher energy rating will lead to better asset performance and lower credit risk.
- Green loans (clear benefit to the environment).
- Construction loans when more sustainable building materials are used and/or the development of new assets that are sustainable.

4 Engagement Approaches

Woodbridge engages with its borrowers regarding ESG risks and opportunities throughout its investment process. It will particularly focus with the borrower on any material ESG risks through open dialogue and informal discussions with its borrowers. The Investment Committee and Investment Team are responsible for borrower engagement. Through the engagement process it will assist the borrower in understanding how ESG risks are factored into our credit terms whilst being able to gain a better understanding of the borrower's ability (resources, capability etc) to manage ESG risks.

We generally will share any external and internal research and knowledge where applicable to assist in increasing their ability to identify and manage ESG risks and opportunities which may lower the credit risk for us as a lender. Given our deep domain expertise and track record in real estate investment, development, construction, and property finance in the commercial real estate, and agriculture sectors this will assist Woodbridge in gaining trust and improving our engagement ability with borrowers. As a lender we generally do not have ownership or voting rights and are not able to be an active asset owner.

5 Reporting

Responsible Investment reporting is documented and reported internally throughout the investment process.

- Initial Credit Review – initial Responsible Investment and ESG review.
- Investment Committee - Responsible Investment and ESG agenda in Investment Committee Papers and Investment Committee meeting.
- Due diligence - Responsible Investment and ESG due diligence (including ESG risk ratings).
- Credit Committee Approval - Responsible Investment and ESG agenda in Credit Committee Papers and Credit Committee meeting.
- Loan Monitoring - Monthly portfolio review of all credit investments including the monthly loan reporting (inclusive of monitoring of ESG risks and updating ESG risk ratings if necessary).

In terms of external reporting, we have multiple communication channels with our investors where we may share Responsible Investment related information that include:

- Monthly fund reporting across any new credit investments and the loan portfolio.
- Responsible Investment and ESG LinkedIn posts.
- In person and video call meetings with investors.
- Sharing of Responsible Investment research papers, educational and thought pieces.
- Sharing of Responsible Investment case studies involving our responsible investment approaches.
- Sharing of ESG risk ratings across the loan portfolio.