



2020

# Responsible Investment Policy

# Our approach

Tortoise invests in essential assets – those assets and services that are indispensable to the economy and society. With a “steady wins” approach and a long-term perspective, we strive to make a positive impact on our clients and communities. In everything we do, we are guided by our firm’s core values of humility, entrepreneurial spirit and perseverance. We draw upon these values as we invest through three platforms dedicated to investing in essential assets – energy infrastructure, sustainable infrastructure and social infrastructure.

Founded in 2002 with a focus on investing on midstream energy, we have always believed that, in order to be successful in this asset class, we must gain a thorough understanding of everything that surrounds it. Over time, as we continually conducted research, we began to notice a shift in the energy landscape with the shale revolution and an increased demand for lower carbon fuel sources. Our experienced professionals tapped into their entrepreneurial spirit to develop solutions to capitalize upon the opportunities of this global energy transition.

Today, we offer clients the opportunity to participate in the global evolution of energy, combining our tenured experience investing in U.S. midstream natural gas pipelines which support the cleanest traditional energy fuel source with renewables and more sustainable technologies. We greatly enhanced our team to include expertise across clean energy, renewables and sustainable water strategies. In 2018, we acquired Ecofin Limited, a listed equities investment manager that focuses on sustainability and impact strategies, harnessing years of experience investing in sustainable infrastructure and the transition to renewables.

We have also expanded our social infrastructure platform, which provides capital to education, healthcare and energy efficiency projects. Our investments encompass the entire lifespan of an individual, from schools that educate children through senior living facilities to care for our aging population. We believe social infrastructure is every bit as essential as energy infrastructure.

As we expand our investment capabilities, we continue to remain true to Tortoise’s original investment objective – generating total returns for our clients at an appropriate level of risk. We will always align our strategies and operations with the goals of our clients. We believe the push to more responsible and sustainable economic activity is both a positive development for our society and environment, and a potential source of superior return opportunities.

In this document, we hope to provide a concise overview of Tortoise’s commitment to responsible investing.

# ESG in our investment process



At Tortoise, we believe in the value of responsible, active investment management, which has become a key criterion for many of our clients. Our long-standing ESG analysis is incorporated into our firm-wide investment process. While all of our investment strategies incorporate ESG and active ownership, some of our strategies go above and beyond in their direct alignment with more developed responsible investment methodologies such as impact, screening and thematic investments.



**Environmental, Social, Governance (ESG) criteria:** An approach to investing that incorporates ESG factors into investment decisions, to better manage risk and generate sustainable, long-term returns. The relative importance of each factor may vary by strategy. For example, our energy infrastructure strategies place a high level of importance on governance factors, while, our sustainable infrastructure strategies place more of an emphasis on environmental factors.

# Firm-wide commitment to ESG integration



At Tortoise, we understand the importance of assessing ESG factors as a key part of our investment analysis. We believe that, when responsible ESG factors are combined with a traditional fundamental analysis, we improve our chances of creating enhanced long-term, risk-adjusted portfolio returns.

The following table provides examples of considerations that Tortoise takes into account during its investment process:

**ESG integration in the investment process**

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**Environmental**

- Investment in maintenance/ integrity capital
- Compare each company's emissions with those of its country's grid using a proprietary database developed with CarbonAnalytics
- Assess environmental impact in annual reporting
- Commitment to reducing emissions
- Use and reuse of water
- Application of and commitment to safety standards

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**Social**

- Community outreach and support
- Diversity in board, management and employees
- Commitment to fair labor practices
  - Employee turnover
  - Positive workplace experience
  - Compliance with OSHA
- Treatment of stakeholders

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**Governance**

- Alignment of management and controlling unit/shareholders with other shareholder interests
  - Minimal conflicts of interest
  - Fair management compensation
  - Insider ownership
  - Business management for long-term success
- Financial and strategic transparency
- Board independence
- Split of CEO and Chairperson role
- Ability for share/unit holders to vote on important matters

# Strategy-specific responsible investment approaches

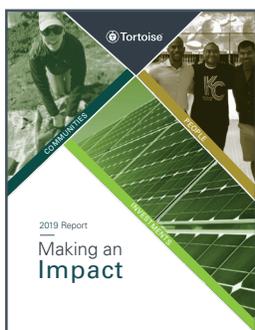


## Impact investing

At Tortoise, our commitment to making an impact through thoughtful investment in essential assets is the driving force behind every investment decision we make. Impact investing is gaining momentum, and we see exciting opportunities to provide capital to organizations that are essential to the economy and make a positive impact on our society and environment. To support these efforts, Tortoise has built a global team with decades of experience investing in listed and private investment opportunities across listed infrastructure & energy evolution, renewables and social infrastructure.

We seek to make an impact by:

- Reducing global carbon emissions by investing in companies that support the cleanest sources of power generation (i.e., natural gas and renewables)
- Funding renewable and low-carbon energy infrastructure wind and solar projects
- Impacting the global water crisis through investment in water infrastructure and treatment facilities
- Supporting the United States' charter school network for underserved neighborhoods



For additional information on how Tortoise is making an impact across communities and the environment, please read our Making an Impact Report.

## Exclusionary screening

We provide an opportunity to invest in certain funds that employ exclusionary screenings designed to enhance the environmental emissions profile of the portfolio and support companies that have a lower emissions intensity, relative to their peer group. This allows our clients to benefit from a lower emission expression of the same market. Certain of our funds also exclude companies that derive power from coal above a certain limited threshold.

## Thematic

We also offer clients access to funds that have minimum revenue exposure requirements for portfolio companies, relative to the primary investment themes of the portfolio. This helps ensure that each thematic strategy provides clients with a sufficiently high exposure to the long-term growth themes identified.

## Our role as active owners



At Tortoise, we take an active ownership role with our portfolio companies. Our investment teams are responsible for engagement and proxy voting decisions which are made on a case by case basis. This allows our teams to continually monitor investment risk and identify areas of improvement related to the business or its governance. We believe this active ownership approach plays an important role in helping to ensure a better outcome for the company, the portfolio's returns and, ultimately, for our society. Our active ownership approach encompasses all of our listed equity strategies.

Specifically regarding our energy infrastructure platform, we leverage our standing within the midstream space as a leading shareholder as we consistently encourage management teams to improve transparency, implement operational best practices, complete proper environmental reporting disclosures, and improve upon shareholder and management alignment through strengthened corporate governance.

### **Engagement**

Tortoise's portfolio managers and analysts meet regularly with the senior management of portfolio companies via investor conferences, roadshows, phone calls, etc. Occasionally, our teams identify a set of significant ESG risks pertaining to a specific company and immediately seek action from the company's management to reduce these risks. If discussions with senior management are unsuccessful in reducing the risk, we engage with the company's Board of Directors when appropriate.

### **Proxy voting**

At Tortoise, we maintain an unwavering commitment to evaluating and voting proxy issues in the best interest of our clients. We typically vote proxy proposals, amendments, consents and resolutions (including those related to private investment funds) in accordance with the following guidelines:

- On routine matters, such as election of directors, Tortoise will generally vote with management unless it is determined there is a conflict or there are other reasons not to vote with management.
- For non-routine matters, such as proposals related to compensation and equity compensation plans, corporate governance proposals and shareholder proposals, Tortoise will vote on a case by case basis in the manner believed to be in the best economic interest of our clients and shareholders.
- Tortoise may abstain from voting proxies when it is determined that the cost of voting the proxy exceeds the expected benefit to our clients.

Proxies are generally evaluated by relevant investment team members and are voted on a case-by-case basis, with consideration given to each of the relevant factors outlined above. We will vote for any proposals we believe are in accordance with the investment objectives and policies of relevant clients.

We receive alerts about upcoming voting opportunities from various third-party providers such as ProxyEdge (by Broadridge) and ProxyExchange (by ISS Governance). These providers continuously cross-reference meeting announcements with portfolio holdings. (Our proxy voting track record is available upon request.)

## Commitment to the UN Principles of Responsible Investment

Tortoise's commitment to responsible investing is further illustrated by the fact that we are a signatory to the United Nations' Principles for Responsible Investment (PRI). The PRI is the leading global network for financial industry participants and investors who are committed to integrating environmental, social, and governance (ESG) considerations into their investment practices and ownership policies.

We believe the reporting requirements that come with becoming a PRI signatory greatly improve the transparency of our sustainability efforts, promote engagement and improve the alignment of our goals with global sustainability efforts. We also believe this will further enhance our disciplined approach to delivering competitive returns for clients seeking socially responsible investments.

**Tortoise is a** *Signatory of:*



## Oversight and reporting

Since becoming a signatory to the PRI in 2019, Tortoise has created a dedicated PRI committee responsible for compliance and reporting. The PRI Committee is comprised of individuals representing various investment teams and departments throughout the organization and includes senior members of the firm. The committee has the power to propose and carry out organizational initiatives, but only with formal approval by our Executive Committee and, if necessary, the Board of Directors.

We will report on our firm-level responsible investment progress annually via the PRI reporting framework. We also publish an annual firm level impact report, as well as fund-specific impact reports as applicable.

We plan to review our Responsible Investment Policy on an annual basis.

At Tortoise, we are excited about the opportunities that await our clients and our firm. We truly believe we have the framework in place to make a positive impact on our clients, communities and environment



[www.tortoiseadvisors.com](http://www.tortoiseadvisors.com)

