

# Transparency of remuneration policies in relation to the integration of sustainability risks

30 June 2022

**Infrastructure investing through  
a partnership approach**



## Information on remuneration policies

This disclosure is made for the purposes of Article 5 of EU Regulation 2019/2088, known as the Sustainable Finance Disclosure Regulation or SFDR. It is made by Arjun Infrastructure Partners Limited (**Arjun** or **us/we**). Article 5 of SFDR requires a relevant firm to:

- include in its remuneration policies information on how those policies are consistent with the integration of sustainability risks, meaning “an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment” (**sustainability risk** or **ESG risk**); and
- publish that information on its website.

This document comprises such information. Accordingly, it shall be published on Arjun’s website, and included as an annex to its remuneration policies and procedures as relevant.

## Sustainability risk

Arjun has a comprehensive framework in place to provide oversight of its approach to relevant risks, including ESG risk. It also has policies on remuneration designed to:

- be consistent with and promote sound and effective risk management;
- avoid encouraging excessive risk-taking;
- include measures to avoid conflicts of interest; and
- be in line with its business strategy, objectives, values and long-term interests.

These policies are consistent with the integration of sustainability risks based on the following:

- (1) **Risk function** – The Risk Management and Compliance Committee (RMCC) within Arjun is responsible for developing effective risk management policies and procedures. The RMCC includes Surinder Toor (Founder and Managing Partner) and Peter Antolik (Partner, COO and Head of Asset Management). Both Surinder and Peter also sit on the Management Committee, which is responsible for remuneration. This ensures that the risk function is able to contribute to the overall approach taken to remuneration, providing comfort that key risk inputs are properly taken into account (both current and emerging). This includes ESG risk to the extent it is an increasingly key risk input, and in particular, climate change.
- (2) **Holistic approach** – Arjun’s remuneration policies ensure it does not provide remuneration or similar incentives based solely on quantitative commercial criteria. Rather, we also take into account compliance with internal policies and procedures (including those on sustainability risk management), demonstrated risk management behaviours, and other key factors. Executives in particular are assessed using a balanced scorecard approach in which financial metrics are considered alongside non-financial objectives. A key goal in this regard is to reward a thoughtful balance of risk and return.

Arjun team members are also set formal objectives regarding responsible investment as relevant to their various roles, with performance against these objectives contributing to the determination of variable compensation as part of the Arjun’s performance review process.

This holistic approach ensures that, to the extent ESG risks are material risk inputs from time to time, they are taken into account in determining an employee’s remuneration package, including any variable remuneration to be awarded.

- (3) **Risk-adjusted compensation pools** – Arjun’s variable compensation pools are determined on a risk-adjusted basis, with the intention of limiting the incentives given to employees to take imprudent risks. To the extent that sustainability risks are material risk inputs from time to time, and/or may have a material negative impact on the value of client investments, they are therefore organically considered in the firm’s approach to remuneration. This aligns with a relevant policy objective underlying SFDR, which refers to “the remuneration

policies of [relevant firms], that promote sound and effective risk management with respect to sustainability risks whereas the structure of remuneration does not encourage excessive risk-taking with respect to sustainability risks and is linked to **risk-adjusted performance**” (recital 22, SFDR, emphasis added).

- (4) **Clawback** – As noted above, Arjun has compensation measures that reduce incentives to create imprudent risks. The remuneration policy has specific clawback and malus provisions for addressing cases of improper risk-taking and material adverse outcomes in the years following the awarding of incentive compensation. To the extent that sustainability risks are material risk inputs from time to time, this is consistent with the objective of SFDR quoted above. That is, a firm’s remuneration policies should promote sound and effective risk management with respect to sustainability risks, and the structure of remuneration should not encourage excessive risk-taking with respect to sustainability risks.

## Review and monitoring

It is recognised that climate change and ESG risks are the subject of increasing focus by regulators, governments and central banks, and accordingly, Arjun proposes to keep the matters set out above under review. This page may therefore be updated or revised from time to time to ensure it accurately reflects our practices.

Please note: Any relevant comments and disclosures in this document that relate to SFDR are made, strictly speaking, “as if” that regulation applied to us. However, this may not be the case at the outset, although the position may change over time. No reliance should therefore be placed on this. For more information as to whether we may or may not be subject to such regulation please contact us.

Please also note that this document may be updated from time to time in our discretion.

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