ARJUN Infrastructure

Responsible Investment Policy

November 2024

Version 2.1

Version history

Version	Date	Author	Material amendments
2.1	November 2024	R. Keaney-Watkins	▪ Reference to board-level engagement on net zero Specific reference to OECD Guidelines and UNGP in relation to human rights
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Document Information

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Other Related Policies and Procedures	Responsible Investment Implementation Handbook UK Stewardship Code Policy

1 INTRODUCTION

1.1 About Arjun Infrastructure Partners

Arjun Infrastructure Partners ('Arjun') is an asset management company focused on executing and managing mid-market infrastructure investments.

Arjun focusses on control or co-control investments in private infrastructure assets or companies, allowing us to drive meaningful environment, social and governance (ESG) outcomes through the investments that we manage. The long-term nature of our investment strategy, coupled with our operationally focussed asset management, means we are uniquely positioned to support well-planned strategies that protect value and unlock opportunity.

1.2 Policy scope and purpose

This policy sets out Arjun's responsible investment approach, which applies across all investment strategies, asset classes and investment geography. The purpose of this policy is to describe how ESG factors are integrated within investment decisions and active ownership.

This document covers:

Section 2.0	Arjun's responsible investment approach and guidelines
Section 3.0	Governance, stewardship and engagement
Section 4.0	Responsible investment implementation
Section 5.0:	External reporting and disclosure

2 RESPONSIBLE INVESTMENT APPROACH AND GUIDELINES

2.1 Responsible investment approach

Arjun is committed to making and managing investments in a responsible manner and incorporates best practice approaches to responsible investment, across all stages of the investment lifecycle.

We believe that our responsible investment approach is fundamental to delivering attractive risk-adjusted returns and maximising value, over the long term. This includes the value of common economic, social and environmental assets on which clients' and beneficiaries' interests depend, in addition to the financial returns from our investments.

Comprehensive consideration of ESG factors at all stages of the investment lifecycle are a critical aspect of this long-term approach. ESG issues present opportunities as well as risks and are therefore integrated into both value preservation and value creation initiatives.

2.2 Responsible investment guidelines

Arjun recognise that the infrastructure investments we make and manage on behalf of our clients can have material impacts on the environment, societies and stakeholders associated with those assets. We are committed to conducting our business in a manner that actively manages these impacts, operating on the principle that we can make quality business decisions while conserving and enhancing resources for future generations.

To understand the areas where our investments have the greatest impact, Arjun conducted a materiality assessment process incorporating input from key stakeholders including the portfolio companies, our clients and our team members.

In response, we have developed a set of environmental, social and governance guidelines which are tailored to our infrastructure strategies. In overview, these comprise:

- **Environmental guidelines** relate to the quality and functioning of the natural environment and natural systems. Depending on the type of infrastructure, assets may interact with a number of environmental aspects, such as air quality; habitats; biodiversity and ecosystem services; and water resources. Arjun work on the basis that assets should do no significant harm and sustainably manage environmental resources upon which the business depend.

  Also, the long-duration and physically exposed nature of infrastructure assets make them particularly vulnerable to climate change. Climate change represents a systemic sustainability risk for our investments across the short-, medium- and long-term. Arjun publicly support the Task Force on Climate-Related Financial Disclosures (TCFD) to better understand climate change risks, and potential opportunities, relevant to our strategies.

  In addition, we are working with portfolio companies to achieve a fair, just and inclusive transition[1] of operations to net zero by 2050, at the latest. Arjun promotes the use of science-based decarbonisation pathways[2] in line with limiting a global temperature rise to 1.5˚C. Central to achieving this, Arjun is actively engaging with portfolio companies, at board-level, on net zero transition planning. Arjun are also engaged on a number of industry initiatives regarding best practice net zero engagement (see Section 3.2 for further details).

- **Social guidelines** relate to the rights, well-being, and interests of people and communities. Many of our assets directly employ a significant number of people and the successful operation of these

[1] A fair, just, and inclusive transition is a way of transitioning to a sustainable economy and society that is fair and equitable for all. It means ensuring that the costs and benefits of the transition are shared widely, and that no one is left behind.

[2] A science-based decarbonisation approach is based on a clearly-defined pathway to reduce greenhouse gas emissions, in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to 1.5˚C above pre-industrial levels.

businesses rely upon an engaged and motivated workforce. The essential nature of our portfolio company services also means that they address a basic customer need, such as energy or water. As responsible investors, we are committed to working with portfolio company management teams to protect vulnerable customers. Social factors also includes human rights, particularly within our portfolio company supply chains.

Arjun is committed to respect human rights across the full value chain of businesses in which we invest. This includes internationally recognised laws, guidelines and best practice approaches. This includes the principles set out under the OECD Guidelines for Multinational Enterprises ('OECD Guidelines') and UN Guiding Principles on Business and Human Rights ('UNGP'). Arjun engages with portfolio companies to develop policies and procedures relating to the management of human rights risk. This involves bringing such policies to board-level for review, approval and oversight at the most senior level within our portfolio companies.

- **Governance guidelines** relate to the governance of investee companies. Material governance factors are bespoke to each investment, but can include board composition; shareholder rights; policy requirements (including human rights); safeguards against bribery and corruption risks; and political engagement.

  Arjun is committed to managing governance factors to ensure business act in a way which best serves the long-term interest of our investors.

- **Sustainability outcomes** refer to the real world impacts and benefits that can be delivered by infrastructure, particularly using direct investment strategies. Arjun use a range of frameworks, such as the United Nations Sustainable Development Goals and EU Taxonomy, to describe these positive outcomes.

Arjun adopts an **exclusion policy**, capturing material ESG risks based on:

a. our organisation's values or beliefs regarding particular sectors, products or services;

b. exclusions based on minimum standards of business practice aligned with international norms such as the OECD Guidelines, UNGP, the International Bill of Human Rights, UN Security Council Sanctions or the UN Global Compact;

c. exclusions of assets which we do not believe to be compatible, in the long term, with our climate change commitments; and

d. exclusions in relation to significant adverse impacts on sensitive biodiversity receptors.

Beyond this exclusion process, we have developed a systematic approach to how we consider ESG factors relevant to each opportunity. This is described under Section 4.0.

3 GOVERNANCE, STEWARDSHIP AND ENGAGEMENT

3.1 Governance

Every member of the investment and asset management team is responsible for implementation of Arjun's responsible investment policy, with strong governance structures in place to support this.

Arjun maintains an internal responsible investment implementation handbook that is used by the team to ensure compliance with our responsible investment policy and practices. In addition, a proprietary deal screening tool is used during the investment process to guide our ESG materiality assessment, due diligence, and identify value creation opportunities.

Arjun team members are set formal objectives regarding responsible investment as relevant for their various roles, with performance against these objectives contributing to the determination of variable compensation as part of the Arjun performance review process. Team training is undertaken to ensure that team members have the appropriate knowledge to carry out their responsibilities.

Arjun's Management Committee oversees the implementation of the responsible investment policy and implementation handbook, with executive responsibility delegated to Peter Antolik (Partner, board member and COO). Updates to policies or practices are approved by the Management Committee.

ESG matters are discussed in all Arjun committee forums (board of directors, management committee, investment committee, risk management and compliance committee) and relevant regular internal meeting forums (all staff meeting, investment, asset management, marketing, operations, valuation review).

Arjun also has a working group, led by an in-house Head of ESG, and comprising senior members of the team working across all company functions. The working group meets at least fortnightly to ensure that all ESG policies, procedures and initiatives are being implemented appropriately. The ESG working group provides regular updates to Arjun's Management Committee.

On an annual basis, our responsible investment policy is reviewed, updated (if required) and approved by Arjun's Management Committee.

3.1.1 Managing conflicts of interest

Responsible investment, including consideration of ESG factors, is a key component of prudent long-term investment decision making. Therefore, if properly implemented, it should be rare that conflicts arise between 'responsible investment' and 'long term investor interests'.

Should a conflict arise, Arjun's senior management will take appropriate steps to resolve the matter, uphold fair treatment of all of investors, and where necessary, disclose the conflict to affected investors. Examples of potential conflicts include cases where Arjun represent multiple investors in an asset, potentially with different investment time horizons.

There are a number of mechanisms during the investment process, including deal origination meetings and investment committee, for such conflicts to be raised, discussed and resolved.

3.2 Stewardship and engagement

Stewardship refers to the use of influence to maximise portfolio-level risk-adjusted returns by addressing risks arising from our portfolio's contribution and exposure to systemic sustainability issues.

Arjun fulfils its stewardship obligations using a number of stewardship tools and activities, including:

- **Collaboration in industry groups**: Arjun is an active member and participant of the UN Principles for Responsible Investment (UN PRI); Long-Term Infrastructure Investors Association[3] (LTIIA); Global Infrastructure Investors Association[4] (GIIA); and Initiative Climate International[5] (iCI).

  Arjun is an LTIIA board member, as well as active participant in ESG working groups organised by LTIIA, GIIA and iCI. Our participation helps ensure Arjun remains engaged in the development of best industry practice.

  Arjun regularly reviews our membership and participation with industry bodies and other collaborative activities to ensure continued alignment with our responsible investment principles and objectives, including with regards to stewardship activities.

- **Board influence, portfolio company oversight and engagement with investees** As direct investors, focussing on (co-)control positions, Arjun often benefits from board representation and governance rights, enabling the promotion of responsible management of assets. This can range from influencing board composition; ensuring that ESG and sustainability matters are discussed regularly at board-level; establishing ESG sub-committees; and filling/voting on shareholder resolutions.

- **Political engagement**: Political engagement can play a significant role in shaping real-world outcomes and is a key lever for sustainability progress. Arjun's political engagement is generally made collectively, through our industry associations. Prior to participating in any political engagement, authorisation is first gained from Arjun's Compliance Officer, to confirm that the intended outcomes of engagement conform with Arjun's Conflict of Interest Policy; are aligned with the best interests of our investors; and are compatible with our responsible investment principles.

  At portfolio level, many portfolio companies have a legitimate interest, and expertise to share, in shaping industry practice and regulation. Through Arjun's board representation, and/or governance rights, we promote responsible political engagement[6], as defined by UN PRI.

- **Engagement with stakeholders** Depending on the type of infrastructure asset, stakeholders can include Non-governmental Organisations; workers; communities; and other right-holders. Arjun believe that engagement with stakeholders is key to maintaining a social licence to operate[7], as well as manage asset risk (such as the ability to retain an engaged and motivated workforce) and unlock opportunities (such as future development/expansion opportunities)

3.2.1 Prioritisation of ESG factors for stewardship activities

Due to the diverse nature of assets within Arjun's portfolio, prioritise by default any particular ESG factors to be advanced via stewardship activities. However, all stewardship activities must: (a) align with Arjun's commitment to net zero by 2050, at the latest; and (b) recognise that the transition to net zero must be fair, just, inclusive and orderly.

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3 Founded in 2014 by investors and for investors, the LTIIA is a not-for-profit international professional association supporting long-term, responsible deployment of private capital to infrastructure across the world. For more information, see www.ltiia.org.

4 GIIA is the membership body for the world's leading investors in infrastructure, and advisors to the sector, who collectively represent US $1.65 trillion of infrastructure assets under management across 70 countries. GIIA members are investing today to provide the smart, sustainable and innovative infrastructure needed for our communities and economies to thrive. For more information, see www.giia.net.

5 iCI is a private equity and investor-led community of practitioners working together on the COP21 objective of limiting global warming to well below 2 degrees Celsius.

6 The UN PRI believes that corporate political engagement can be responsible when the investee company's activities: (a) adhere to existing regulations and international best practices; (b) are conducted in line with business principles that ensure integrity and sustainability goals that have been set out in international agreements or national policy targets; (c) preserve the long-term interests of the company, including the broad interests of diversified shareholders and those of stakeholders; (d) inspire trust and are grounded in robust governance and transparency; and, (e) lead to well-informed, inclusive and effective public policy decisions that contribute to a stable economic system, minimize company- and system-level risks, as well as promote positive real-world sustainability outcomes.

7 Social license to operate (SLO) refers to the ongoing acceptance of a company or organization by its employees, stakeholders, and the general public. It is a measure of how much trust and confidence people have in a company's ability to operate in a socially responsible and sustainable way.

3.2.2 Escalation process for stewardship activities

In the event that stewardship activities are unsuccessful, within the targeted time period, the matter is escalated as appropriate. Depending on the nature of the stewardship objective, this may mean working with Arjun's Head of ESG, Head of Asset Management, or raising with Arjun's Management Team, to determine an appropriate course of escalation and adoption of increasingly assertive stewardship approaches.

UN PRI principles

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Core ESG tools:

- Responsible investment policy
- Responsible investment implementation handbook
- Deal screen tool
- Climate risk assessment platform and asset management tool
- Team training on specific ESG / responsible investment topics, initiatives, policies and practices
- Performance review process incorporating objectives and KPIs relevant to role
- Conflict of interest policy

4 RESPONSIBLE INVESTMENT IMPLEMENTATION

4.1 Overview

Arjun's responsible investment practices are documented in full in our internal Responsible Investment Implementation Handbook. The implementation handbook addresses the ESG-related steps that must be followed at each stage of the investment lifecycle, as summarised in the diagram opposite.

A high-level summary of this approach is provided below.

4.2 Overarching approach to ESG evaluation during the investment process

There are a wide range of potential environmental, social and governance issues which can impact infrastructure investments. The issues vary from asset-to-asset, depending on the sub-sector, size/capacity, its geographic location and maturity.

As a result, Arjun take a tailored ESG evaluation approach to identifying, assessing, managing and monitoring material ESG risks.

Infrastructure assets that we evaluate as potential investment opportunities can be at significantly different levels of progress toward incorporating ESG issues within their policies and operations. When we identify that current ESG standards are not satisfactory, or where material ESG risks are identified, we may still be prepared to invest if we have conviction that we can mitigate the risks and improve ESG outcomes during our ownership.

However, if an ESG risk is identified as being material and no satisfactory mitigants exist, then we will not pursue the investment.

Arjun maintain an Exclusion List, covering sectors and activities that we will not invest in. This incorporates minimum safeguards, such as the UN Global Compact Principles and the UN Guiding Principles on Business and Human Rights, to be met.

TABLE: Overview of the ESG implementation process

High level screen	Our responsible investment activities begin at the pre-investment stage by identifying and assessing the existing ESG issues relevant to the asset being evaluated as well as considering issues which may affect the asset in the future (for example, due to climate change). Arjun utilises an ESG deal screen tool at the outset of reviewing any investment opportunity. This tool enables an initial assessment of ESG materiality (including stranded asset risk) for the asset being evaluated, incorporating the list of excluded investment types referenced above and materiality assessment inputs from SASB (Sustainability Accounting Standards Board), TCFD and the SDGs.
Materiality screen	If the decision is taken to proceed with due diligence having completed the deal screening phase, then the next stage of our investment process is to complete a desktop due diligence review based on information made available by the vendor, publicly available information and discussions with management, the vendor and/or their advisors. One of the key workstreams within this process is an ESG materiality screen whereby we: • Identify ESG issues relevant to the business • Evaluate the identified issues based on the information available and assess their potential materiality • Incorporate the identified potential ESG issues into the scope for the subsequent due diligence phase, including in the scope of the relevant external due diligence advisers (legal, financial, technical, environmental etc.) and management information requests

	• Where possible at this stage, consider the available mitigants to any material ESG risks identified
Due diligence and transaction execution	Once all detailed due diligence has been completed by Arjun and the relevant due diligence advisers, all material ESG issues identified and evaluated are documented in Arjun's final investment report, together with the associated plan for mitigating each risk. This can be through one or more of the following: • Asset management initiatives for the 100-day plan and/or ongoing asset management plan • Applying ESG considerations on revenue/cost/capex/opex assumptions • Adjusting valuation/cost of capital • Incorporating protections/requirements within the transaction documentation, e.g. covenants in the sale and purchase agreement • Abandonment of potential investment (if no satisfactory mitigant can be put in place)

4.3 Portfolio company governance

For infrastructure assets with an internal management structure, Arjun will require appropriate governance structures to be in place and that management allocate sufficient resources to managing ESG risks and opportunities. Within each business, responsibility for ESG and safety matters are allocated to one or more executive manager(s) who report directly to the board of directors.

Arjun also oversees the implementation of responsible investment policies and practices at the portfolio company level which are appropriate to each portfolio company's specific circumstances, and which specifically address any material ESG issues identified in the pre-investment phase.

Arjun supports portfolio company management in delivering our ESG requirements through a range of means including ensuring board discussion, providing training to management and staff, appointing external experts and sharing best practice across portfolio companies.

4.4 Asset management plan and KPIs

Arjun will work with the company's management team and/or service providers to establish an asset management plan and ongoing reporting requirements. The asset management plan will include ESG-related initiatives focussed on seeking to address the ESG factors (both risks and opportunities) identified during the pre-investment phase. This will involve establishing KPIs and other monthly/quarterly reporting requirements as well as targets for improving ESG-related outcomes and asset management initiatives to support meeting these targets. Management remuneration structures are linked to performance against the agreed KPIs and targets where possible.

Depending upon the nature of the company's business, KPIs may include safety performance, resource usage (e.g. energy, water, waste), emissions (e.g. carbon, greenhouse gases, pollution measures), and environmental compliance. KPIs will typically have associated targets for reduction/improvement and will be assessed against sector performance benchmarks. A core group of KPIs will also be consistently implemented and tracked across all portfolio companies, including in relation to carbon emissions and health and safety.

Asset management plans are reviewed and updated on a regular (at least annual) basis to ensure that the targeted outcomes are being achieved and to optimise sustainability outcomes across the portfolio. Where required, external advisors may be appointed to support the management of ESG issues and the delivery of ESG initiatives.

4.5 Climate-related risks and opportunities

As part of the asset management plan, the Arjun asset management team will work with the portfolio company management to identify, assess and manage climate- related risks and opportunities. This is achieved by undertaking a climate screening exercise to understand material risks and opportunities. This exercise is undertaken at the outset of the asset management phase and on a regular basis thereafter.

4.6 Appointing third-party operators

Third party operators are often engaged to provide operations and maintenance services to infrastructure assets managed by Arjun. In some instances, all operational activities will be outsourced with the relevant asset having no employees or internal management. When hiring service providers, Arjun includes ESG considerations as part of the selection process. Factors considered include health & safety, environmental and employment track records, policies and procedures in place in relation to human resources, ESG practices and management governance.

In order to ensure alignment with Arjun's responsible investment practices, contracts with third-party operators include ESG-related reporting requirements and performance targets, with incentives linked to performance targets where possible.

We take a hands-on approach to monitoring the performance of service providers as part of our ongoing asset management practices, with daily interaction being the norm portfolio assets which involve third party service providers. We will revisit relationships with service providers in the event that they fail to meet ESG expectations.

4.7 Stakeholder engagement

During active asset management, Arjun will work with management teams to achieve stewardship and engagement outcomes – including responsible political engagement - which are aligned with the best interests of our investors and enhance the long-term value of assets.

4.8 Active construction/maintenance/upgrade projects

Whenever a major project is undertaken to construct, maintain or upgrade an asset managed by Arjun, ESG considerations form an important part of the process of evaluation, planning and executing the project. Relevant considerations vary according to the asset and the specific project being undertaken, but can include: (a) environmental site selection requirements; (b) sustainable construction materials; (c) energy efficiency requirements; (d) waste management plans at development sites; and (e) certifications such as LEED[8] and BREEAM[9].

Where relevant, environmental and social impact assessments will be commissioned prior to commencing a project.

4.9 Exit

In the event of an exit or sell-down, we believe that our responsible investment practices and in particular the emphasis on sustainable long-term value creation during our ownership period will ensure that portfolio companies are positioned favourably to attract incoming acquirers. In an exit scenario we will share responsible investment information with potential buyers including our responsible investment policies, ESG performance data for the asset and our asset management plans and initiatives completed.

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[8] LEED (Leadership in Energy and Environmental Design) is a green building rating system in the world. Available for virtually all building types, LEED provides a framework for healthy, efficient, and cost-saving green buildings. LEED certification is a globally recognized symbol of sustainability achievement and leadership.

[9] BREEAM (Building Research Establishment Environmental Assessment Methodology) is a third-party certification standard aimed at improving asset performance at every stage, from design through construction, to use and refurbishment.

5 EXTERNAL REPORTING AND DISCLOSURES

5.1 Client reporting and engagement

In terms of reporting to investors, quarterly reports on each individual investment contain a section on ESG which reports on ESG KPIs, updates on any relevant ESG initiatives/developments and any incidents during the quarter. ESG matters are also discussed in investor meetings and limited partner advisory committee meetings.

Where an ESG-related incident takes place which Arjun considers to be of importance to the investors in the relevant asset, Arjun will disclose the incident to those investors as soon as reasonably practical after learning of the incident.

Arjun maintains an ongoing dialogue regarding responsible investment with our clients in order to ensure that our policies and practices continue to meet our clients' requirements and support them to deliver their own responsible investment objectives. This includes progress against our shared sustainability commitments, such as climate change and human rights.

Arjun has also committed to incorporating responsible investment commitments in limited partnership agreements as a standard, default procedure in order to formalise our commitments to our clients in this regard.

5.2 Annual public reporting

Arjun completes the UN PRI assessment annually, with the resulting report being publicly available on the UN PRI website.

Arjun also publishes a Sustainability Report annually, made publicly available via our website. This report summarises our responsible investment initiatives, TCFD disclosures, and sustainability outcomes from our investments. Our report also includes details of Arjun's membership and support of industry associations and any material stewardship and political engagement (direct or indirect) and outcomes.

5.3 Broader stakeholder engagement

Arjun recognises that the infrastructure investments we make and manage on behalf of our clients can have a material impact on the societies and stakeholders associated with those assets. We also recognise that maintaining the 'social licence to operate', which is fundamental to value preservation, is dependent upon the support of stakeholders.

Relevant stakeholders are identified as part of the process of establishing an asset management plan for each investment. Where necessary, objectives for engaging with the identified stakeholders are included as part of the asset management plan. Where possible we seek to measure and monitor the impact of stakeholder engagement initiatives (e.g. through customer satisfaction scores, feedback forms, and event attendance).