

Responsible investment policy

**Infrastructure investing through
a partnership approach**



Introduction

About Arjun

Arjun Infrastructure Partners is an independent asset management company dedicated to executing and managing mid-market infrastructure investments. Founded in 2015, Arjun manages €4.0 billion of capital on behalf of 20 prominent institutional investors¹.

Arjun's team of 29 professionals and a further 8 industry partners¹ has extensive operational and financial experience in the utilities, energy & renewables, digital and transportation infrastructure sectors.

We offer a proven ability to source bilateral investment opportunities and have a strong focus on ESG as part of our long-term, responsible asset management approach.

Arjun focusses on control or co-control investments in private infrastructure assets or companies, allowing us to drive meaningful ESG outcomes through the investments that we manage. Many of the assets that we manage support the green energy transition and provide essential infrastructure needs to society.

Arjun works in close partnership with its clients, offering transparency throughout the investment lifecycle. We provide customised solutions which enable our clients to achieve their specific investment objectives.



About this policy

This policy sets out our approach to responsible investment and is reviewed and updated (if required), annually by our Management Committee.

This document covers:

1. Arjun's responsible investment (RI) philosophy and commitments
2. Governance
3. Responsible investment implementation
4. Stakeholder reporting and engagement
5. Arjun's own ESG practices

Arjun is driven by four key principles:

- ➔ Remain focused on investment scope agreed with investor partners
- ➔ Implement operational asset management plans focused on long-term value preservation and enhancement
- ➔ Incorporate best practice ESG (Environment, Social and Governance) approaches at all stages of the investment lifecycle
- ➔ Maintain strong alignment of interest and transparent dialogue with clients

(1) As of March 2022

I.0 Responsible investment philosophy and commitments

Arjun's responsible investment philosophy

Arjun is committed to making and managing investments in a responsible manner and incorporates best practice approaches at all stages of the investment lifecycle. We believe that our responsible investment practices represent an important part of our fiduciary responsibilities and our ability to deliver attractive risk-adjusted returns over the long term.

We also believe that our fiduciary responsibility is to maximise overall long-term value for our clients and their beneficiaries, which includes the value of the common economic, social and environmental assets on which clients' and beneficiaries' interests depend, in addition to the financial returns from our investments.

We recognise that the infrastructure investments we make and manage on behalf of our clients can have a material impact on the environment and the societies and stakeholders associated with those assets. We are

committed to conducting our business in a manner that protects the environment, health and safety of our employees, customers and the international communities in which we operate. We operate on the principle that we can make quality business decisions while conserving and enhancing resources for future generations.

Arjun's asset management activities are focussed on both value preservation and sustainable value creation, reflecting our investors' long-term investment horizon. Responsible investment practices and 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.



Core ESG focus areas

To understand the areas where our investments can and do 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.

Our ESG activities focus on driving positive outcomes in these areas:



Climate resilience and GHG emissions



Diversity and inclusion



Community impact and engagement



Health and safety

Arjun's responsible investment commitments

Arjun publicly demonstrates its commitment to responsible investment through being a signatory to the UN PRI (the six principles of UN PRI are set out below).

As a member of the Long-Term Infrastructure Investors Association (LTI/A) and the Global Infrastructure Investors Association (GIIA), we follow the ESG guidance and participate in the ESG-related activities of these associations, which includes engagement with other infrastructure industry participants and wider stakeholders on responsible investment topics.

Arjun also recognises that climate change represents a systemic risk to the global financial system and is a significant source of both risk and opportunity to the investments that we manage in the short, medium and long term. We publicly support the Paris Agreement and the Task Force on Climate-Related Financial Disclosures (TCFD). We are committed to working with our portfolio companies to ensure that they are

minimising and disclosing the risks, and maximising the opportunities, presented by climate change. We are also committed to working to minimise our firm's carbon footprint.

Arjun believes in the importance of focussing on sustainability outcomes and in particular supports the 2030 Agenda for Sustainable Development Goals (SDGs) adopted by the United Nations Member States in 2015. Arjun has considered the material SDG contributions of our portfolio, and engage with portfolio companies to measure and monitor these positive impacts. Due to the nature of the infrastructure assets we invest in, the SDG impacts will often be an integrated component of the business, with impact maximisation and business growth positively aligned. For example, in supporting our renewable energy development businesses to grow, we in turn increase contributions to SDG 7 and SDG 13, Affordable and Clean Energy, and Climate Action, respectively.

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.



2.0 Responsible investment governance

Overview of Arjun's responsible investment governance

Effective ESG management requires good 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. A proprietary [deal screening tool](#) is also 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's 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 and updated (if required). Responsible investment and stewardship activities undertaken during the year are also reviewed and objectives are set for the year ahead. Objectives can include team training on specific aspects of ESG incorporation, participation in relevant initiatives, policy engagement and expanding or improving our responsible investment practices.

We also review our membership and participation with [industry bodies](#) and other collaborative activities on an annual basis to ensure that these bodies continue to align with our responsible investment principles and objectives, including with regards to stewardship activities.

Regarding [conflicts of interest](#), Arjun has a detailed conflicts of interest policy in place, stipulating that Arjun has a duty to act in the best interests of its investors. Should a conflict arise, Arjun's senior management will take appropriate steps to ensure fair treatment of all of investors, including disclosure of the conflict to affected investors.

Core ESG tools:

- Responsible investment policy
- Responsible investment implementation handbook
- Deal screen 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



3.0 Responsible investment implementation: Overview

Overview

Arjun’s responsible investment practices are documented in full in our internal ESG 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. The information provided in this section of our responsible investment policy represents a high-level summary of our approach.

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 which are relevant will vary from asset to asset depending on the age, size and type of asset, its geographic location and the asset stage of maturity. As a result, we do not take a ‘one-size-fits-all’ checklist approach to identifying, assessing, managing and monitoring material ESG risks.

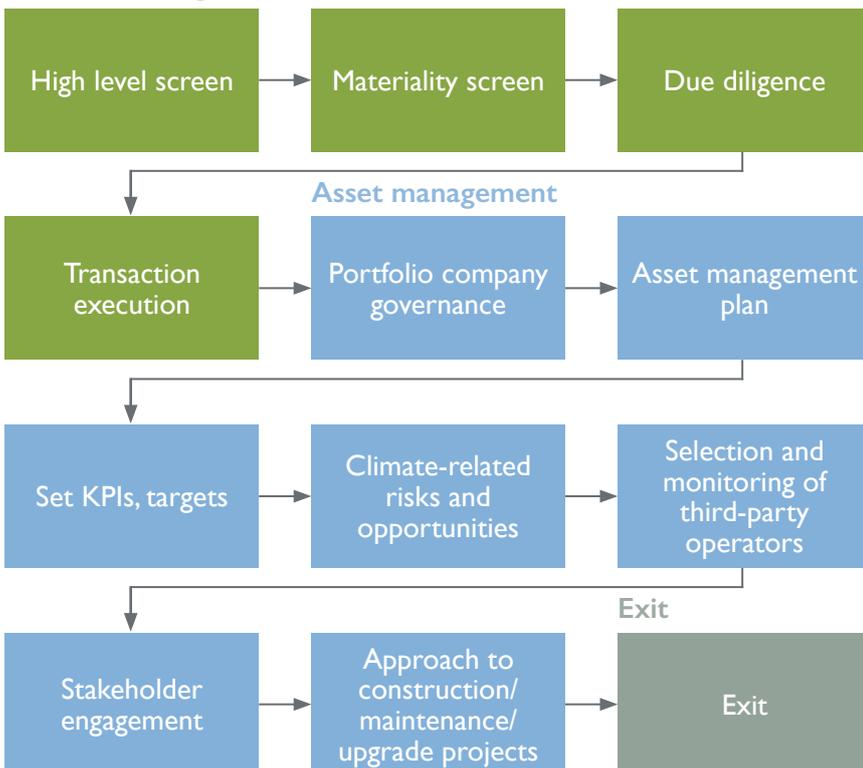
Therefore, the ESG evaluation during the investment process must be tailored to each asset.

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.

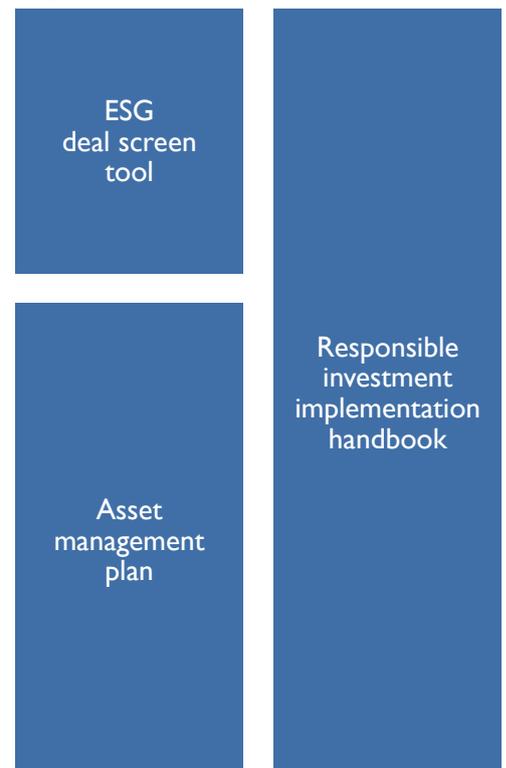
We also maintain an Exclusion List, covering sectors and activities that we will not invest in. These include activities which are not aligned with the investment values and beliefs of our Clients and ourselves. Our Exclusion List also requires minimum safeguards, such as the UN Global Compact Principles and the UN Guiding Principles on Business and Human Rights, to be met.

Overview of the ESG implementation process

Investment origination and execution



Key tools



3.1 Responsible investment implementation:

Investment origination and execution



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.

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 exercise 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:

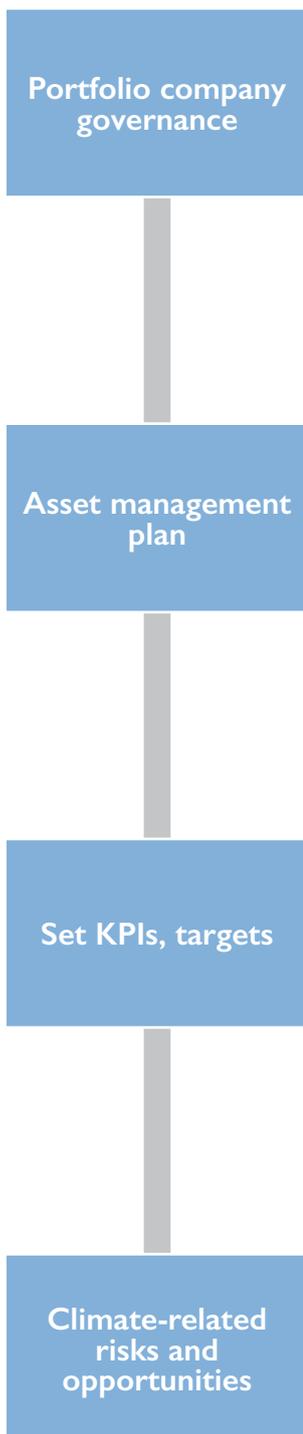
- Identify ESG issues relevant to the business;
- Evaluate the identified issues based on the information available and assess their potential materiality;
- Incorporate the identified potential ESG issues into the scope for the subsequent due diligence phase, including in the scope of the relevant external due diligence advisers (legal, financial, technical, environmental etc.) and management information requests; and
- Where possible at this stage, consider the available mitigants to any material ESG risks identified.

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)

3.2 Responsible investment implementation:

Asset management



Portfolio company governance

For infrastructure assets with an internal management structure, upon acquisition Arjun will ensure that appropriate governance structures are in place and that management devotes sufficient resources to managing the ESG factors that have been identified. Within each business, responsibility for ESG and safety matters is 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.

Asset management plan and KPIs

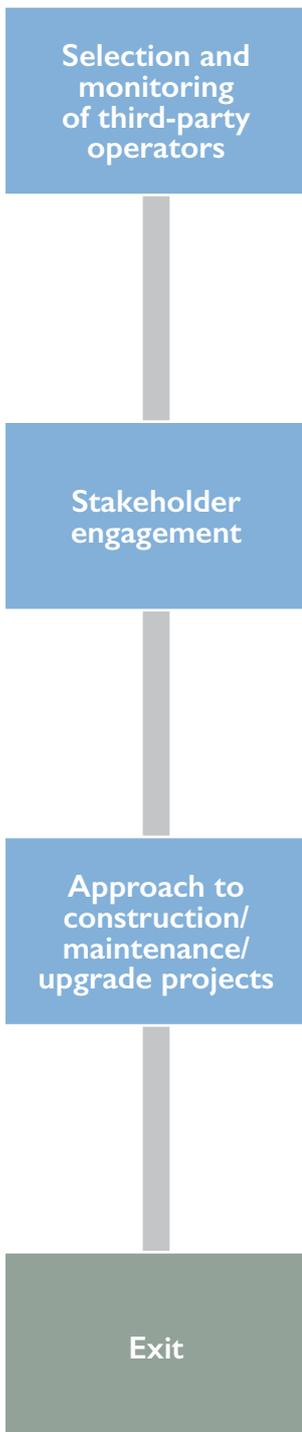
Arjun will work with the company's management team and/or service providers to establish an asset management plan and ongoing reporting requirements. The asset management plan will include ESG-related initiatives focussed on seeking to address the ESG factors (both risks and opportunities) identified 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.

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.



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 for assets currently in the portfolio which involve third party service providers. We will revisit relationships with service providers in the event that they fail to meet ESG expectations.

Stakeholder engagement

See ‘stakeholder reporting and engagement’ section of this document.

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 environmental site selection requirements, sustainable construction materials, energy efficiency requirements, waste management plans at development sites, etc. Where relevant, environmental and social impact assessments will be commissioned prior to commencing a project.

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.

4.0 Stakeholder reporting and engagement

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 (LPAC) 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 meet our clients' requirements and support them to deliver their own responsible investment objectives. Arjun has also committed to incorporating responsible investment commitments in limited partnership agreements (LPAs) as a standard, default procedure in order to formalise our commitments to our clients in this regard.

Publicly available reporting

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

Arjun is also committed to publishing an annual responsible investment report made publicly available via our website. This report summarises ESG-relevant conclusions and actions from investment activities, ESG initiatives undertaken during the year across the portfolio of assets under management and plans for the following year.

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 can include local communities, customers, contractors, supply chain participants, regulators and public policy makers.

Relevant stakeholders are identified as part of the process of establishing an asset management plan for each investment and 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, event attendance).



5.0 Arjun's own ESG practices

At Arjun, we have committed to holding our own organisation to the same ESG standards as we request from our portfolio companies. We have therefore committed to a series of initiatives including:

- **ESG KPIs:** Collecting the same ESG KPIs for Arjun that we have asked our portfolio companies to provide, and to putting in place a plan to improve our ESG KPI performance over time
- **Carbon footprint:** As part of the focus on climate resilience, Arjun will calculate its carbon footprint on annual basis and will establish targets and associated plans for reducing the carbon intensity of our own business operations over time
- **Climate risk:** Climate change is a key topic monitored by each of the Risk Management and Compliance Committee, the Investment Committee, the Management Committee and ultimately the Board of Directors. Arjun will conduct a climate risk assessment on our own operations in 2022 to ensure that climate risks are identified, mitigated and monitored
- **OECD and UNGC principles:** Arjun is putting in place the policies required for the company to be compliant with the OECD and UNGC principles to ensure that Arjun will maintain the highest ESG standards internally
- **Diversity and inclusion:** Arjun is committed to building and maintaining a diverse and inclusive team. This includes continuing to work with the 10,000blackinterns programme (<https://www.10000blackinterns.com/>)
- **Community engagement:** Arjun has committed to matched giving on charitable donations and offering volunteering days to all members of staff
- **Team training and development:** As described in the 'responsible investment governance' section above, Arjun team members are set formal objectives regarding responsible investment as relevant for their various roles as part of the Arjun's performance review process. Team training is undertaken to ensure that team members have the appropriate knowledge to carry out their responsibilities
- **Sustainability outcomes:** Arjun is committed to incorporating sustainability outcomes considerations into our investment, stewardship and reporting activities. We are in the process of reviewing the intended and unintended sustainability outcomes from our activities, selecting the SDG's that we wish to prioritise and determining the associated sustainability outcome objectives





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