
Principal adverse impact statement

Date
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1 Background and purpose

- 1.1 In accordance to the definitions and requirements under the Sustainable Financial Disclosure Regulation (SFDR), AIP considers principal adverse impacts on sustainability factors in all investment decisions related to AIP Infrastructure II and any subsequent funds.
- 1.2 Responsible investments have always been an integral part of AIP's investment strategy and way of working since its foundation. However, AIP has decided not to claim to consider principal adverse impacts of investment decisions on sustainability factors for the previous funds (PKA Direct I, PKA Direct II, PKA Ophelia and AIP Infra 1). This is especially because a positive disclosure under SFDR Article 4 would require significant specific ESG data reporting that we are at this point in time not able to provide for the investments in these funds.
- 1.3 AIP's process for identification and prioritisation of principal adverse impacts on sustainability factors is addressed in AIP's ESG Policy. It is AIP's policy not to invest in companies where the business is based on coal and oil activities and companies where more than 50% of the business is based on extraction of tar sand. AIP also does not invest in assets engaged in manufacture of controversial weapons or in the development, production or storage of nuclear weapons, or in the production of components made explicitly for use in controversial or nuclear weapons.

2 Assessment of principal adverse impacts as part of the ESG due diligence

- 2.1 Assessment of principal adverse impacts is an integrated part of the ESG due diligence that is conducted on all of AIP's transactions:
 - i. ESG Screening:

In the pre-investment phase, the Investment team coordinates the preparation of an initial ESG screening, that is a high-level preliminary assessment of the ESG risks that the potential partners or project may be involved in (i.e., environmental impact, violation of human and labor rights, episodes of bribery and corruption etc.). The potential new business partners are also assessed through exclusion and observation lists that define the sectors and companies that AIP and its Investors do not invest in.
 - ii. Initial Analysis:

If after the first screening activities the investment is attractive, during the initial analysis of the investment project, an "ESG Red Flag Report" is prepared with the support from external professional ESG advisers to identify significant ESG issues. The ESG Red Flag Report is the product of a desktop analysis by our ESG advisers based on information that is publicly available. At this stage, if a risk is identified and cannot be sufficiently mitigated, this may lead to terminating the investment process.

iii. Due Diligence:

Once the project moves forward in the advance analysis phase, however before an investment decision is taken, AIP evaluates the sustainability risks on a more comprehensive and detailed level through the ESG Due Diligence Framework, which consists of 43 specifically defined ESG risk factors that are analyzed separately. The ESG risk factors are defined by incorporating universally accepted principles and standards and by assessing the materiality of ESG risk factors for the sectors in which AIP invests in. The outcome of the ESG Due Diligence Framework is the ESG Due Diligence (DD) report. The primary purpose of AIP's ESG DD report is to identify and mitigate any specific ESG risks for each investment opportunity. The ESG DD Report is prepared by our external ESG advisers that are given access to the data room set up for the specific transaction.

iv. Negotiation and closing:

If a "red flag" is detected in the due diligence phase, the risk and respective mitigating actions are identified, and AIP is striving to obtain contractual protection limiting any ESG risks to the extent possible during the negotiations process.

v. Asset management and monitoring:

After the transaction is concluded, all ESG activities relating to the specific investment are handed over to AIP's Asset Management team, and the ESG risks and opportunities are included in the action plans for the relevant asset(s). The monitoring and reporting of the ESG activities are conducted by monthly and/or quarterly review of Health, Safety and Environment (HSE) reporting regarding the assets and by addressing HSE and other ESG priorities during the asset JV/partner meetings. In addition, AIP representatives for each asset work with the relevant co-investors and partners to reduce ESG risks and improve ESG performance.

2.2 The ESG DD report maps AIP's potential business partners and projects on 43 risk factors concerning Environmental, Social and Governance pillars. These can be clustered into the following 18 key risk areas:

i. Environmental

- Biodiversity and habitat
- Greenhouse gas emissions
- Air quality
- Hazardous materials
- Catastrophe and disaster risks
- Climate change risks

ii. Social

- Occupational health and safety
- Community health and safety hazards
- Working conditions
- Freedom of association
- Diversity and discrimination
- Stakeholder engagement

iii. Governance

- Presence of ESG policies
- Business conduct
- Anti-corruption and financial crime
- Suppliers and contractors
- Cybersecurity

2.3 These risks factors are evaluated following a risk assessment matrix that takes into consideration both the "Severity" and the "Likelihood" of each sustainability risk. In particular, the "Severity" index rates the investment according to the following factors:

- Health and safety (incidents)
- Reputational (media occurrence)
- Construction delays
- Financial costs
- Environmental impacts

2.4 On the other hand, the "Likelihood" risk assessment provides guidance on how likely a risk is, based upon its past occurrence, frequency and probability of likelihood.

2.5 AIP will actively engage with assets, incl. through Board representation, and use best efforts to ensure compliance with AIP's ESG policy. AIP will endeavor to act within these principles subject to the degree of influence that AIP may be able to exercise over investment partners which may vary for each investment being largely minority investments/positions.

2.6 AIP is a signatory of the United Nations Principles for Responsible Investment (UNPRI) (2019), UN Global Compact participant (2019), GRESB member (2019), Task Force on Climate-related Financial Disclosures (TCFD) supporter (2020) and a member of the Institutional Investors Group on Climate Change (IIGCC) (2021). AIP supports these initiatives and adheres to internationally recognized standards for due diligence and reporting that they represent