

# ESG Policy

Responsible:  
UPB

Date  
23.06.2022

## 1. Background and purpose

AIP Management P/S ("AIP") is an alternative investment fund manager advising institutional investors (the "Investors") on infrastructure investments and managing such investments on behalf of the Investors.

This ESG Policy, as amended from time to time, shall guide AIP in our capacity as manager and advisor, when we – for and on behalf of the Investors – assess/screen potential investments, propose investments, monitor and manage investments and propose to exit investments.

In case of any discrepancy between this ESG Policy and the constitutive documents governing an investment mandate, the latter shall prevail.

The following environmental, social and governance principles shall apply to AIP and we will endeavor and actively seek to promote that the principles are observed by the investments:

## 2. Environmental

Obligations to assess and identify environmental consequences and issues of an investment, set out by relevant laws or regulations, shall be properly observed.

The environmental consequences related to the construction of infrastructure assets, specifically with regard to the use of hazardous materials and the construction work in general as well as the following ongoing operations, shall be minimized in accordance with good industry practice.

The environmental consequences related to operational assets, specifically with regard to hazardous materials, shall be minimized in accordance with best practices with the industry.

In light of the long-term objectives promoted by the European Green Deal and the Paris Agreement, AIP is committed to continuously minimizing the carbon footprint of its investments with the objective of reducing the effects on climate change and limiting global warming well below a 2 degrees Celsius increase in temperature compared to the pre-industrial levels.

AIP aims to achieve carbon neutrality by minimizing its own carbon footprint seeking alternative ways to reduce and/or offset its greenhouse gas emissions, contributing to the global mission of achieving the Net Zero by 2050.

## 3. Social

Relevant social and human rights issues of an investment shall be identified and assessed.

Relations with local community and relevant authorities shall be promoted to the extent relevant and AIP will endeavor to ensure a constructive dialogue is maintained with all relevant stakeholders including non-commercial stakeholders.

The fundamental employees' rights shall be acknowledged and observed by the investment project, including significant suppliers.

AIP acknowledges that privacy and personal data is a fundamental right in the Charter of Fundamental Rights of the European Union and is committed to protecting the privacy and security of personal data. Any personal data provided by investors shall be handled with due care by AIP and in accordance with the internal procedures for handling personal data.

Health Safety and Environment issues ("HSE Issues") are assessed throughout the construction and asset management phases. AIP will procure that HSE Issues are actively monitored and addressed as a priority item at non-executive board level in portfolio companies.

#### 4. Sector exclusions

AIP shall not invest in companies where the business is based on coal and oil activities, as well as companies where of the business is based on extraction of tar sand and where the company does not have a credible transition plan.

Additionally, AIP does not invest in tobacco companies.

No investment shall be engaged in the manufacture of controversial weapons, i.e., weapons which in the course of normal intended use would breach international conventions or fundamental humanitarian principles (e.g., atomic, biological or chemical weapons, cluster bombs or anti-personnel landmines), 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.

Due to the nature of the investment universe, the sector related exclusion criteria described above might lead to the exclusion of only a limited number of investments.

#### 5. Governance

AIP has a zero-tolerance policy when it comes to corruption and bribery. AIP will require that no corruption and/or bribery shall take place or be carried out directly or indirectly by any of the parties involved in an investment.

Obligations to prevent, identify and assess risks of money laundering and/or fraud set out by relevant law or regulations, shall be properly observed and complied with. AIP has introduced adequate procedures to properly monitor and review risks of money laundering and/or fraud.

AIP is committed to avoiding situations which may give rise to a conflict of interest and shall seek to encourage transparency wherever possible. If any team member of AIP or any member of the relevant Investment Committee find themselves in a situation which may result in or be perceived as resulting in a conflict of interests in relation to any investment, they shall raise the attention of the relevant Investment Committee and request a decision on such matter and, pending the relevant Investment Committee's decision, abstain from taking part in any AIP activity that may result in or be perceived as resulting in a conflict of interest.

Governance rights shall be exercised (directly and/or through appointed board members) to promote the active ownership of an investment.

AIP shall seek to promote full disclosure on environmental, social and governance issues in accordance with good industry practice, while paying due respect to professional secrecy, patents, and trade rights as well as privacy and the protection of personal data.

Laws and regulations regarding, e.g., environmental, human rights and labour rights set out by relevant authorities, shall be complied with by all parties, including by significant suppliers, involved in an investment.

AIP shall take considerable care in entering into business relationships with third parties. AIP shall endeavor to incorporate an appropriate level of third-party due diligence before entering into any business relationship and to only engage with reputable business partners.

#### 6. Inducements

Any such party to an investment failing to respect the principles set out above shall be deemed an "Unethical Partner".

If AIP has cause to believe that a party to an investment may be classified as an Unethical Partner, and if an applicable excuse that would remedy such classification cannot be obtained by AIP on behalf of the Investor(s), AIP shall refrain from doing business with such party for and on behalf of the relevant Investor(s).

In the event that AIP determines, or an Investor by written notice to AIP declares, that one or more parties to an investment may be deemed an Unethical Partner, AIP shall use commercially reasonable efforts to seek to encourage the party in question to cease to engage in the activity giving rise to the classification as an Unethical Partner. If a party to an investment is deemed an Unethical Partner, AIP shall inform the relevant Investment Committee about such qualification and, to the extent relevant, steps taken pursuant to this Clause 5.3.

If within a reasonable period of time such Unethical Partner does not cease to engage in the activities giving rise to its classification as an Unethical Partner, then AIP shall, with prior approval of the relevant Investment

Committee, take appropriate steps towards such Unethical Partner and/or the relevant investment, taking into account its fiduciary obligations to the Investor and its obligation to maximise the long-term value of the Investor's investments.

As part of the ESG due diligence of investments or periodical asset management reviews, the overall outcome of the analysis may outline minor policy non-compliance. In such cases AIP will endeavour to implement a mitigation or action plan to ensure conformity.

## 7. ESG Integration in AIP's investment process

ESG is a core part of AIP's business and is integrated throughout all steps in AIP's investment process with the purpose, on one hand, to identify and prioritize principal adverse impacts on sustainability factors. On the other, to assess sustainability risks on financial returns. Environmental, Social and Governance considerations are important for investment decision-making, both to understand and manage investment risks, and to identify opportunities for enhancement of returns. We believe that a strong focus on responsible investing and ESG will create long-term value for our investors. Our ESG due diligence framework takes both principal adverse impact on sustainability factors and sustainability risk on financial returns into account.

### 1. 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.

### 2. 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 are publicly available. At this stage, if a risk is identified and cannot be sufficiently mitigated, this may lead to terminating the investment process.

### 3. 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 a set of 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. Please see section 7 below for a more detailed description of how AIP's ESG Due Diligence Framework operates.

### 4. 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.

### 5. 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.

## 8. Sustainability risks and ESG Due Diligence (DD)

Sustainability risks are assessed and monitored throughout the whole investment process, but in particular the ESG DD report represents a thorough analysis of such ESG risks.

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

Environmental:

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

Social:

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

Governance:

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

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)
- Financial costs
- Environmental impacts
- Construction delays

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.

## 9. Amendments

Investments in infrastructure assets are characterized by a long holding period. The Investors and AIP acknowledge that ethical considerations are constantly evolving and changing over time. AIP may in its own discretion amend this ESG Policy from time to time. Should one or more of the Investors consider it necessary to amend this ESG Policy, AIP agrees to enter into good faith negotiations in order to implement such changes and such changes are subject to the consent of the investors in accordance with the relevant agreement in question.

## 10. Other applicable guidelines and principles

This ESG Policy is based on main guidelines and principles of UN Principles for Responsible Investment ("UN PRI"), UN Global Compact and Task Force on Climate-related Financial Disclosures ("TCFD"), where AIP is signatory to these organizations.

We are committed to monitor any changes and recommendations from UN PRI, UN Global Compact, TCFD and to other relevant corporate ethical policies (including the Investors' or any investment's commitment to a particular environmental, social and governance standard) or national/international/global institutional codes of conduct (e.g., the OECD Guidelines for Multinational Businesses and the UN Guiding Principles on Business and Human Rights) and continuously evaluate whether updates, amendments or changes to the ESG Policy should be made.

For investments located in Non-Designated Countries, as defined by the Equator Principles III, AIP shall use

commercially reasonable efforts to seek to ensure compliance with the IFC Performance Standards on Environmental and Social Sustainability and World Bank Group Environmental, Health and Safety Guidelines, where relevant in AIP’s reasonable and prudent opinion.

Each investment proposal by AIP shall include a section assessing key environmental, social and governance issues of the proposed investment. Accordingly, environmental, social and governance related considerations will provide material input to AIP’s investment decisions and the integration of such criteria supports AIP’s commitment to sustainable value creation.

AIP will assist the Investors in general in solving relevant issues regarding human rights, labour rights, environment, climate, anti-corruption or tax which may arise in relation to investments managed by AIP.

If a material adverse impact on human rights, labour rights or environment relating to an investment occur, the relevant investment committee shall, if deemed appropriate and relevant, be informed of the matter at the next meeting in the investment committee (at the latest). Upon request, AIP shall assist the relevant investment committee in obtaining reasonable further information and documentation on the issue and assist in implementing potential decisions taken by the relevant investment committee.

AIP has adopted several policies, including the Conflict of Interest Policy, Policy for personal transactions, procedure for handling personal data etc., to ensure compliance with the regulation on business conduct and procedures as well as a Code of Conduct setting out the rules and practices ensuring that AIP is compliant with the regulation on information security and business continuity as set out in the AIFM Act and in the Commission’s Delegated Regulation no. 231/2013.

This ESG Policy is part of the ESG strategy framework for AIP and shall be applied in parallel to the Responsible Investment Policy.

**11. Appendix**

Graphical representation of AIP’s investment process (as explained in section 6):

