



ESG POLICY

An abstract graphic element consisting of five concentric circles of varying shades of blue. Five lines radiate from the center point of the circles to the right edge of the page, each ending in a small white dot.

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GLOSSARY

AEIM	Arcus European Investment Manager LLP
AIP	Arcus Infrastructure Partners LLP
Arcus	AIP and its directly and indirectly controlled subsidiary undertakings
Contractor	An agency worker or an independent contractor required to provide services on Arcus premises under the instruction or supervision of an Employee or Member
Employee	An individual with a contract of employment with Arcus
ESG	Environment, Social, Governance
Ethics Committee	The ethics committee of Arcus as constituted from time to time pursuant to the Members' Agreement
FCA	Financial Conduct Authority
Funds	AEIF1, AEIF2 and/or AET (as relevant)
FSB	The Fund Supervisory Board for AEIF1 and AET, as constituted from time to time
GRESB	The Global ESG Benchmark for Real Assets
HR	The individual(s) with responsibilities for human resources matters within Arcus
Investment	Any investment made by any Fund or Managed Account from time to time
Investment Committee or IC	The investment committee of Arcus as constituted from time to time pursuant to the Members' Agreement
Investor	The investors in the Funds and Managed Accounts
Management Committee or ManCo	The management committee of Arcus as constituted from time to time pursuant to the Members' Agreement
Manager	The Arcus entity appointed from time to time as manager of the Funds and/or the Managed Accounts
Managing Partner	Any individual(s) elected to the role of managing partner or co-managing partner from time to time in accordance with the Members' Agreement
Member	A member of AIP
OMT	The Origination Management Team responsible for coordinating Arcus' activities relating to the origination of potential investment opportunities
UNPRI	United Nations' Principles for Responsible Investment

APPLICATION

This policy and procedures described herein apply to:

- Arcus and its controlled entities and undertakings;
- Members; and
- Employees and Contractors.

CONTENTS

ESG Policy	1
1 Objectives and Commitments	1
2 Principles.....	1
3 Implementing our Principles	2
3.1 ESG Committee	2
3.2 Arcus-Level ESG Management	3
3.3 Company-Level ESG Management	4
3.4 Exclusions	4
3.5 Pre-investment (origination and due diligence).....	4
3.6 Post-Investment.....	4
3.7 Governance Issues	5
3.8 Environmental and social issues	5
4 Reporting, Disclosure and Communications	5
5 Training	6

ESG POLICY

The purpose of this policy is to set out basic principles and minimum standards to guide Members, Employees and Contractors at Arcus in the conduct of their day-to-day activities. These documents form a critical element in ensuring that Members, Employees and Contractors are fully aware of Arcus' expectations of them. This policy is not intended to be a comprehensive guide to all ESG obligations, issues and opportunities. However, this policy is intended to promote and enhance our culture of responsible investing within the framework of ESG considerations.

1 OBJECTIVES AND COMMITMENTS

Arcus is an experienced, innovative private investments team targeting European businesses with strong infrastructure qualities, unlocking alpha through dedicated investment management. Arcus aims to deliver attractive risk-adjusted returns and yield to its Investors over the long term through careful selection and active management of European infrastructure assets. Arcus believes that the provision of high quality infrastructure is critical to Europe's future economic growth, environmental protection, societal development and reducing inequalities.

Arcus aims to consistently act in the best interests of its Investors and other stakeholders, and believes that ESG issues are relevant to infrastructure and can potentially impact the long-term investment returns of infrastructure portfolios. Incorporating ESG factors into our policies and procedures, at Arcus and within investee companies, helps us to identify both potential sources of risk, and opportunities to add value for Investors.

Arcus has a particular interest in supporting the Affordable and Clean Energy and Climate Action sustainability goals reflecting the challenges we see in dealing with global warming and air pollution and promoting decarbonisation.

Arcus is also supportive of social and environmental charitable activities and all Members, Employees and Contractors are encouraged to fund raise, volunteer and participate for any charitable organisations that they feel passionately about. Arcus supports individual volunteering, subject to it not unduly interfering with their role within the business, and provides "match-funding" for selected fundraising initiatives on an annual basis.

2 PRINCIPLES

Arcus is a signatory to and follows the 6 UNPRI Principles listed below:

- Incorporating ESG considerations into investment analysis and decision-making processes.
- Being an active owner and incorporating ESG issues into our ownership policies and practices.
- Seeking appropriate / relevant disclosure on ESG issues by the entities in which we invest.
- Promote acceptance and implementation of the UNPRI Principles within the investment industry.
- Working with other co-investors to enhance our effectiveness in implementing the UNPRI principles.
- Reporting on our activities and progress towards implementing the UNPRI Principles to our Investors.

At the time of this Policy's approval, the ESG issues that are seen to be most relevant to Arcus and the infrastructure industry in general include, but are not limited to:

- Health and safety;
- Environmental issues including air, land and water pollution;
- Resource use;
- Employee engagement, retention and rights;
- Corporate governance;
- Business integrity; and
- Conflicts of interest.

3 IMPLEMENTING OUR PRINCIPLES

3.1 ESG COMMITTEE

ROLE AND RESPONSIBILITY

The Management Committee has appointed a head of ESG and an ESG committee to assist it in managing matters relating to ESG, such as reporting, training, maintaining policies and driving Arcus' commitment to ESG.

HEAD OF ESG

As appointed by Management Committee, currently Mel Kirn.

MEMBERSHIP OF THE ESG COMMITTEE

Arcus' ESG committee as constituted from time to time is currently comprised of Mel Kirn, Neil Krawitz, Thea Connolly, Jenni Chan, Stephan Grillmaier and Ian Harding.

ESG COMMITTEE INFORMATION

The ESG committee shall be supplied with information that it requires or requests in order to fulfil its role in ensuring responsible investment at Arcus. Reports and papers relevant to the agenda of each ESG committee meeting are to be circulated to the ESG committee in a timely manner in preparation for such meetings. Examples of information to be provided in advance of meetings or during the meetings include:

- Written/verbal updates of any previous agenda items or issues;
- Written reports from asset managers regarding their asset on a quarterly basis;
- Written/verbal reports on any ad hoc incidents; and
- Written training objectives and planning for Arcus Members and Employees.

ESG COMMITTEE TERMS OF REFERENCE.

Members

The ESG committee shall be formed of a minimum of four members as appointed by the Management Committee from time to time.

Attendees

Members and Employees who are not on the ESG committee may attend as and when required dependent on agenda items. Representatives of relevant business and support functions as requested by the ESG committee.

Frequency of meetings

The ESG committee shall meet on a quarterly basis or more regularly as required.

Quorum	Three.
Voting	Simple majority
Minutes	Minutes of meetings will be recorded.
Regular Reports	The asset managers' quarterly reports (to be used in quarterly reports to Investors, ManCo and FSB). Updates on Arcus'/assets' management programme.
Terms of Reference	Requirements: <ul style="list-style-type: none">– Maintain required policies and procedures;– To ensure an ESG continuous improvement programme is implemented and carried out at Arcus and asset level;– Ensure Arcus complies with the UNPRI Principles;– Ensure Arcus and the relevant assets complete GRESB and UNPRI reporting on an annual basis;– Ensure relevant training is provided to Members and Employees;– Review quarterly reports to Investors, the Management Committee and FSB;– Review ad hoc ESG matters on an incident driven basis; and– ESG due diligence materials / questions for any future investment and/or fund.
Review	The Management Committee should, at least once a year, review the ESG committee's performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to implement any changes it considers necessary.

3.2 ARCUS-LEVEL ESG MANAGEMENT

Arcus seeks to monitor its portfolio exposure to key ESG issues through the ESG committee and risk management, and to actively manage all such risks and opportunities.

For each investee company, an asset manager is appointed and each asset manager is responsible for identifying and managing ESG risks in relation to companies for which he or she is responsible. Investment professionals within Arcus (including asset managers) will receive training in ESG issues, and will be expected to periodically update their knowledge.

As part of Arcus' risk management framework, quarterly risk reviews are collated by the head of compliance, risk and ESG and asset managers. The risk reviews include a section on ESG matters and so any "high" ESG risks/issues would be captured. The risk reviews for AEIF1 assets are reported to the FSB on a quarterly basis and any urgent issues are reported on an ad hoc basis to all appropriate committees and Investors.

Any serious incident or issue at an investee company should be immediately raised by the asset manager with the Investment Committee and the ESG committee. The ESG committee will assist the Investment Committee in determining any course of further action if appropriate. Depending on the severity of the incident, the Investment Committee, with the assistance of the ESG committee, will also determine whether further escalation is required to, for example, the Management Committee and/or FSB and/or the relevant Investors.

A report will be issued, within the relevant quarterly and annual report(s), to Investors detailing a quarterly and annual summary of any ESG issues faced by investee companies managed by Arcus, including a statement on the continued focus on ESG issues and responsible investing.

3.3 COMPANY-LEVEL ESG MANAGEMENT

Arcus has developed policy, procedures and programmes to assist the analysis, monitoring and development of relevant ESG considerations throughout its investment process.

3.4 EXCLUSIONS

Arcus does not have any pre-defined exclusions for ESG reasons, but will ordinarily not invest in companies that:

- Have a history of poor safety or environmental management;
- Have a history of corrupt practices;
- Have poor governance and ethics practices; or
- Do not demonstrate the ability or willingness to manage current and potential ESG risks effectively, unless Arcus believes that by virtue of its involvement, it will be able to significantly improve the situation, and rapidly cause the investee company to conform to the principles laid out in this policy document.

3.5 PRE-INVESTMENT (ORIGINATION AND DUE DILIGENCE)

When reviewing potential investments, Arcus will consider relevant ESG issues associated with those opportunities.

For reasons of good governance Arcus will pay particular attention to companies that operate, or have plans to operate in, difficult operating environments, e.g. countries where governance is known to be weak, corruption prevalent, and regulation and enforcement of environmental and social issues poor.

Arcus undertakes due diligence as part of its pre-investment process. As part of this due diligence process, all potentially significant ESG issues should be thoroughly analysed and identified, and the companies' management of those issues evaluated. Where necessary, specialists should be used, for example, to assess whether sites are contaminated or to do an environmental impact assessment. Companies' exposure to, and management of, ESG issues should be considered when making the final investment recommendation/decision.

3.6 POST-INVESTMENT

Arcus' primary objective is to deliver returns to its Investors in line with its investment policies. Arcus believes in investing with a long-term view which creates sustainable value for Investors and portfolio company employees, customers and other stakeholders. With this objective in mind, it seeks to improve the management and performance of its investee companies including in relation to ESG issues. A part of this process is ensuring that companies manage all relevant ESG risks effectively and seeking to maximise value from ESG opportunities. ESG issues should be addressed on an ongoing basis post-investment through setting an ESG policy at asset level monitoring compliance with such policy and supporting the governance and management systems that are put in place.

ESG is monitored at asset level through the risk and ESG reporting which the ESG committee and FSB / IC receives for review. Additionally, in the first quarter of each year the agenda for the asset review meetings for each asset is ESG including the following topics:

- The assets' overarching ESG policy and subsidiary policies;
- Key ESG risks and opportunities faced by each asset;
- Key ESG KPIs reported at board level and performance over time; and

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- Areas' asset team(s) consider targets for the ESG continuous improvement programme, including targets for improvement during the following year.

Should any ad hoc incidents arise through-out the year asset managers should follow the reporting process as detailed in clause 3.2 of this policy.

3.7 GOVERNANCE ISSUES

Once invested, Arcus will seek to put in place at portfolio company level governance structures and procedures that provide appropriate oversight in the areas of audit, risk management, and potential conflicts of interest, and to implement compensation and other policies that align the interests of owners and staff.

3.8 ENVIRONMENTAL AND SOCIAL ISSUES

Arcus also aims to put in place appropriate governance and reporting structures in portfolio companies with respect to environmental and social issues, with the goal of improving companies' performance and minimising adverse impacts in these areas.

Working through these governance structures, Arcus aims to ensure that portfolio companies comply with applicable laws and regulations on all relevant ESG issues, including business integrity, corporate governance, resource use and environmental protection, occupational and community health and safety, employment and security.

Arcus will also work with portfolio companies to identify and mitigate adverse ESG risks and impacts, by adopting best-practice standards and management systems, and encouraging continual improvement. Arcus also aims to encourage portfolio companies to identify ESG related opportunities to add value to the business, by, for example, creating operating efficiencies, building market share, enhancing their reputation, differentiating their brand, meeting bidding requirements, attracting and retaining staff and fostering sustainable supply chains etc.

4 REPORTING, DISCLOSURE AND COMMUNICATIONS

Arcus monitors ESG matters through the quarterly risk reviews which includes an ESG section as detailed in clause 3.2 above, and each report is also reviewed by the FSB, IC or Management Committee as appropriate.

Arcus will include a report on its approach, progress and ESG risk and opportunities within the annual and quarterly reports to Investors for the Funds, as also laid out in section 3.2 above. The ESG Committee will review each report in advance before it is approved by the IC as part of the annual/quarterly report sign-off process.

Where an ad hoc ESG related incident arises at Arcus, the Member or Employee concerned, or in an asset the relevant asset manager, should notify the Investment Committee and the ESG committee as soon as reasonably practicable. Any communication to Investors about such incident will be reviewed and approved by the IC, with the assistance of the ESG committee before being released to Investors by the investor relations team. Arcus will also respond to ad-hoc questions on ESG matters from prospective and existing Investors or investment consultants.

Arcus is a signatory to the UK Stewardship Code, please see our response on our website.

The Modern Slavery Act 2015 is a piece of UK legislation which applies to Arcus. Arcus has a zero tolerance for slavery and human trafficking.

At Arcus and our investee companies, through our acquisition due diligence procedures and ongoing asset management of investments, we endeavour to ensure no form of slavery, servitude, forced or compulsory labour or human trafficking takes place.

5 TRAINING

The ESG committee will organise annual training for all Members and Employees, including a post training assessment. The training will be reviewed on an annual basis and will cover the UNPRI Principles along with any other relevant case specific examples and ESG related developments from Arcus and/or the wider investment industry.

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