

SUSTAINABILITY-RELATED DISCLOSURES

ARCUS EUROPEAN INFRASTRUCTURE FUND 3 (“AEIF3”)

Prepared by Arcus European Investment Manager LLP

STATEMENT OF TRANSPARENCY OF THE PROMOTION OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS AND OF SUSTAINABLE INVESTMENTS ON WEBSITES

Arcus European Infrastructure Fund 3 “AEIF3” or “the Fund”

(a) Summary

The following information relates to AEIF3, and is provided in accordance with Article 10(1)(a) to (c) of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the “SFDR”). The information required pursuant to Article 10(1)(d) of SFDR, being the periodic reports to be provided in accordance with Article 11 of the SFDR, will be published together with the following information following the date on which periodic reporting is first provided in respect of the Fund.

Arcus Infrastructure Partners LLP (“Arcus” or the “Firm”) is a European mid-market infrastructure fund manager, founded in July 2009. Arcus believes that investing responsibly protects its investors’ interests, by identifying and managing ESG factors early in the investment process and actively managing and reporting on these throughout the investment lifecycle. Throughout the origination process, Arcus considers ESG factors. This includes initial ESG screening, ESG risks and opportunities due diligence and Investment Committee assessment of results as part of the investment decision making process.

Once an Arcus managed or advised fund has completed an investment, ESG risks and opportunities identified during the diligence process are included as key workstreams in the 100-day plan. Throughout the asset management process, Arcus aims to continuously improve the investee companies’ management of ESG factors over time.

Arcus’ asset management activities focus on systematically managing and reducing risk factors and pursuing value-add opportunities, including ESG factors, during the Arcus investment hold period. Arcus actively seeks external scrutiny, validation and peer benchmarking of ESG performance for itself and its portfolio companies, through participating in the GRESB infrastructure assessment.

(b) No sustainable investment objective

AEIF3 promotes environmental or social characteristics, but does not have an objective of sustainable investment within the meaning of SFDR. As such, it is subject to Article 8 of SFDR.

The AEIF3 has a minimum allocation of 0% to sustainable investments, although in practice the Fund may make sustainable investments (within the meaning of the SFDR) such that the actual percentage may be above this level. As the Fund does not commit to making sustainable investments, it is not obliged to include disclosures around sustainable investments. However, through this disclosure Arcus demonstrates a transparent approach to its investors and other stakeholders. Where the Fund does make sustainable investments, their objectives will be to:

- make an identifiable positive contribution to one of the primary investment themes of the Fund;
- make an identifiable positive contribution to one or more of the UN Sustainable Development Goals (“SDGs”);
- commit to good practice management of environmental and/or social characteristics;
- commit to continuous improvement targeting high performance in its peer group within the GRESB infrastructure assessment;
- commit to good corporate governance, underpinned by a policy framework; and
- provide transparent ESG reporting to investors in line with the principles and commitments of the Arcus ESG policy.

(c) Environmental or social characteristics of the financial product

Arcus believes that the provision of high-quality infrastructure is critical to Europe’s future economic growth, environmental protection, societal development, and to reduce inequalities. As an asset manager, Arcus’ approach to stewardship systematically integrates the evaluation of ESG risks and opportunities into its own organisation and into its AEIF3 investment origination, asset management and exit decisions.


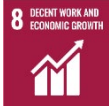

Arcus has set three environmental and three social characteristics in relation to AEIF3 that are considered generally material across the infrastructure sector.

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Table 1

Environmental impacts	Characteristics	Indicators (report annually)	Relevant SDGs
GHG emissions	Actively promote reducing CO ₂ emissions intensity and aim to set a CO ₂ reduction target for emissions within operational control.	<ul style="list-style-type: none"> Scope 1&2 GHG emissions (tCO₂e) in line with the GHG protocol in contrast to a benchmark year; Scope 3 GHG emissions from of the five most material scope 3 emissions categories; Efforts made towards the SDGs. 	 
Energy efficiency	Actively promote reducing energy intensity and the use and production of renewable energy.	<ul style="list-style-type: none"> Energy intensity (Energy consumption in GWh per million EUR of revenue of the Fund); Total energy consumption/production by portfolio company including energy source (renewable/non-renewable); Efforts made towards the SDGs. 	 
Climate change	Assess the resilience of the portfolio companies in line with TCFD recommendations.	<ul style="list-style-type: none"> Annual TCFD report – to provide transparency on the resilience of the portfolio in line with TCFD recommendations; Efforts made towards the SDGs. 	  
Social impacts	Characteristics	Indicators (report annually)	Relevant SDGs
Diversity and equal opportunity	Committed to develop and promote diversity and equal opportunity for all employment practices and activities.	<ul style="list-style-type: none"> Total employees, % of women; % of women on the Board; Average unadjusted gender pay gap; Efforts made towards the SDG. 	  

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Health and safety	Committed to maintaining safe and healthy working conditions through control of health and safety risks at investee companies and a safe environment for all those attending the working premises.	<ul style="list-style-type: none"> • The number of recordable injuries among employees and contractors; • The number of lost-time injuries among employees and contractors; • Hours of health and safety training received by employees; • Efforts made towards the SDG. 		
Labour standards and Human rights	Committed to ensure human rights and labour standards are met, in line with local laws and regulations of each country of operation.	<ul style="list-style-type: none"> • Annually report on compliance with UNGC principles for Human Rights and Labour; • Efforts made towards SDG 8 “Decent work and economic growth”. 		

(d) Investment strategy

As a responsible asset manager, Arcus takes a proactive approach and considers Environmental, Social and Governance factors in its investment decision making process. The investment professionals at Arcus aim to make well-balanced decisions within our risk appetite, and otherwise mitigate risks and explore opportunities in the best interest of its Investors.

The Arcus investment strategy focuses exclusively on private market infrastructure investments in Europe. Within this geography, Arcus is focused on four sectors: digital, transport, logistics & Industrials and energy. Arcus believes that the provision of high-quality infrastructure is critical to Europe’s future economic growth, environmental protection, societal development and reduction of inequalities. As part of our fiduciary duty Arcus applies a targeted screening of transactions and will not invest in:

- Companies that derive their revenue from the transport, trade and/or manufacture of armaments, civilian firearms, nuclear biological or chemical weapons, cluster munitions, landmines or other similar weaponry or associated strategic products;
- Companies that derive their revenue from the production or sales of, or involvement in adult entertainment, alcohol, animal experimentation, gambling, or tobacco;
- Companies that derive their revenue from the exploration, mining and/or refining of fossil fuels in solid, liquid and/or gas form (i.e. thermal coal, crude oil, natural gas);
- Companies that derive their revenue from the use of uranium, or thorium for electricity generation;
- Companies that derive their primary source of revenue from the use of fossil fuels for electricity generation;
- Companies that derive their revenue from building, operating or owning pipelines that facilitate transport or export of fossil fuels unless there is a clear strategy to transition the product type away from fossil fuels, with the exception in the case of natural gas related assets (such as distribution networks) where Arcus is satisfied these assets represent an interim low(er) carbon emission bridge prior to practical zero carbon alternatives becoming available;
- Companies that have a history of poor health and safety or environmental management;
- Companies that have a history of corrupt practices;
- Companies that have poor governance and ethics practices inter alia, child labour or human rights abuses; or
- Companies that 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.

The exclusions process is governed by the Investment Committee.

(e) Proportion of investments

The Fund has a minimum allocation of 0% sustainable investments, although in practice the Fund may make sustainable investments (within the meaning of the SFDR) such that the actual percentage may be above this level. If this is the case, we expect that such investments will also be aligned with the promotion of the three environmental and three social

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characteristics that have been set out in Table 1 above and in addition with the objectives as have been set out in (b) No sustainable investment objective. These characteristics are considered generally material across the infrastructure sector. The Fund will report on these indicators and demonstrate progress and alignment against the UN SDGs as part of its annual investor reporting.

With respect to investments for certain specific purposes such as hedging or liquidity, the AIFM anticipates that these will be negligible.

The Fund will not make use of derivatives to attain the environmental or social characteristics it promotes.

(f) Monitoring of environmental or social characteristics

Arcus' focus on managing ESG risks and pursuing ESG-aligned infrastructure opportunities stems from its aim to consistently act in the best interests of its investors and stakeholders. Arcus believes that incorporating ESG factors into policies and procedures builds responsible investee companies, generates sustainable value for all stakeholders and delivers better long-term results for investors.

Arcus seeks to ensure that all investee companies act responsibly and operate in compliance with the relevant laws and regulations applicable in the countries and industry sectors in which the business operates. Arcus places particular emphasis on industry best practice in respect of key matters such as operational health and safety.

ESG risks and opportunities are continually assessed by the Arcus Asset Manager and formally monitored as part of monthly board reporting. ESG, including climate change-related risks and opportunities, are monitored at a firm level quarterly through quarterly risk reporting and ESG reporting. Climate change-related risks and opportunities are also integrated into the annual TCFD reporting cycle. The investment risk reporting is shared with the Investment Committee on a quarterly basis and any urgent issues are reported on an ad hoc basis to the Investment Committee and the ESG Committee.

In addition, one of the quarterly Arcus Asset Review Meeting topics for each investee company focuses on ESG. The agenda for this meeting includes discussing the investee company's ESG approach; key ESG risks and opportunities (including climate change); key ESG KPIs reported and performance over time; and areas considered targets for the ESG continuous improvement programme.

(g) Methodologies

In its ESG policy, available on the Arcus' website, Arcus identifies ESG factors or characteristics that are material to AEIF3 and the broader infrastructure industry. The materiality of ESG factors is determined by the likelihood, magnitude and time-horizon of the ESG factors materialising.

The three environmental and three social characteristics that have been set out in Table 1 above are considered generally material across the infrastructure sector. For each characteristic Arcus has defined clear and measurable indicators. Arcus will provide transparency to AEIF3 investors in accordance with Article 8 of the SFDR and through annual AEIF3 reporting on the indicators. To the extent possible, the indicators have been aligned with relevant international or industry standards.

As part of its ESG management Arcus has committed to responsible investment with relevant policies and procedures aligned with the following international principles and standards:



WE SUPPORT



Arcus is a signatory to and supporter of the six UN Principles for Responsible Investment.

Arcus is a signatory participant and supporter of the ten Principles of the United Nations Global Compact on human rights, labour,

Arcus is a signatory to the twelve Principles of the UK Stewardship Code assessed by the FRC

Arcus is a registered supporter of the Task Force on Climate-Related Financial Disclosures recommendations

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environment and anti-corruption

Furthermore, Arcus is supportive of the 2030 Agenda for Sustainable Development adopted by the United Nations Member States in 2015. Among the Sustainable Development Goals, Arcus has a particular interest in supporting the eleven SDGs set out below. Arcus is most likely to have the greatest impact on the SDGs identified as they are well aligned with the Firm's investment strategy and the long-term trends that are affecting the core European markets such as decarbonisation of the economy as a result of climate change, demographic shifts leading to rapid urbanisation and increasing telecommunication data usage.



Arcus is an infrastructure investor with an investment strategy primarily led by commercial assessment of the infrastructure characteristics of a potential opportunity. However, Arcus believes that ESG factors are highly relevant to infrastructure assets and that a commitment to good ESG practices is in the best interests of its investors and other stakeholders.

(h) Data sources and processing

Arcus recognises ESG data is instrumental to provide transparency to its Investors and other stakeholders. Consistent data collection policies and processes allow regular reporting on progress compared to long-term ESG targets. Through participation in widely recognized benchmarks and commitments to international reporting standards, Arcus enables its key stakeholders to compare the Fund's performance against its peer group.

The data sources used to ascertain the environmental and social characteristics set out in Table 1 above will be taken directly from the investee companies into which the Fund is invested. To ensure data quality is adhered to, the Fund will have standardised data templates and calculation methodologies that are consistently followed and are practical to process. The data will be collected on a quarterly basis to be included in broader annual reporting obligations. Reporting data will be provided on an investee company level to investors and on a broader cumulative basis where possible. The data will be predominantly processed in excel.

Table 1 above sets out the indicators linked to each of the environmental and social characteristics have been aligned with widely recognized benchmarks and international reporting standards. Each characteristic has been linked with 1 or multiple relevant SDGs and annually Arcus reports how the characteristics have contributed to these SDGs. Environmental intensity metrics have been included in the indicators to ensure investors can distinguish investee company size and growth profile from their environmental impact.

(i) Limitations to methodologies and data

AEIF3 is limited to promoting the three environmental and three social characteristics that have been set out in Table 1 above. These characteristics are considered generally material across the infrastructure sector. The Fund will report on these indicators and demonstrate progress and alignment against the UN SDGs as part of its annual investor reporting.

Furthermore, AEIF3 is limited by the ESG objectives and principles Arcus follows for its investment funds, such as the United Nations Principles for Responsible Investment ("PRI"), United Nations Global Compact ("UNGC"), Sustainable Development Goals ("SDGs") and Task Force on Climate-related Financial Disclosures ("TCFD"). The Arcus ESG policy also outlines the Arcus ESG Committee's terms of reference, incorporating guidelines regarding responsible investing, and details Arcus' approach to ESG reporting to investors.

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Arcus views the data limitations on the characteristics identified to be relatively minor but, if they are to occur, the Fund will highlight them and adapt its methodology to manage them.

(j) Due diligence

Throughout the origination process, Arcus considers ESG factors. The first level of screening for ESG risks and opportunities occurs during the Arcus origination team meetings. A traffic light system is used for each opportunity to assess its ESG profile. This decision is taken by the deal origination team and is reviewed by the ESG team. In cases where the ESG profile is red, the opportunity will be automatically discontinued.

When an investment opportunity enters the diligence phase, further analysis is undertaken on ESG risks and opportunities, typically involving the appointment of third-party independent experts or consultants.

Once an investment opportunity has passed the screening and due diligence phases, the results of the due diligence exercise are provided to the Investment Committee via a final Investment Approval Request ("IAR") that includes an evaluation of the material ESG Factors and Principal Adverse Impacts ("PAIs").

(k) Engagement policies

Arcus will only make investments which provide outright control, co-control or where it has the capacity to significantly influence key matters such as business strategy, capital structure, management team composition and significant operational initiatives.

Arcus allocates significant internal resources to managing investments in investee companies. A dedicated Asset Manager is appointed to each new investee company with responsibility for managing the investment and for shareholder-level interaction with the business including in relation to ESG. Asset Managers spend a significant amount of their time building and maintaining relationships, supporting investee company executives, and applying experience and judgment to key decisions.

With respect to corporate governance, senior Arcus personnel, including the Asset Manager, sit on the key operating and shareholder boards of all its investee companies. Consistent with their legal and fiduciary duties, Arcus directors seek to regularly challenge company management in a constructive and supportive manner, and seek to ensure that high standards of governance are observed.

Clear and effective governance positions are an essential prerequisite in every investment. Arcus then establishes a strong and effective board, with the appropriate governance structures (e.g., sub-committees, defined frequency of meetings) and populated with the right combination of Arcus representatives, co-shareholders, executive management and independent non-executive directors. The management of ESG risks, mitigants and opportunities is also incorporated into the business's governance approach.

Arcus believes its responsibility is to ensure that the right governance framework is in place to quickly identify, monitor, and where necessary, act on ESG considerations. Arcus puts in place people and processes that enable the continuous monitoring of the business.

(l) Designated reference benchmark

While AEIF3 is an actively managed product not pegged to a particular benchmark, Arcus has a long term track record of its funds and assets participating in the GRESB Infrastructure ESG assessment and benchmarking process.

Arcus joined GRESB in March 2017 and all Arcus funds and investee companies have, since then, been participating in the annual GRESB assessment and benchmarking process. Arcus uses the GRESB process as a tool to assess ESG performance at the investee company level, facilitate internal and external ESG engagement and set ESG performance targets, with the aim of consistently improving asset ESG performance. Arcus requires all of its investee companies to complete the GRESB Infrastructure assessment and the results are used to target specific improvements in ESG at the individual investee company level each year.

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