Sustainability Report 2023

We plan.

We transform.

We protect.

Providing inherently sustainable assets to support the infrastructure of the future and the world it enables.

ARCUS INFRASTRUCTURE PARTNERS

Contents

Market-leading returns, meaningful impact
Creating value in European mid-market infrastructure investments

Company overview

Arcus is an independent infrastructure fund manager with a focus on the European mid-market. We bring together deep expertise with a considered, rigorous and aligned approach that enables us to bridge the gaps between opportunities, exceptional returns and long-term positive impact.

Experienced, diverse and stable team[1]

68	People
34	Investment professionals
56% male 44% female	Gender balance
18%	Female senior management[2]
4	European offices
11	Year's average experience in infrastructure across the investment team

Proven ability to create value across whole portfolio[1]

21	Investments
€8.8Bn	AUM
€7.6Bn	Total realised proceeds across the portfolio

1 Numbers as at 31 December 2023
2 Defined as Arcus Partners, senior investment team members and senior personnel across key functional roles in support functions including risk and compliance, ESG, legal and finance

Letter from the Managing Partner

Dear Arcus stakeholders,

I am pleased to present the Arcus 2023 Sustainability Report. This report highlights our commitment to sustainability and the progress we have made since we published our 2022 report.

We believe that the provision of high-quality infrastructure is critical to Europe's future economic growth, environmental protection, societal development, and to the reduction of inequality. As such, we see our role of asset manager as custodians with a responsibility to uphold. Therefore, we continue to systematically integrate the evaluation of ESG risks and opportunities into our origination, acquisition, asset management and exit decisions.

Beyond this, we know that sustainable businesses generate better and enduring value for our stakeholders and stronger returns for our investors.

Since we founded Arcus in 2009, responsible investment has been at the heart of what we do. It is a key part of our investment strategy, with environmental, social, and governance aspects being considered at all stages of the investment process, from origination and due diligence, to asset management all the way through to exit.

This approach is formalised and documented in Arcus' ESG Policy, which is reviewed annually, most recently in December 2023. You can view our ESG policy on our website.

The Arcus ESG Committee met quarterly during last year to assess the Arcus ESG strategy and discuss areas for improvement. These regular touchpoints ensure that Arcus and our investee companies remain at the forefront of best practice when it comes to ESG and resulted in many initiatives being undertaken as outlined in this report.

Best in class ESG performance

Arcus believes in accountability when it comes to ESG performance and reporting. As such, we are a signatory to the UN Principles for Responsible Investment, UN Global Compact, TCFD, UK Stewardship Code, iCI, and a member of GRESB.

In 2023, Arcus participated in the GRESB benchmarking assessment and, once again, Arcus has demonstrated "best-in-class" ESG performance with Arcus European Trains (the Alpha Trainsholding partnership or "AET") being named Sector Leader in the Infrastructure Fund category. AET ranked first of 117 infrastructure funds which completed the full GRESB assessment, scoring 99 out of 100 possible points.

Alpha Trains also secured a Sector Leader Award, placing first in the Rail Companies category with a maximum score of 100 for the second year running.

The full results can be found on page 16.

Improved DEI processes

We recognise the importance of having a diverse and inclusive team. In 2023, we applied an improved Diversity, Equity & Inclusion ("DEI") policy within the approach to recruitment to ensure fairness and equality. This resulted in an improved team gender balance of 44% female, compared with 40% in 2022.

More generally, Arcus continues to be a diverse organisation with partners and employees from 23 nationalities, speaking 20 languages (as at 31 December 2023) (compared to 20 nationalities and 21 languages in 2022).

Pathway to net zero

In 2023, Arcus advanced its approach to net zero by 2050. Arcus is working to ensure that this can be achieved through setting net zero targets and achievable decarbonisation pathways for each portfolio company. Please see page 26 for more information about our net zero approach.

Sustainable Development Goals

Throughout 2023, Arcus continued to have material contributions to 13 of the 17 Sustainable Development Goals ("SDGs") that Arcus focuses on where it has the greatest impact through investing in European infrastructure to support energy transition, decarbonisation of transportation, digitisation of society and promoting the circular economy. How Arcus' investee companies contribute to the SDGs can be found on pages 18/19.

To mark the eighth anniversary of the adoption of the SDGs in 2023, Arcus joined the UN Global Compact Network UK for the SDG Flag Campaign promotion in September 2023.

Charitable activity

In addition to the work we do at a Fund and portfolio company level, Arcus continued to support social and environmental charitable activities and all members and employees are always encouraged to fund raise, volunteer, participate, and contribute to any charitable organisations that they feel passionately about. These initiatives are detailed on page 15.

We hope that readers will find our Sustainability Report informative, transparent, and evidence of our ongoing commitment to improving our, and our investee companies', ESG performance.

Ian Harding
Managing Partner
26 June 2024

Arcus sustainability highlights

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.

363 Tonnes	Amount of carbon offset	20 Languages	Spoken at Arcus
€32k	Amount spent on Arcus staff training	23 Nationalities	at Arcus

GRESB INFRASTRUCTURE sector leader 2023

Arcus European Trains – Infrastructure Fund

GRESB INFRASTRUCTURE sector leader 2023

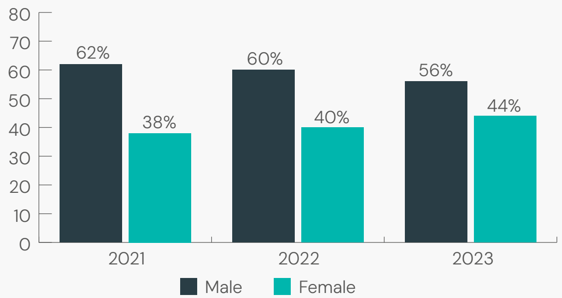
Alpha Trains – Rail Companies

TOP ESG PERFORMER

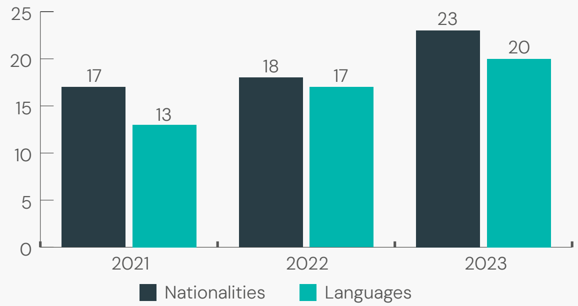
Top performer – infrastructure funds

1st – Infrastructure
5th – Overall (out of 161 PE firms)

Gender diversity (%)



Diversity of nationalities and languages



Arcus is a member of/signatory to the following organisations:

GRESB

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Signatory of:

PRI Principles for Responsible Investment

initiative climat international

WE SUPPORT UN GLOBAL COMPACT

GIIA Global Infrastructure Investor Association

Arcus' approach to ESG

Arcus values

In conducting our day-to-day business, Arcus seeks to apply the following core values and behaviours as they are fundamental to our conduct and interactions with stakeholders.

Arcus values	Supporting behaviours
Transparent	Transparency and integrity sits at the core of our business. Evidenced in our partner-owned structure, through our partnerships with our portfolio companies and investors, and in the focused approach that we apply to our investment decisions. Our investors' interests always come before ours.
Collaborative	Our individual expertise is a strength; when combined it becomes a true differentiator. We recognise this and approach our work as a team, embracing diversity of thought, expertise and experience to deliver the best results.
Accountable	We hold ourselves and our work to high standards. We trust each other to deliver excellent work, knowing that when the time comes to be on, we can rely on each other to be all in. We value diligence and reliability in ourselves and each other.
Meticulously innovative	We believe that a rigorous approach and a deep understanding are critical in order to think differently. We understand first, before applying creativity to the challenges that we face and the opportunities that we uncover.
Respectfully humble	We approach our work and the trust instilled in us by our investors and portfolio partners with the respect that it deserves. We complement our deep expertise with a level of humility that enables us to remain open to learning and different perspectives.

Arcus employee engagement


Sarah Curme, Head of HR'

2023 survey results show an increase in overall employee satisfaction

Arcus conducted its fifth annual employee engagement survey to collect feedback on management effectiveness, engagement, culture, and general wellbeing in the workplace. The survey is conducted using an independent third-party software, ensuring anonymity, and the results are used as an input to ongoing improvements within the business.

Following the survey, the results are presented to employees and they are encouraged to attend a debrief session where they have the opportunity to discuss the outcomes of the survey and input on potential follow up actions. This is an example of Arcus' culture of continuous improvement. Due to the 2022 survey, specific actions were taken in 2023, including the formation of a social committee in Q1 to enable team members to shape the Arcus social calendar. This encouraged a wider range of activities taking place, and a more inclusive environment.

In April 2023, the refreshed Arcus values and supporting behaviours were communicated internally to all staff and published on a newly created section of the Arcus website. A further demonstration of the importance Arcus places on its values and culture, something that was reflected in the improvement scores in the 2023 survey.

The 2023 survey showed significant increases in scores on questions relating to career development, and personal accomplishment. There is also a belief among employees that the survey results are taken seriously and will deliver actions. In Q1 2024, the Head of HR developed a list of potential improvements based on the feedback from the survey and has been proactively engaging with the Management Committee for support on various initiatives.

Key Highlights

These four highlights show that employees are culturally aligned and have faith in Arcus' approach to business and employee wellbeing:

96%	response rate
93%	believe their personal values are aligned with Arcus values
90%	of participants are proud to work for Arcus
94%	believe that Arcus conducts its business with honesty and integrity

Arcus governance overview

Arcus is a partner-owned, independent fund manager focused on European infrastructure. At 31 December 2023, Arcus was owned by 13 Partners, with no individual Partner owning more than 25% of the business.

Twelve of the Partners work in the Arcus business and invest in each of our investments alongside our institutional investors. This ensures strong alignment between the investors in each of the pools of capital managed by Arcus and the owners of Arcus itself. Each Partner has over 15 years' experience working in the infrastructure industry and brings a different perspective on the European infrastructure market.

The firm has established robust governance structures and processes to provide strong alignment between the people in the business and the interests of our investors and other stakeholders. Arcus is structured to ensure that responsibilities for the organisation's principal activities are clearly apportioned so that management is conducted effectively, investment decisions are taken prudently and responsibly in well documented processes, and communication with investors is clear and transparent.

Please see Arcus' structure chart and key committees on page 12. For further information regarding Arcus' governance structures, please refer to our **annual response to the FRC UK Stewardship Code**.

Management Committee


Ian Harding


Toby Smith


Stuart Gray


Christopher Ehrke


Neil Krawitz

ESG Committee


Neil Krawitz


Jenni Chan


Ian Harding


Shirene Madani


Bansi Dhillon


Kaj Bakker

Investment Committee


Ian Harding


Simon Gray


Michael Allen


Stefano Brugnolo


Jordan Cott

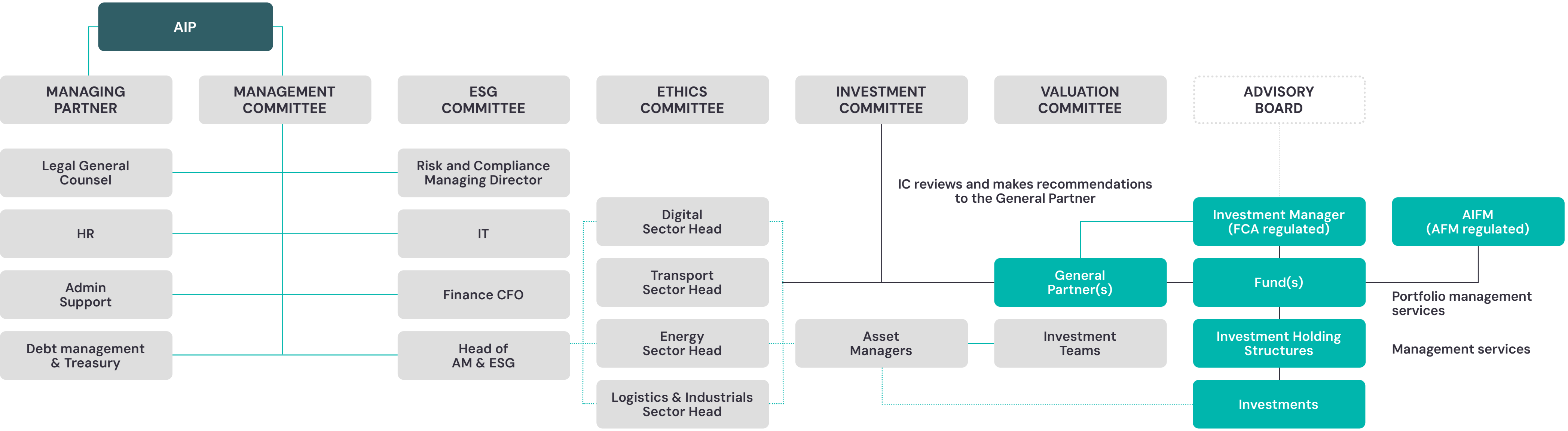


Chart Key
Internal Arcus Functional Reporting
Content-driven Steering line
Fund Reporting line
Fund Governance body

Arcus' approach to ESG

Arcus believes that the provision of high-quality infrastructure is critical to Europe's future economic growth, environmental protection, societal development, and reduction in inequalities.

The experienced, innovative private investments team targets opportunities in the European infrastructure market, seeking to unlock value through a dedicated and focused asset management approach.

As an asset manager, we systematically integrate the evaluation of ESG factors into our origination, asset management and exit decisions. Our focus on managing ESG risks and pursuing ESG opportunities relevant to infrastructure stems from our aim to consistently act in the best interests of our investors and other stakeholders and our firm belief that incorporating ESG factors into our policies and procedures helps us to create responsible investee companies generating sustainable value for all stakeholders and thus delivering better long-term returns for our investors.

Policy

Arcus has an ESG policy which applies to all members, employees and contractors. Our policy, available on our website, sets out our principles, the implementation of these principles, reporting, disclosure, communication and training of our team in relation to ESG. The policy is reviewed annually and was last updated in December 2023. The application of the ESG policy to the funds is most relevant in our investment origination process, where we consider material ESG factors in our opportunity screening and pre-acquisition due diligence, as well as in the asset management of our investments where we target continuous improvements to the investee company approach to, and management of, ESG factors over time.

The **ESG policy** sets out Arcus' ESG objectives, the ESG principles Arcus follows, and the ESG Committee's terms of reference and incorporates guidelines concerning responsible investing. The policy also details Arcus' approach to reporting ESG matters to investors and ESG training provided to Arcus team members.

Origination

Consideration of ESG risks and opportunities is a formal element of the Arcus origination process. Every investment opportunity undergoes a three-stage process where ESG factors are considered as part of 1) the initial sourcing and Investment Committee approval to progress preliminary due diligence, 2) the assessment of the investment prior to submission of a non-binding, indicative offer and, if successful, 3) the final review of due diligence and investment hypothesis prior to submission of a binding offer. Arcus pays particular attention to companies that operate, or have plans to operate in, difficult operating environments (including physical environments), e.g. countries which are prone to floods, droughts or industries that face significant supply or demand shifts driven by climate change, or where government is known to be weak, corruption prevalent, and regulation and enforcement of environmental and social issues poor.

The first level of screening for ESG risks and/or opportunities occurs as part of the fortnightly Arcus origination meetings. 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. Following on from the screening and the diligence phases, the investment opportunity then enters a decision-making phase where the results of the diligence exercise are provided to the Investment Committee, and thereafter to the AEIMNL Board, via a final approval paper.

Asset Management

Once Arcus has completed an investment, ESG risks and/or opportunities (identified as part of diligence and actions associated with ensuring investee companies meet Arcus' ESG requirements) are included in the 100-day plan workstreams. Arcus ensures that its investee companies have appropriate policies and procedures for ESG matters (either via an ESG or sustainability policy or specific subsidiary policies dealing with relevant ESG factors such as health and safety or environmental matters).

ESG risks and opportunities are continually assessed by the Asset Manager and monitored formally as part of regular board reporting. ESG is monitored at Arcus level quarterly through the internal Arcus risk and ESG reporting process. Climate change related risks and opportunities are integrated into the quarterly risk reviews and are discussed further where they are identified as material. Existing and emerging regulatory requirements related to climate change are also considered when assessing risks on a quarterly basis. All asset risk reviews are reported to the Investment Committee and AEIMNL Board on a quarterly basis and any urgent issues are reported on an ad hoc basis to all appropriate committees and investors.

Reporting

Arcus focuses on disclosure and transparency of reporting as well as materiality of ESG risk and opportunity, including climate-related risks, when setting out ESG monitoring and performance targets. At Arcus we recognise that each investment is unique – whether by virtue of geography, size or other differences – and we consider these factors when setting our initial reporting as well as when setting performance targets.

The main channel for communicating management of ESG risks and opportunities to our investors is the relevant quarterly written Fund or Managed Account reports. Arcus follows the Invest Europe Investor Reporting Guidelines on ESG matters in each of its reports, as well as responding to ad hoc questions on ESG matters from investors.

In compliance with the SFDR, Arcus provides fund PAI reporting on 14 mandatory and 16 voluntary indicators for AEIF2 and AEIF3 as part of the Annual Report to investors.

Exit

Asset management activities throughout the lifecycle of Arcus' investments are focused on managing and reducing risk factors, and pursuing value-add opportunities to improve investment returns. In many cases the benefits accruing from this approach materialise at the point of exit, either through a premium to valuation multiple on account of the improved business prospects or a reduced buyer equity discount rate due to the reduction in perceived investment risk. ESG is an integral part of the Arcus Asset Management Framework and this systematic approach is incorporated for many years in advance of exit with value realisation in mind.

Arcus ESG Key Developments 2023

Arcus is a signatory to the UN Principles for Responsible Investment, UN Global Compact, TCFD, UK Stewardship Code, iCI and a member of GRESB. In 2023, Arcus advanced its net zero approach, working to translate this commitment both at a fund and investee company level, engaging with the management teams of the investee companies to map out the required next steps on this journey.

Throughout the year, Arcus continued to make material contributions to 13 of the 17 SDGs that Arcus recognises it can have the greatest impact on through investing in European infrastructure, supporting the energy transition, decarbonisation of transportation, digitisation of society and promoting the circular economy. To mark the eighth anniversary of the adoption of the Sustainable Development Goals in 2023, Arcus joined the UN Global Compact Network UK for the SDG Flag Campaign promotion in September 2023.

The Arcus Origination Management Team considers relevant ESG factors from the very beginning of the investment lifecycle and in 2023, c. 8% of the 293 potential investment opportunities were not progressed post the initial screening meeting due to specific ESG concerns. We continued to enhance our ESG due diligence process with a designated member of the ESG team working with deal teams to identify ESG risks and opportunities at an early stage of the investment process. This process starts in advance of engaging and scoping specialist due diligence advisors to ensure the consistent application of best practice approach and documentation of ESG due diligence across all potential investment opportunities.

This process includes consideration of the Principal Adverse Impacts ("PAI") as part of the investment decision making process documented as part of the final investment. The PAI assessment is included as a mandatory element in the investment process ensuring that Arcus considers the adverse impacts of its investment decisions. SFDR reporting stipulates that Arcus must report annually on the 14 mandatory PAI, and Arcus voluntarily chooses to report on an additional 16 of the voluntary PAI. During the year, Arcus worked with an external advisor, DNV, to assess EU Taxonomy alignment for Horizon and SMA.

In September 2023, the UK Financial Reporting Council confirmed Arcus as a signatory to the UK Stewardship Code for the reporting period of 1 January to 31 December 2022. In the 2022 Stewardship Code response, Arcus focused specifically on demonstrating stewardship during the reporting period through case study examples.

The Arcus Stewardship Code report is available on the Arcus and FRC websites and provides a summary of the approach to the Principles of the Code and explanations of the activities we undertook in 2022. Arcus plans to report annually on its stewardship activities in line with the Code's requirements.

The key ESG risks and mitigants for Arcus and each investee company were reviewed quarterly and a full annual ESG review was undertaken for each investee company in the Q1 2023 Asset Review Meeting.

Arcus continued its data collection in 2023 for its own Scope 1, 2 and 3 (material categories) emissions. In 2023, Arcus' scope 1, 2 and material scope 3 carbon emissions were 363 tonnes of CO_2 (tCO_2) which is more akin to a normal operating year compared to 350 tCO_2 in 2022. The Arcus 2023 emissions were offset through Carbon Footprint, which manages the Verified Carbon Standard certified (VCS959) 'Guanaré' Forest Plantations on Degraded Grasslands Under Extensive Grazing' in Arcus' name. Arcus continues to monitor office paper usage and printing, targeting reduction throughout the year.

We recognise the importance of having a diverse, inclusive workforce. Arcus continues to be a diverse organisation with partners and employees from 23 nationalities, speaking 20 languages (as at 31 December 2023) (compared to 20 nationalities and 21 languages in 2022).

Arcus continues to grow organically, with 12 new hires in 2023 whilst applying an improved Diversity, Equity & Inclusion ("DEI") policy within the approach to recruitment to ensure fairness and equality. This resulted in an improved team gender balance of 44% female, compared with 40% in 2022. In March 2023, Arcus hosted a diversity workshop which focused on a culture of trust, mutual respect, and engagement.

As mentioned earlier, following the annual employee engagement survey conducted in December 2022, Arcus formed a social committee in Q1 2023 to enable members to shape the Arcus team social calendar. Arcus team members continued to engage in technical and personal development training, funded by Arcus, at a cost of c. €32,000 during the year.

The entire Arcus team completed online training relating to workplace safety, anti-money laundering, code of conduct, Senior Managers and Certification Regime conduct rules, information security and cyber risk awareness and GDPR training.

Neil Krawitz, Head of Asset Management and ESG continued to serve as a member of the GRESB Foundation Infrastructure Standards Committee.

Members of the Arcus ESG Committee attended various sustainability workshops and seminars during the year including the UNPRI's main annual event, "in Person & Online Conference", The British Private Equity & Venture Capital Association ("BVCA") annual Summit, GRESB training and results presentation, the Women in Infrastructure Forum and several SFDR seminars and workshops. Neil Krawitz was part of the panel speaking at the BVCA Summit 2023 on ESG and climate change through the investment lifecycle.

Arcus, in association with the Sutton Trust charity, delivered its fourth annual social mobility programme to seven senior school students from underprivileged backgrounds in May 2023. Arcus team members volunteered in delivering sessions over four days, which covered insights into Arcus, infrastructure, finance, asset management and general skills sessions such as CV building and the use of professional social media tools. An infrastructure investment-related case study was also provided to give the students insight into a real-life example of our industry. In July 2023, Arcus delivered its first formal summer internship programme, also in partnership with the Sutton Trust, for university students from minority and underprivileged backgrounds. The programme saw two university students join Arcus in paid roles for five weeks, predominantly working with the investment teams while receiving weekly teach-ins on topics such as infrastructure investing, accounting, investor relations and more. The two students also had the opportunity for a site visit at a former Arcus investee company.

In June 2023, members of the Arcus team spent a day volunteering at Sufra Food Bank, a London charity tackling food poverty. The team helped in the community garden, supported in the food store, spent time working in the centre's new affordable café, and helped spread the word about its Saturday food market by handing out flyers in the local area. In October, 15 Arcus team members participated in a corporate volunteer day at Trees for Cities, a UK-based charity which plants urban trees to create greener cities, planting 10 new trees in south east London. A number of the Arcus team also participated in the Streets of London sleep out and night walk, raising money and awareness for the homeless.

Arcus and its employees made c. £100k in donations to several staff nominated charities in 2023. These charities include Starlight Children's Foundation, Sufra Food Bank, Streets of London, Impact 100 London, Sutton Trust, Fondazione Malattie del Sangue Onlus, and Fast London. In addition, Arcus used Carbon Footprint in 2023 for carbon offsetting in respect of emissions from the prior year.

GRESB and UNPRI process and results

GRESB

Arcus has been a GRESB member since March 2017 and has completed the GRESB reporting cycle for all Arcus funds and investee companies where they meet GRESB's qualification requirements (assets held in fund at year end and that have been held for more than six months of the reporting period). In 2023 GRESB has run the infrastructure benchmarking process with 172 infrastructure funds and 681 infrastructure assets participating (compared to 166 funds and 649 assets in 2022).

Arcus completed a fund assessment questionnaire for all its Funds and Managed Accounts in Q2 2023, along with each of the investee companies completing an asset participant assessment questionnaire.

In the 2023 GRESB Infrastructure Assessment, Arcus European Trains (the Alpha Trains holding partnership or "AET") ranked first once again out of 117 infrastructure funds which completed the full GRESB assessment, scoring 99 out of 100 possible points. Alpha Trains also secured a Sector Leader Award, placing first in the Rail Companies category with a maximum score of 100 for the second year running.

AEIF2 maintained its position, receiving a 4-star GRESB rating and 91/100 points in the GRESB fund assessment, significantly above the average fund participant's score of 81 points. This is particularly impressive as three new assets, namely Momentum, HB and Opus B, completed the GRESB assessment for the first time with excellent results.

Momentum achieved an outstanding 95/100 points, while HB and Opus B scored 73 and 82 respectively; impressive results for their first assessments.

Other AEIF2 assets continued to perform well. Peacock saw the highest year-on-year increase, with 91/100 points, vs. 70/100 in 2022, testament to the hard work of the Peacock and Arcus teams over the last year. Constellation and SMA improved, both being given a 4-star rating, up from 3-star in 2022, and Horizon saw an increase of 2 points to 92/100, vs. 90 in 2022, retaining its 4-star rating.

Arcus' latest fund, AEIF3, also participated in the GRESB assessment for the first year, scoring 67/100 points. Workdry was the only asset from AEIF3 which went through the assessment process, scoring 54/100 points.

The fund assessment comprises two components: a management component relating to ESG management at the fund level, and a performance component which relates to the overall GRESB score of the underlying assets which make up the fund. AEIF3 performed well in the management component, scoring 29/30 points, demonstrating Arcus' commitment and approach to best-in-class ESG across all Arcus funds. The performance component relates to Workdry's underlying score and as we work with the management team to improve ESG at the company, we expect this will improve the performance component of the fund assessment in 2024.

Overall, the majority of Arcus' assets have improved their GRESB performance scores, and scored well when benchmarked against their direct sector peers.

GRESB remains an important tool for Arcus as it allows us to measure our ESG performance and benchmark ourselves against other funds and assets. As ESG is an evolving topic, we are continually striving to improve our management of ESG factors and report to investors. GRESB is also a tool which provides feedback and is used to engage investee company management teams on areas where investee companies can improve and develop. The results of the GRESB assessment have and will continue to provide a baseline for ESG performance and allow us to analyse further what we are doing both at our Funds and Managed Accounts and investee company level and target improvements where necessary and possible. The table on page 17 of this report summarises the GRESB performance of each of our Funds and Managed Accounts and the portfolio summary section of this report on pages 61-68 provides individual asset scores.

UNPRI

Arcus completed the PRI reporting in July 2023 under the revised and extended PRI reporting portal. The final PRI scores were disclosed in December 2023. Arcus was awarded 5-star ratings for both the Policy Governance and Strategy and Infrastructure modules, scoring 95/100 and 98/100 respectively. In the new module on 'Confidence Building measures', Arcus scored 80/100.

UNGC

Arcus continues to submit an annual response to the UNGC's Communication on Progress ("COP"). In 2023, the UNGC refreshed the format of the COP and made the initial submission in December 2023 voluntarily. Arcus submitted a response to the voluntary portal for FY22 and is currently working on its response to the COP for FY23 to be submitted in June 2024. Please refer to page 20 for more information on how Arcus supports the UNGC pillars.

Reporting to investors

In 2023 we reported on ESG to investors on a quarterly basis both at Fund level and for each investee company. In March 2023 we reported for the first time under SFDR for the December 2022 financial year in the respective Fund annual reports. We also continued to report ESG developments and specific Arcus ESG related initiatives and performance to investors on an ad hoc basis as necessary.

AEIF2 and AEIF3 issued a 2022 Annual Report to its investors in March 2023 followed by an Annual General Meeting in May.

In 2023, Arcus continued portfolio-wide TCFD and GHG emissions reporting. Further detail can be found in our TCFD summary on pages 28-33.

Arcus ESG Performance Awards

Awards	Entity	2022	2023
GRESB®	AEIF2	91/100 ★★★★	91/100 ★★★★
	AEIF3	N/A	67/100 ★
	AET	100/100 ★★★★★	99/100 ★★★★★
	A1**	97/100 ★★★★★	96/100 ★★★★★
	TIVANA**	96/100 ★★★★★	98/100 ★★★★★
PRI		N/A	Policy, Governance & Strategy – 95/10 ★★★★★ Direct - Infrastructure – 98/100 ★★★★★ Confidence building measures – 80/100 ★★★★

Arcus' contribution to the United Nations Sustainable Development Goals

Arcus is supportive of the 2030 Agenda for Sustainable Development adopted by the United Nations member states in 2015.

Arcus is most likely to have the greatest impact on the following SDGs identified below, as these are well aligned to where we are investing capital through our investment strategy and the long-term trends we see affecting our core European markets, such as decarbonisation of the economy as a result of climate change, demographic shifts leading to rapid urbanisation and increasing reliance on telecom data networks.

Partnerships for the goals

All Arcus portfolio companies have policies on ESG factors (either via an ESG or sustainability policy or specific subsidiary policies dealing with relevant ESG factors such as health and safety or environmental matters). As ESG is an evolving topic these policies are reviewed at least annually to facilitate continuous improvement.

Good health and well-being

Constellation has a robust approach to Health & Safety and seeks to continuously improve safety across its vehicle fleet and take steps to reduce the risk of road traffic accidents. Glacio participates in the Norwegian Truck Owners Association (Norges Lastebileierforbund) initiative "On the right side" in connection with the training and monitoring of drivers. Opus B offers compulsory inspections that assure vehicles remain roadworthy with a level of emissions that is within prescribed guidelines.

Life below water

Workdry provides water pump and waste water treatment assets and solutions designed to address water pollution. Wastewater treatment plants employ various processes to remove contaminants from agricultural, industrial or sewer wastewater, through physical, chemical and biological treatments.

Quality education

Swiss4net prioritise community engagement across their businesses, and this includes working with local communities and schools to increase awareness of FTTH, supporting access to high-speed broadband, sponsoring educational events and innovative education labs.

Climate action

All Arcus portfolio companies have completed climate change impact assessments that shape climate change mitigation and adaption strategies. In 2023, all Arcus portfolio companies continued to report on Scope 1, 2 and material Scope 3 GHG emissions in line with the GHG protocol. In 2023, Arcus made a commitment towards net zero by 2050 and we are working with the portfolio companies to set individual net zero trajectory and targets.

Gender equality

In 2023, many AEIF2 investee companies expanded Diversity, Equity & Inclusion principles in their ESG and/or HR policies to improve gender diversity. Most notably, Horizon and SMA have implemented standalone DEI policies to further strengthen their commitment towards a diverse and inclusive working environment. In 2023 75% of Arcus portfolio companies reported their unadjusted gender pay gap.

Responsible consumption and production

"Responsible use of resources" is one of Arcus' material environmental factor. Through investee companies such as Momentum, HB and Officium, AEIF2 and AEIF3 actively supports the circular economy and efficient consumption of energy and water. Through Constellation, HB and Coolworld, Arcus makes a material contribution towards limiting food waste and improving food security.

Clean water and sanitation

Through permanent water filtration, HB aims to reduce the usage of tap and wastewater significantly. Workdry makes a material contribution to improving water quality through the provision of water pumping and wastewater treatment equipment.

Affordable and clean energy

In 2023, Constellation installed a total of 6.7MWp of rooftop solar PV capacity across existing sites in the UK and the Nordics and new sites in Belgium and the Netherlands at a cost of €4.6m. With these capital additions over the year, Constellation more than doubled its renewable on-site generation capacity from 5.6 MWp to 12.4 MWp. Momentum is a key enabler through investing, operating, maintaining and developing renewable energy projects as its core business. In 2023 it increased its renewable generation capacity by 33 MW through an additional 47 wind turbines.

Sustainable cities and communities

Swiss4net's fibre network roll-out focuses on less densely populated areas of Switzerland. By focusing fibre deployment to more rural areas, Swiss4net helps bridge the gap in the connectivity discrepancies between rural and dense urban municipalities in Switzerland.

Reduced inequalities

In 2023, all Arcus portfolio companies expanded on their Diversity, Equity & Inclusion (DEI) principles within their ESG and/or HR policies or through implementation of new policies to strengthen their commitment towards reducing inequalities. All Arcus portfolio companies have reported on number of incidents of discrimination and number of incidents of discrimination leading to sanctions, with no incidents reported across the portfolio.

Decent work and economic growth

All Arcus portfolio companies are committed to highest standards of labour and health and safety practices in the workplace.

Industry, innovation and infrastructure

In 2023, Portus switched all energy procurement to renewable energy consumption. Furthermore, Portus' ESG policy also favours the procurement of biofuels for its back-up generators. The teams closely monitor the energy efficiency of the facilities to ensure optimal performance.

Supporting the United Nations Global Compact

As a signatory of the UNGC, Arcus is committed to responsible investment and has aligned relevant policies and procedures with the UNGCs ten principles on human rights, labour standards, environment and anti-corruption.

Human rights

Arcus recognises Human Rights as a material topic in its ESG policy. Arcus' commitment towards human rights outlines the expectation that its members, employees, contractors, and its investee companies will respect human rights in their business activities.

As part of Arcus' approach to continuous improvement and increased transparency, Arcus annually reports on compliance of investee companies to the UN Global Compact principles and OECD Guidelines for Multinational Enterprises to investors and efforts made towards SDG 8 "Decent work and economic growth".

Arcus' statement in response to the UK Modern Slavery Act is publicly disclosed on the Arcus website. Arcus has zero tolerance for slavery and human trafficking in its supply chain management. Staff annually receive relevant compliance training. Through its acquisition due diligence procedures and ongoing asset management of investments, Arcus endeavours to ensure no form of slavery, servitude, forced or compulsory or child labour or human trafficking takes place. All Arcus members and employees receive training on the Modern Slavery Act on a regular basis. In 2023, three portfolio companies adopted standalone Human Rights and Labour policies to further formalise their approach.

Labour standards

Arcus is committed to paying fair wages, supporting human capital development and providing ongoing employment security for its members, employees, contractors and investee companies. This is translated into Arcus' support for SDGs 3, 4, 5, 8 and 10.

Arcus has implemented a remuneration policy, which governs the processes concerning the payment of remuneration to Arcus' members and employees. The Remuneration Policy, and an individual's remuneration, incorporates the management of sustainability factors. This continues to be in effect.

Arcus has an inclusive corporate culture and recognises the importance of having a diverse, inclusive workforce with members, employees, contractors and investee company personnel coming from diverse backgrounds. During the reporting period, Arcus continued to promote Diversity, Equity and Inclusion ("DEI") within the approach to recruitment.

In 2023 Arcus continued to support social mobility in association with the Sutton Trust charity through a work experience programme; more details can be found on page 15.

Environment

Arcus is aware of the adverse impacts its operations could have on the environment and has outlined environmental factors considered to be material to Arcus and the wider infrastructure sector in its ESG policy. These environmental factors are monitored from early stages of the investment analysis and throughout the lifecycle of Arcus' investment and public disclosure improves transparency to Arcus' investors and key stakeholders.

Arcus continues to report on physical and transitional climate-related risks and opportunities for all its investee companies as part of TCFD reporting, outlined on pages 28-33 of this report.

Anti-corruption

A core Arcus value is "transparency and integrity" which in combination with Arcus' policy framework, forms the basis for a zero-tolerance approach to bribery and corruption that extends beyond Arcus' employees and members to service providers and investee companies. Arcus has an Anti-Bribery & Corruption policy as part of the wider Compliance manual. In 2023, 100% of Arcus staff completed online Anti-Bribery and Corruption training and signed an annual attestation that they have read and adhered to the Arcus policy framework.

> "As part of our ongoing commitment to putting the UN Global Compact and its principles at the centre of the strategy, culture, and day-to-day operations of our business, we have pledged to be net zero by 2050. This report outlines the ways we are improving our understanding of climate-related risks and opportunities across our portfolio, and making the changes required to address them."
>
> **Ian Harding, Managing Partner**

Portfolio sustainability highlights

Portfolio Sustainability Highlights 2023

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.

In this section, we outline our portfolio companies' approach towards Environmental, Social and Governance topics as defined by materiality. We will present a series of case studies showcasing ESG best practice through our portfolio companies in 2023.

Major Health & Safety Incidents across all portfolio companies	zero
Major Environmental Incidents across all portfolio companies	zero
Number of employees across all portfolio companies	7,459
Gender ratio across all portfolio companies	73% male 27% female

Environmental

Climate strategy

Action on climate change is no longer an option: we must play our collective part to adapt and mitigate the risks associated with climate change while leveraging the opportunities.

2023 was the hottest year in recorded history. Severe weather-related incidents in all regions of the world impacted millions of people and underscored the urgency of addressing climate change. As an infrastructure asset manager, we are essential in not only reducing carbon emissions in our portfolio and investing in value-add solutions but also in adapting our infrastructure to the challenges posed by climate change. In this section, we detail the actions we are taking to fulfil our net-zero commitments and our efforts to maintain a climate-resilient portfolio. Sustainable and efficient operations of critical infrastructure play a vital role in the global race against climate change. In Arcus' investment strategy, it is recognised that infrastructure plays a critical role in the transition to a low-carbon future and Arcus seeks to avoid stranded asset risk and maximise transitional climate change opportunities. As a responsible investment manager Arcus has a responsibility towards integrating best-in-class ESG strategy including risks and opportunities associated with climate change.

Physical and transitional effects of climate change continue to pose risks globally. Arcus requires all portfolio companies to monitor and review climate change risks and opportunities annually and the asset teams are expected to review all physical climate change risks and opportunities regularly and present these during the asset review meetings in the first quarter of each year. The materiality of climate change risks to and opportunities for each of the investee companies are discussed at the asset review meeting and a subsequent Fund/portfolio-wide summary is presented to the Investment Committee, AEIMNL board, GP board as relevant for consideration. Climate change risks and opportunities are also reported to investors (as relevant to the Fund or Managed Account they are an Investor in) on an annual basis, in line with the TCFD recommendations. Reporting is structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. Where required, climate change specialists will be consulted to assist with TCFD requirements, such as climate forecast scenario analysis. A portfolio-wide TCFD summary report view is included within this report on page 28.

EU Taxonomy Alignment

SMA and Horizon

Smart Meter Assets
horizon ENERGY INFRASTRUCTURE

Horizon Energy Infrastructure ("Horizon") and Smart Meter Assets ("SMA") are UK-based smart metering asset providers ("MAP"). The businesses finance the purchase and installation of smart meters on behalf of energy suppliers, retaining ownership of the assets and collecting monthly rental payments under secured, long-term leasing contracts (typically with a duration of 15 years). SMA and Horizon have in aggregate c. 3.5 million smart meters installed in domestic, industrial and commercial premises.

The EU taxonomy framework is the cornerstone of the EU's sustainable finance framework and an important market transparency tool. The EU taxonomy is a classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and the broader environmental goals other than climate. To meet the EU's climate and energy targets for 2030[1] and reach the objectives of the European green deal, it is vital that we direct investments towards sustainable projects and activities.

The EU Taxonomy Regulation sets out four overarching conditions that an economic activity must meet to qualify as environmentally sustainable:

1) Making a substantial contribution to at least one of the six environmental objectives;

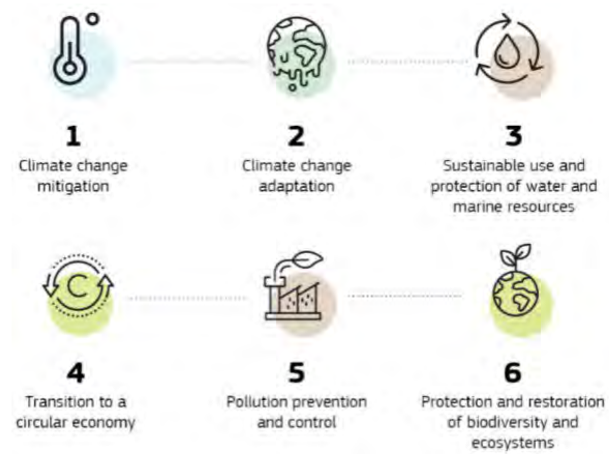
2) Do no significant harm ("DNSH") to any of the other five environmental objectives;

3) Complying with minimum safeguards; and,

4) Complying with the technical screening criteria set out in the Taxonomy delegated acts.

In 2023, Arcus hired DNV, assurance and risk management consultants, to complete an EU Taxonomy qualification assessment exercise for SMA and Horizon.

Through the analysis conducted by DNV, it was concluded that both SMA and Horizon satisfy the conditions to qualify as environmentally sustainable as defined by the EU Taxonomy regulation. Both portfolio companies make a substantial contribution to Climate Change Mitigation by virtue of their operations associated with smart meter provision, whilst satisfying DNSH criteria in relation to the other five environmental objectives. Both SMA and Horizon were also found to comply with the minimum social safeguards as it pertains to social factors such as human rights, bribery and corruption, fair taxation, fair competition, and alignment with UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, International Bill of Human Rights and/or ILO Guidelines and Principles.



1 2030 climate targets – European Commission (europa.eu)

Net zero

Arcus is committed to achieve net zero by 2050 in line with a 1.5°C temperature increase limit scenario. Arcus commits as a signatory to recognised industry net zero initiative, initiative Climat International ("iCI"), and is in the process of adopting a science-aligned net zero framework to guide its implementation of net zero targets.

Carbon emissions contribute to climate change, including those from infrastructure assets. The effects of climate change have potential risks and create potential opportunities for the future of infrastructure assets. In line with the TCFD recommendations, Arcus annually reports on transitional climate change impacts for its Funds and Managed Account assets. Therefore, GHG emissions and the carbon footprint of all individual assets and Arcus' funds are a material topic for the approach to responsible investment. This reflects Arcus' support of SDG 9: Industry, Innovation and Infrastructure and SDG 13: Climate Action, as set out on page 19. Arcus is committed to annual reporting on the scope 1, 2 and material scope 3 emissions of its Funds and Managed Accounts in line with the standard of the GHG Protocol. Arcus will work towards being able to set long-term science-based CO_2 reduction targets in line with regulatory and industry standards. For scope 3 emissions that result from upstream and downstream activities, Arcus will continue to influence and support reduction of emissions.

Commitment to become Net Zero by 2050

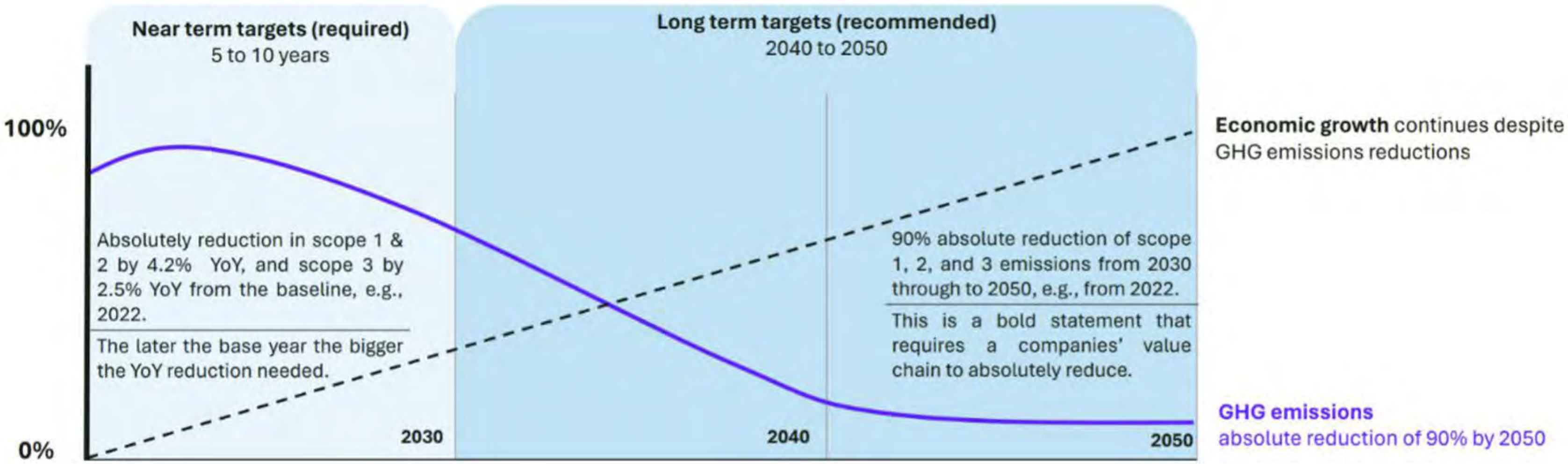
Signatory of the initiative Climat International (iCI)

initiative climat international
Private equity action on climate change

What is net zero?

Net zero refers to a state where the greenhouse gases emitted by human activities are balanced by removal efforts over a specific time frame. To align with the Intergovernmental Panel on Climate Change's (IPCC) goal of limiting global warming to 1.5°C, global annual greenhouse emissions must be cut by at least 40 gigatonnes by mid-century.

Achieving net zero demands a multi-faceted strategy: reducing emissions from sources like fossil fuels and industry and bolstering carbon sinks through methods such as reforestation and carbon capture. This requires comprehensive transformation across sectors like energy, transportation and agriculture, embracing sustainable practices and innovative technologies. The transition to net zero is crucial for mitigating climate change's impacts and ensuring a sustainable future for generations to come[1].



1 How to achieve net Zero | Anthesis Group. (n.d.). Anthesis. https://www.anthesisgroup.com/solutions/net-zero-decarbonisation/how-to-achieve-net-zero/

Commitment to science-based targets initiative (SBTi)

Alpha Trains

Alpha Trains (Alpha) is the largest private sector rolling stock lessor active in the continental European rail sector. Its portfolio comprises 451 passenger trains and 413 freight locomotives with a net book value of c. €2.3bn.

These assets are leased to rail customers across 22 EU and EFTA countries. Alpha has also ordered c. €280m of new passenger trains (42 trains) which are under construction for forward starting long-term leases in Germany and c. €450m of new locomotives (102 locomotives) for operation across Europe. Alpha is based in Luxembourg and has operational bases in Antwerp, Cologne, Madrid, Paris and Warsaw.

Alpha is a low carbon business which is environmentally and socially aware of the contribution that rail makes as a sustainable and environmentally responsible mode of transport for people and goods. Alpha's fleet is c. 80% electric traction driven assets and the company ensures that all its assets comply with relevant environmental regulation, for example regarding permissible emissions from diesel engines and the disposal of waste oil and other contaminants.

Alpha is committed to reducing its carbon footprint and annually reports on scope 1, 2 and material scope 3 emissions in line with the GHG protocol. Alpha has reduced its GHG emissions by investing in modern office buildings, modern IT, reducing travel emissions and using renewable energy to power Alpha's offices.

In 2023, Alpha committed to a science-based net zero target in line with a 1.5°C scenario. This target was approved by the Science-Based Targets initiative (SBTi). As part of the target Alpha commits to reduce scope 1 and scope 2 GHG emissions 42% by 2030 from a 2022 base year, and to measure and reduce its scope 3 emissions. Furthermore, Alpha commits to reach net zero by 2050.

Task force on climate-related financial disclosures reporting

TCFD

Arcus reports on the recommended four TCFD key areas (known as "pillars"): Governance, Strategy, Risk Management, and Metrics and Targets. While it is widely recognised that the emission of greenhouse gases will cause further warming of the planet, the financial implications of climate change are more challenging to understand, which highlights the need for such reporting as well as processes for assessing, measuring, and monitoring climate change risk.

The analysis contained within this report, and the underlying climate data, has been prepared in conjunction with ERM, a global sustainability consultancy, who we have been working with since the inception of our TCFD reporting. The Arcus disclosure is contained below and concludes that, relative to other infrastructure sector peers, the Arcus portfolio's average physical climate risk remains low to moderate and the low carbon transition continues to provide more of an opportunity than a risk, which aligns with our investment thesis that captures the transition to a low carbon, resilient economy.

The TCFD published its final recommendations and specific guidance for financial institutions on climate change disclosures and has disbanded as of December 2023. In its place, the International Financial Reporting Standards ("IFRS") Foundation has integrated TCFD's framework into their own requirements and will be monitoring climate-related disclosures through the International Sustainability Standards Board ("ISSB"). Arcus is supportive of global baselining for sustainability and climate-related disclosures and would like to ensure alignment with best practice. As a result, we are reviewing the latest IFRS Sustainability Disclosure Standards, issued in July 2023, S1 and S2, and will revise our climate-related disclosure in future years as appropriate.

For the purposes of the FCA's TCFD reporting requirements, the reporting entity is Arcus European Investment Manager LLP ("AEIM"). The disclosures in this Report are in accordance with the climate-related disclosure requirements in Chapter 2 of the FCA's ESG Sourcebook, Annex I. AEIM is authorised and regulated by the FCA in the UK, and provides portfolio management services to Arcus funds. As an FCA regulated asset manager, AEIM is required to prepare and publish a climate report based on the TCFD Recommendations and Recommended Disclosures and compliant with the FCA Rules. Arcus seeks to adopt a consistent approach across the management of all Funds and Managed Accounts in its strategy and management of assets, including with respect to climate-related risks and opportunities. Accordingly, this section of the Sustainability Report represents AEIM's TCFD entity-level report in accordance with the FCA Rules for the reporting period 1 January 2023 to 31 December 2023. The alternative investment fund manager (AIFM) of Arcus' funds is Arcus European Investment Manager Netherlands B.V. (AEIMNL), and AEIM has been appointed by AEIMNL as investment manager undertaking portfolio management activities.

Governance

Arcus has established robust governance structures and processes to manage climate-related risks and opportunities. Arcus' oversight of ESG factors, and specifically management of climate-related risks and opportunities related to investments, is the overall responsibility of AEIMNL in its capacity as AIFM, acting on the recommendation of the Arcus Investment Committee, with the assistance of AEIM. AEIMNL is authorised and regulated by the Dutch financial services regulatory authorities. Day-to-day management of climate change risks and opportunities for each investee company are further delegated by the Investment Committee to the Arcus Asset Manager and the Arcus Head of ESG and the ESG Committee assist with the integration of climate-related risk management protocols within Arcus, investment origination processes and investee companies' policies and procedures. Overall oversight of climate risk management remains the responsibility of AEIMNL, including key decision making as it relates to the effects of climate change on Arcus investee companies.

Climate change risk is first assessed through the PAI assessment that is completed for each potential Arcus investee company prior to a decision on whether to invest, documented within the final investment approval paper. Arcus asset management teams evaluate climate change risk for each investee company shortly after acquisition and then annually review ongoing physical and transition climate change risks and opportunities during the annual Q1 internal asset review meeting (a portfolio-wide knowledge and best practice sharing forum attended by all Asset Managers and the Investment Committee).

The materiality of the climate-related risks and opportunities is discussed for each investee company and compared against other Arcus investments. Arcus also requires investee companies to monitor and review climate change risk on a quarterly basis through risk reviews. These risk reviews are presented to the Investment Committee and the Head of Risk and Compliance who review the risk identification and assessment and also for consideration of the completeness of risk analysis and appropriate risk management. These are then presented to the Board of AEIMNL.

Through our use of GRESB as a benchmarking process and tool for ESG performance assessment, which leverages the TCFD framework in its questionnaire, investee companies receive annual feedback on climate change management and performance. This allows Arcus to benchmark investee company performance against peers and generally accepted industry best practice measures.

Climate change risk assessment time horizons

In general, Arcus assesses and monitors climate-related risks and opportunities to typically impact over the following time horizons:

0–7 years:	Short term
10 years:	Medium term
15+ years:	Long term

Full details of the physical scenarios used were provided in the reporting to the relevant Fund/Managed Account investors.

Strategy

As set out on page 26 Arcus has committed to a 2050 net zero target and is a signatory to the Initiative Climat International ("iCI"). Further details on our process of decarbonisation pathways for our investee companies can be found in the Metrics & Targets section. AEIM is incorporated in the UK and operates in the UK. AEIM notes that the UK Government committed in June 2019 to a 100% reduction of greenhouse gas emissions by 2050 compared with 1990 levels. This is referred to as the net zero target. The Government stated that net zero means "any emissions would be balanced by schemes to offset an equivalent amount of greenhouse gases from the atmosphere, such as planting trees or using technology like carbon capture and storage". While the Arcus 2050 net zero target has been determined separately to the UK Government's commitment, it is aligned with the ambition of the UK Government.

Scenario analysis of our investee companies was conducted by ERM through two specific stages, which were: (i) a portfolio screen that provided an overview of climate risks and opportunities across the portfolio, and (ii) a financial driver analysis that involved a review of the possible impact of climate-related issues and refined the identified risks and opportunities that had a material financial relevance.

1. **Physical:** risks and opportunities associated with changing physical climate, (e.g. more frequent or severe storms or flood events); and

2. **Transition:** risks and opportunities associated with a transition to a low carbon economy (e.g. the shift to electric vehicles and increasing carbon prices).

Scenario analysis methodology

The scenario analysis considered a range of time frames and scenarios in order to provide a comparative view of possible future operating environments, as well as to (a) 'stress test' against possible key risks; and (b) assess preparedness for realising opportunities that might emerge.

Physical scenario selection

For the physical assessment we selected the date reference points of 2030 and 2050 aligning with the Intergovernmental Panel on Climate Change ("IPCC") and Shared Socio-Economic Pathways ("SSPs") 2-4.5 and 5-8.5, sourced from AR6. The SSP 2-4.5 scenario implies global climate warming of 2.1 to 3.5°C and 3.3 to 5.7°C by 2100 for SSP 5-8.5. For the physical climate change element of the assessment, scenarios providing data on future climate projections was used to measure the expected change in the severity and/or frequency of eight climate event types[1]. Physical risks and opportunities associated with changing climatic conditions (e.g. more frequent or severe weather events like flooding, droughts and storms) were assessed against a worst-case scenario (AR6 SSP 5-8.5) for most of the event types (with the exception of storms and water stress/drought which continued to use Assessment Report 5 ("AR5") data) to identify conditions experienced where there has been a failure to limit GHG emissions. The assessment assumed that the present-day baseline risk presented by physical climate should have largely been factored into corporate risk management and mitigation measures, but that future trends in changing climatic conditions from the worst-case scenario SSP 5-8.5 potentially creates enhanced risk (and opportunity) which management has not planned for.

Transition scenario selection

The approach consisted of a base case scenario compared against a low carbon scenario to explore the potential commercial effects of either outcome on sectors in the portfolio using the International Energy Agency's ("IEA") 'Stated Policies Scenario' ("SPS") and either 'Sustainable Development Scenario' ("SDS") or 'Announced Pledges Scenario' ("APS"), depending on when the review of each investee company was performed.

1 The eight physical scenario indicators to assess potential risks and opportunities across the Arcus portfolio were: extreme heat, extreme cold, flooding, coastal and sea level rise, tropical cyclones, storms, wildfires and waters stress/drought

The APS builds on analysis released during Glasgow COP26, which demonstrated that the combined implementation of all net zero emissions pledges and the Global Methane Pledge would lead to a temperature rise of 1.7-1.8°C by 2100 and has been used for all AEIF3 companies, whereas SDS was used in the assessment of AEIF2 companies. The analysis leveraged a dataset comprising 13 scenario indicators[2], chosen to have a relevance to the investee companies and to capture the effects of the low carbon energy transition, for example, the effects of disruption in the transport sector due to increasing electrification of transport modes. Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Additional risk or opportunity presented by the SDS or APS, which are low carbon scenarios, were assessed in comparison to the Stated Policies Scenario ("SPS"), also referred to as the base case. The analysis therefore assumes that risks that are present in the base case should have already been factored into 'business as usual' corporate risk management and strategy by management. The scenarios were assessed on date reference points of 2025, 2030, 2035 and 2040 for the transition assessment.

Full details of the transition scenarios used were provided in the reporting to the relevant Fund/Managed Account investors.

Translation of scenario data using forecast climate and policy information

The physical and transition scenarios were then mapped with the assistance of ERM into specific regional or country carbon reduction policy positions (transition) and projected climate data (physical) to assess how significant the risks and opportunities were for each investee company. This considered the country/region/location of operations, the commercial nature of the business and the potential exposure each investee company's business model has to the transition to a low carbon economy. The risks were then filtered by materiality and, for those considered with potential to be material, further investigation undertaken into the nature of each investee companies and its business model and whether those risks had the potential for a material impact on financial performance.

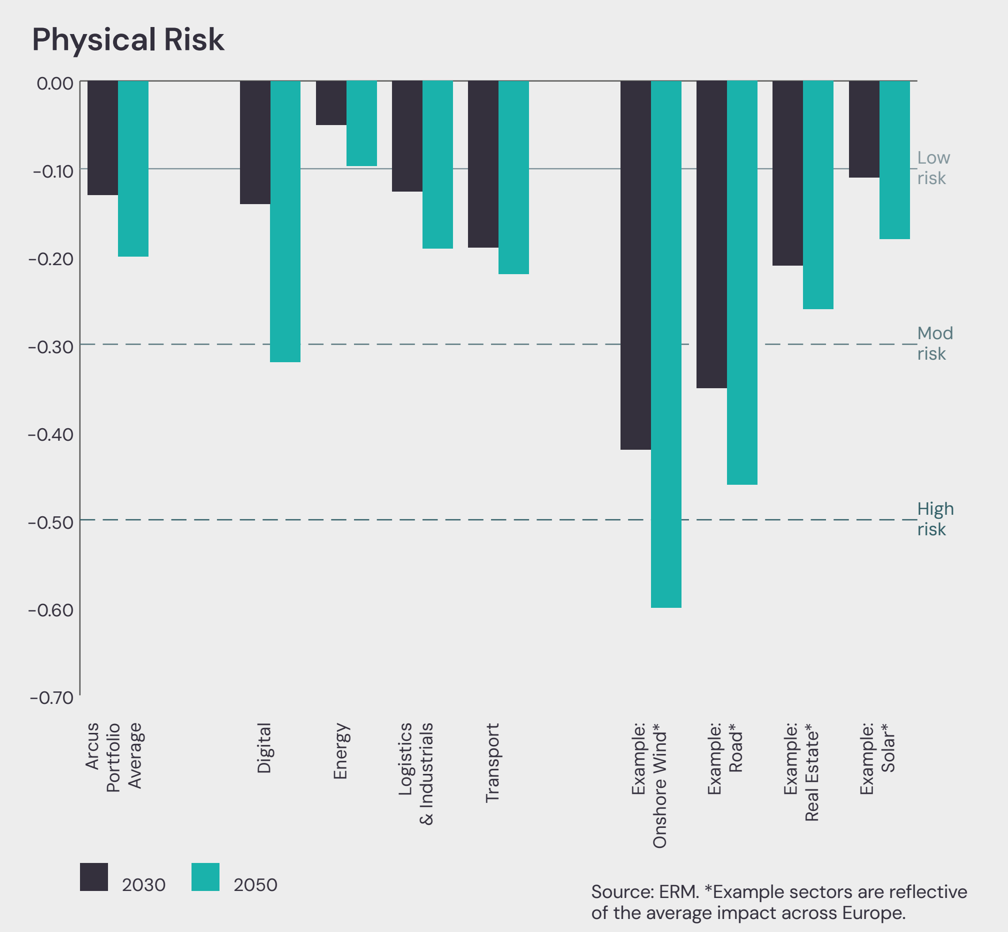
Results

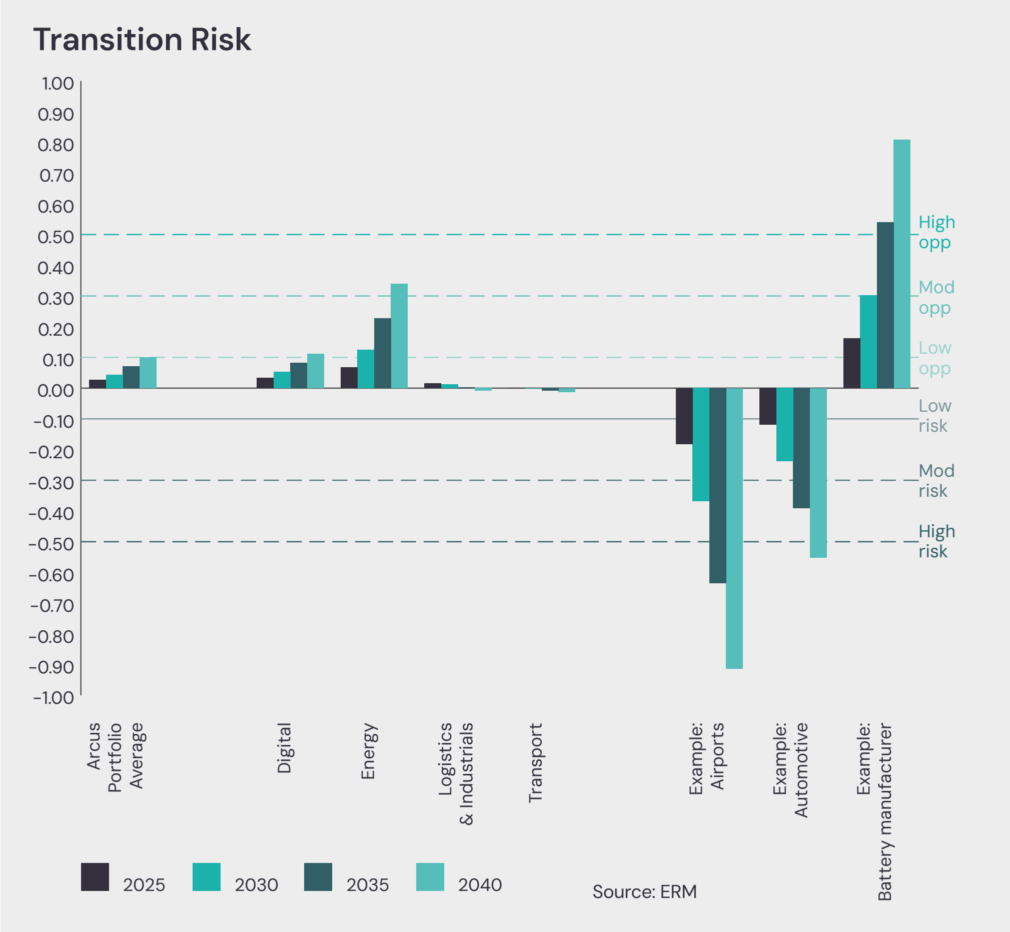
The output of the analysis of potential transition and physical climate-related risks and opportunities is illustrated below as an average position of our investee companies and compared to infrastructure asset benchmarks that represent the upper and lower ends of the risk and opportunity spectrum for both transition and physical impacts. The sectors in the physical risk chart are reflective of the average impact across Europe (consistent with Arcus target investment geography), as the data can vary depending on the underlying region(s).

Overall, the average portfolio as at 31 December 2023 has low to moderate risk exposure to physical risks. Flooding is the largest contributor to the Arcus portfolio's risk profile as it causes disruption across transport networks and damage to facilities and equipment. This is unsurprising given the impact of flooding on physical assets and the broader infrastructure asset class. Transitioning to a lower-carbon economy presents opportunity for our portfolio as industries seek low emission alternatives in order to decarbonise. Another key opportunity which is present for all assets across the portfolio is the potential to invest in on-site renewable energy generation which would result in greater resiliency and lower grid reliance. The assessment of the portfolio did not identify any material risks to any of the businesses or systematically across the portfolio. As the average portfolio exposure is not deemed to be material, we have not quantified the effects of the residual risk on our portfolio. Individual gross risks that are high are managed to a lower net risk position using mitigation processes and are monitored at an investee company level in accordance with the risk management framework described on page 12. Relative to other sectors, Arcus' average portfolio physical climate risk across all scenario indicators can be viewed as low to moderate, and the low carbon transition average of all scenario indicators continues to provide more of an opportunity than a risk, and those opportunities are greater than many other infrastructure sector peers.

This is an unsurprising outcome for Arcus. In our investment selection process, we are focused on acquiring and building the sustainable European infrastructure of the future and many of the businesses we are involved in are deploying capital to invest in the transition to a low carbon, resilient economy. The results of this analysis are discussed with the Investment Committee annually who use the results to make informed decisions for each of our funds' investment strategies on an ongoing basis.

2 The 13 transition scenario indicators to assess potential risks and opportunities across the Arcus portfolio were: energy intensity of GDP, CO_2 intensity of GDP, CO_2 emissions per capita, buildings CO_2 intensity, industrial CO_2 intensity, aviation emissions, shipping emissions, passenger rail km travelled, rail freight tonne km, passenger road km travelled, road freight tonne km, total power demand and wind & solar generation





Risk management

Arcus' ESG risk management approach aligns well with the TCFD Recommendations as we seek to clearly identify, assess, and manage material risks throughout the investment lifecycle. Therefore, the integration of climate-related risk management within this process was completed rather seamlessly, as detailed in the Governance section and in our Stewardship Code report publicly available on the Arcus website.

Please refer to the risk management process outlined on page 12 which highlights our ESG management approach throughout the investment lifecycle, including climate change management.

Metrics and targets

Arcus follows a materiality driven approach to collection of metric data for all ESG risks and opportunities, including climate-related factors – data is collected to be used as information in decision making, not just data collection. Disclosure of key metrics for each investee company is included in section "Arcus investment portfolio summary" on page 60 onwards. each portfolio company. From 1 January 2023, Arcus reporting commitments include reporting annually on the 14 mandatory PAI and an additional 16 voluntary PAI that Arcus feels are material for the infrastructure sector in accordance with Article 4 of SFDR.

Through the Arcus remuneration and ESG policies, Arcus has embedded non-financial performance in its remuneration structure which is used to align the interest of Arcus employees and the management teams of investee companies to address material ESG factors. This includes the management of climate change mitigation and adaptation reflecting the importance that climate-related risks and opportunities present to Arcus and its investee companies.

Arcus investee companies have historically reported on GHG emissions within the operational control of each investee company focusing mostly on scope 1 and 2 emissions. While the data has been collected and reported by investee companies, the sourcing and accuracy of the data has historically had elements of inconsistency between investee companies' methodology.

In 2021 as part of Arcus' continuous ESG improvement, Arcus engaged ERM to enhance our GHG reporting and ensure alignment of the Arcus and investee company GHG reporting with the GHG protocol standards. ERM has assisted in the design of Arcus' emissions calculation methodology and reporting template tool specifically for the infrastructure sectors we operate in, provided GHG accounting training to the Arcus investment team and investee company management teams and run workshops with investee companies to discuss specific industry or company data collection queries, including the investee companies. Arcus has since continued to work with ERM to further improve the GHG reporting tool in line with updates to GHG emissions factors.

In line with the GHG protocol standard[3], investee companies will report separately on scope 1, 2 and material scope 3 emissions. In relation to scope 3 reporting, some data collection will require continued efforts from Arcus and investee company management teams to refine and improve the data sourcing and reporting (e.g. from supply chain and customers) and while initially there are still some data gaps, where estimations of emissions have been made with the assistance of ERM, it is our aim to improve the data quality and accuracy year on year.

The table below presents GHG emissions across the Arcus portfolio of all investee companies.

Arcus portfolio[1]	2022	2023	% Change	Comment
Scope 1 (tCO_2e)	21,862	26,260	22%	The increase of Scope 1 emissions is a result of perimeter changes from the acquisition of the investee companies Coolworld, Officium, Portus and Workdry by AEIF3 and bolt-on acquisitions and organic facility expansions at AEIF2 investee companies Constellation and HB.
Scope 2 (tCO_2e)	34,489	30,436	(12)%	Following engagement on GHG reduction strategies and self-generation, the portfolio has reported a reduction of Scope 2 emissions mostly accredited to Brisa, that has switched to the procurement of 100% renewable electricity, and AEIF2 investee companies, Constellation, HB and Opus B, that have increased their procurement of renewable energy and self-generation. The overall reduction of Scope 2 emissions is despite the increase of portfolio size through the acquisition of the AEIF3 investee companies Coolworld, Officium, Portus and Workdry.
Scope 3 (tCO_2e)	276,326	438,110	59%	The increase in Scope 3 emissions is a result of perimeter changes from the acquisition of the investee companies Coolworld, Officium, Portus and Workdry by AEIF3 and through a combination of both organic growth and higher capital expenditure at AEIF2 investee companies Constellation, HB, Opus B, Peacock and Swiss4net. The Scope 3 category 11 (Use of sold products) emissions for investee company GTC have not been included for 2023 therefore the 2022 GHG emission data was restated in order to have a like-for-like comparison.
Total (tCO_2e)	323,366	494,806	53%	
Total WACI[2] (Scope 1, 2 & 3)	186	211	13%	

1 Emissions are adjusted for the percentage of ownership Arcus represents
2 The Weighted Average Carbon Intensity (WACI) ratio has been calculated as tonnes of GHG emissions by EUR millions of revenues (tCO_2e/€m)

Neil Krawitz, Head of Asset Management and ESG

Arcus recognises ESG data is instrumental in providing 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 recognised benchmarks and commitments to international reporting standards, Arcus enables its key stakeholders to compare fund performance against peer groups.

The reported climate data has been sourced directly from the investee companies, with minimal use of data estimates. To ensure data quality is adhered to, Arcus mandates the use of standardised data templates and calculation methodologies that are consistently followed in line with documented reporting processes. The reported data is in line with the GHG Protocol. The data is collected on a quarterly basis and reported annually to be included in broader annual reporting obligations. For scope 3 emissions, the investee companies have made limited use of standardised emissions factors sourced from credible international standards (i.e. ADEME Base Carbone and DEFRA 2021).

In December 2022, Arcus announced its commitment to reach net zero across its portfolio by 2050. In 2023, Arcus appointed a sustainability consultant, Anthesis, to translate this commitment to its fund and investee companies by setting science-aligned targets and establishing a decarbonisation roadmap. As part on the pilot project with Anthesis, Arcus will develop detailed targets for the investee companies to align to a well below 2°C scenario. Further details on targets will be provided in future Arcus sustainability reports once the decarbonisation roadmap has been established.

Next steps in climated-related disclosures

Future targets for the Arcus climate-related disclosures include further consideration of methodologies for translating risk and opportunity into a quantification of financial risk or opportunity, although at this stage we do not consider this to be material to the valuation of our portfolio. Some risks and opportunities identified are not easily quantifiable and hence require further consideration, such as determination of a materiality threshold of risk, or opportunity for quantification, particularly in light of the ISSB Standards reporting requirements as mentioned above. In 2024, Arcus will continue to align its net zero approach with best-practice disclosure and work on translating its net zero target into a decarbonisation roadmap for each of its assets.

This TCFD reporting is signed by a senior manager of AEIM in accordance with the climate-related disclosure requirements in Chapter 2 of the FCA's ESG Sourcebook

Neil Krawitz

Neil Krawitz
Head of Asset Management and ESG
Authorised signatory of Arcus European Investment Manager LLP

TCFD journey so far and next steps

Established in 2015 by the Financial Stability Board, the Task Force on Climate-related Financial Disclosures (TCFD) aimed to develop consistent climate-related financial risk disclosures for companies. It began with assembling experts from various sectors to formulate recommendations, addressing risks and opportunities related to climate change. Throughout the years TCFD's guidelines became widely recognised as a crucial framework for assessing climate risks and opportunities in financial markets. Adoption surged globally, with businesses integrating TCFD principles into their reporting practices, fostering transparency and resilience. TCFD has been aligning finance with climate realities, driving sustainable practices worldwide.

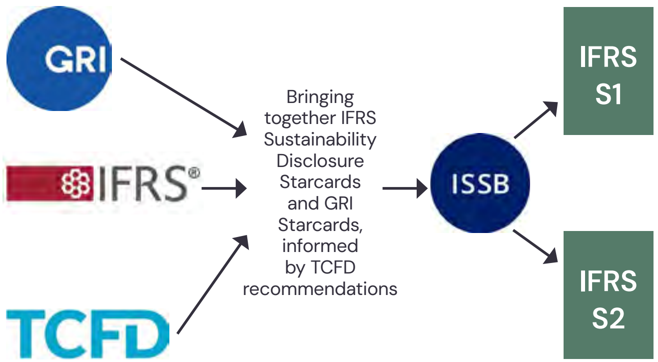
In July 2023, the IFRS issued the new IFRS S1 and S2 standards, which have integrated the TCFD framework into their requirements. The goal of incorporating TCFD standards into the IFRS Standards is to simplify reporting and create a global baseline for sustainability and climate-related disclosure.

Two new standards have been created for this purpose:
IFRS S1 focuses on the reporting of sustainability-related financial disclosures and takes a financial materiality approach.

IFRS S2 focuses on climate-related disclosure, its requirements have completely integrated the four key pillars and eleven recommendations from the original TCFD framework. Additionally, there are further requirements within IFRS S2 which extend beyond the TCFD framework's original recommendations.

In December of 2023, TCFD published its final recommendations and specific guidance for financial institutions on climate change disclosures and has disbanded as of December 2023. In its place, the IFRS Foundation has integrated the TCFD's framework into its own requirements and will be monitoring climate-related disclosures through the ISSB.

Arcus is supportive of global baselining for sustainability and climate-related disclosures and would like to ensure alignment with best practice. As a result, we are reviewing the latest IFRS Sustainability Disclosure Standards, and will revise our climate-related disclosure in future years as appropriate to ensure alignment.



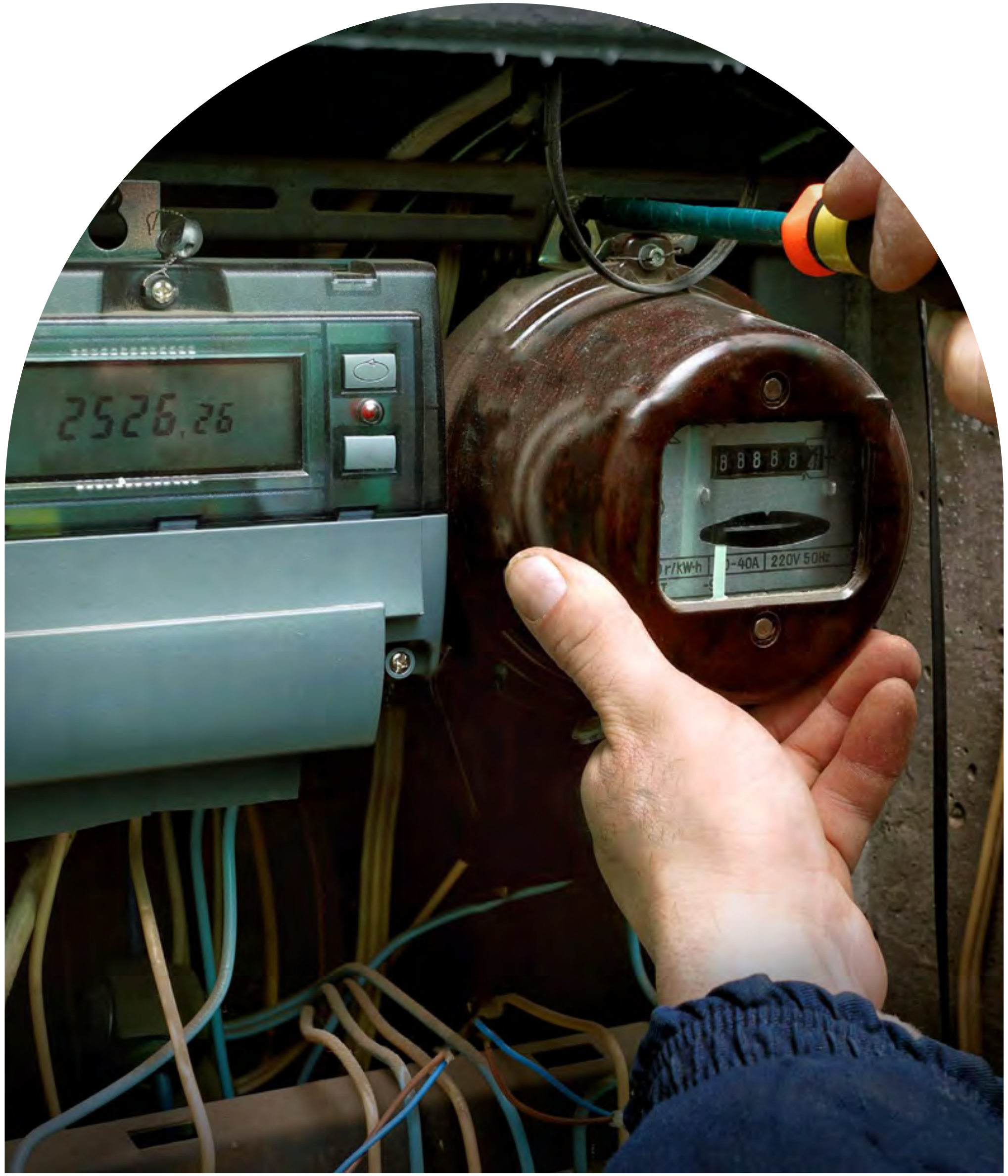
Energy efficiency

7 AFFORDABLE AND CLEAN ENERGY

Power generation remains the largest contributor to European carbon emissions and has been the focus for European policymakers. Therefore, energy consumption and GHG emissions are intricately linked material factors. The global energy transition is the most challenging macroeconomic issue since the industrial revolution, with $125 trillion of investment required by 2050 to transform the global economy[1] and avoid the most severe physical impacts of climate change. Arcus believes this is an opportunity to invest in the energy transition, whilst supporting the rest of the portfolio companies to minimise risks and leverage this opportunity through consideration of energy efficiency measures.

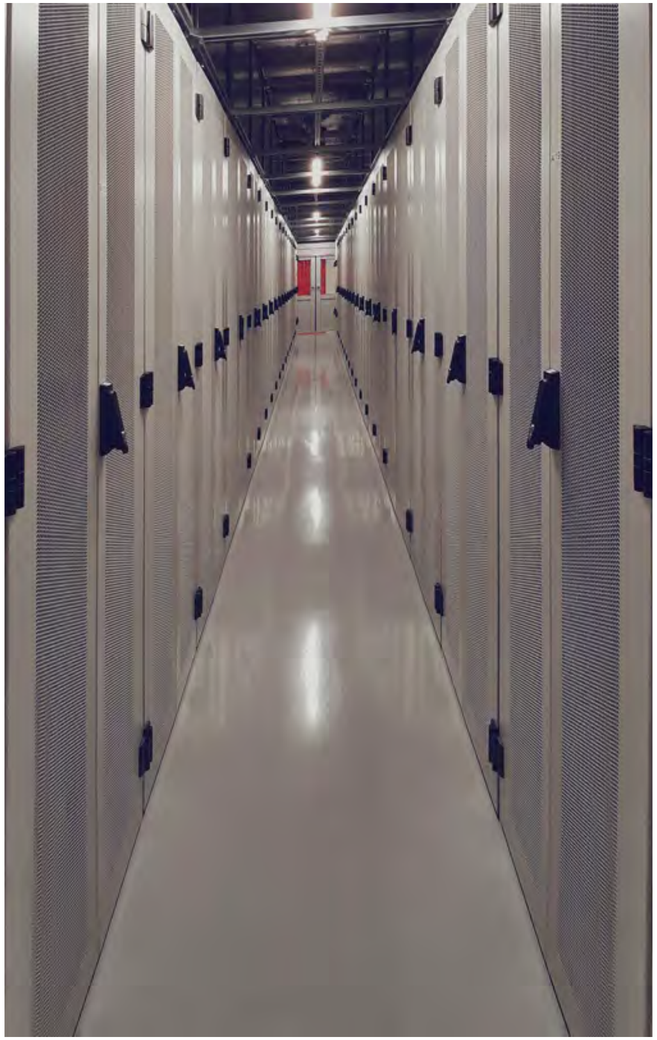
Arcus will not invest in the exploration or use of fossil fuels for electricity generation. In the transition to a low-carbon economy, Arcus believes that demonstrating best practice in energy efficiency within operational control will have a positive long-term financial impact. Arcus is supportive of SDG 7: Affordable and Clean Energy and actively encourages its members, employees, contractors, and investee companies to seek opportunities to further improve energy efficiency, fostering a culture that promotes energy conservation and engagement with relevant stakeholders to encourage energy saving behaviour. Where practicable, Arcus supports the procurement of renewable sourced energy to reduce its and the investee company's carbon footprint.

Over 95% renewable energy consumed (as a % of total energy consumption) in 2023



Energy efficiency in data centres

Portus



Portus Data Centers ("Portus") is a newly created datacentre group that provides colocation/datacentre capacity and related services to customers in highly secure, resilient, and well-connected facilities primarily in the DACH region. Portus currently has datacentres in three locations: Luxembourg, Munich and Hamburg.

Datacentres are integral to our social and digital infrastructure, providing essential data storage and computing capacity for all sectors' daily operations. The rapid advancement of technologies like Artificial Intelligence, Big Data and Cloud Computing has driven exponential growth in data demand and thereby significantly increasing energy consumption in datacentres. Consequently, datacentres are projected to become the largest consumers of energy globally, with their share of global energy usage rising from 3% in 2017 to 4.5% by 2025.

The Portus asset management team and the broader Arcus organisation are aware of the environmental impact that datacentres have and acknowledge the importance of reducing this footprint through diverse energy-saving strategies.

Power Usage Effectiveness

One of the key metrics used to estimate energy efficiency in datacentres is Power Usage Effectiveness ("PUE"). PUE measures how efficiently a datacentre uses energy, specifically how much of the total energy consumed is used for computing purposes versus supporting infrastructure like cooling and lighting. The lower the PUE value, the higher the efficiency of the facility. The goal is to achieve a PUE close to 1.0, indicating a perfectly efficient datacentre where almost all power is delivered to IT equipment. Through innovative design, improved cooling technologies, and better management practices, datacentres aim to reduce their PUE, thereby maximising energy efficiency.

Energy Efficiency Regulation in the EU

In order to establish a common framework of measures to promote energy efficiency within the European Union ("EU"), a number of regulations have been passed. The Energy Efficiency Directive ("EED") is one of them and sets binding measures to help the EU reach its energy efficiency targets, emphasising the reduction of energy consumption across various sectors, including datacentres. It aims to drive an 11.7% reduction in energy by 2030 (compared to 2020) and will also require datacentres bigger than 500 kW to report on energy efficiency metrics as of May 2024. It is likely that following a period of data collection, the EU will utilise this data to set standards for energy efficiency and energy reduction, which may require Portus to implement further specific energy reduction measures.

The EU currently utilises the EU Code of Conduct which assesses the performance of datacentres based on the PUE. Currently, EU datacentres have an average PUE of 1.6, while some still report values above 2.0.

Energy efficiency in data centres

Portus (continued)

EED plays a crucial role in setting a baseline for energy consumption to drive energy efficiency improvements and addressing the growing environmental impact and is part of a growing web of sustainability regulations facing the datacentre industry.

Datacentre requirements under the new German Energy Efficiency Act
During 2023, the German Parliament passed an Energy Efficiency Act ("EEA") It was developed in parallel to the EED and is aimed at increasing the efficiency of datacentres and reducing their environmental footprint and that of the IT equipment that they house. These developments were expected by Portus, and it will, as it has been doing, continue to rigorously assess the potential implications of these regulations for its existing facilities and in evaluating potential acquisitions or development projects. The underlying rationale and aim of these regulations (to make the datacentre industry more efficient and sustainable) makes sense and is aligned with Portus' objective to provide efficient, future proof datacentres to its customers and to house their related IT infrastructure in a sustainable manner. Existing datacentres will be required to meet a PUE of 1.5 by 1 July 2027 and PUE 1.3 by 1 July 2030. The current German average is slightly above 1.7. Portus facilities operate at a LTM PUE of 1.3-1.4.

Portus Energy Efficiency Measures
Portus' main focus over the year has been on increasing energy efficiency and water efficiency of its facilities, as well as on incorporating environmental reporting in regular monthly board reports and improving its environmental footprint where possible.

Portus' identified an immediate opportunity to improve the operations of the Group and mandated the use of hydro-treated vegetable oil ("HVO"), a form of biofuel, where possible. This will and has had a significantly positive environmental impact by reducing emissions by c. 90% compared to operating generators using diesel, which was the case prior to Portus' ownership.

All electricity procured and used by the Group is certified as sourced by renewables, again minimising emissions.

To reduce PUEs of its sites, the group is considering raising the temperature in its datacentres, creating a warmer environment for customer IT equipment, which means less use of electricity and water used to keep servers and storage equipment cool. This will need to be agreed with our customers; however, data has shown that IT equipment can run at higher temperatures with minimal impact on reliability. With this initiative, Portus will play a key role in driving change in the industry and help reduce its carbon impact.

In 2023, Portus formally adopted the European Code of Conduct for Data Centres, a voluntary initiative aimed at reducing energy consumption and emissions. This adoption will heighten Portus's monitoring and reporting obligations, ensuring the Group remains aligned with evolving best practices and the importance of sustainability. This initiative supports our objective for Portus to lead in ESG matters. Portus continues to monitor the efficiency of its facilities and is actively exploring further measures to enhance operational efficiency.

Portus entities have also been in the process of making changes to their data collection efforts to be able to provide relevant information for the various ESG reports such as GRESB, TFCD, SFDR or GHG reporting, and will participate in GRESB for the first time for reporting year 2023.

Energy and GHG emission efficiencies

Constellation

Constellation is a market leading platform in European cold storage market providers comprising 26 facilities and c. 688k pallet positions of capacity through four regional divisions.

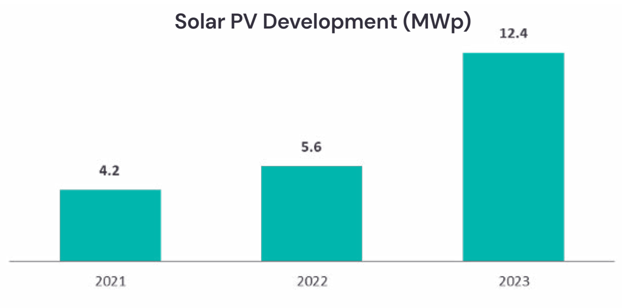
Constellation is committed to making a positive contribution in the geographies it operates in, ensuring a safe and sustainable environment for its employees and customers, and maintaining high standards of corporate governance. The group seeks to minimise its environmental footprint through wide-ranging initiatives across its operations and is committed to ensuring that its services contribute to the goal of reducing global food waste. The group ensures compliance with regulations and guiding principles governing the protection of human rights, operational and occupational health and safety, environmental and business practices in the jurisdictions in which it operates.

Cold storage warehouses and transport assets are material consumers of energy due to the low temperatures required to preserve food quality. As such, Constellation considers SDGs 7 and 9, "Affordable and clean energy" and "Industry, Innovation and Infrastructure" in its day-to-day operations to reduce the environmental impact of the group's mission-critical activities. In this respect, Constellation's sites are built to high sustainability standards while the group pursues relevant certification (i.e. BREEAM) to evidence this.

Following acquisition, Arcus wanted to reduce Constellation's environmental footprint and pursue energy saving opportunities, and has since undertaken various projects to achieve to improve the group's energy efficiency and reduce consumption of harmful refrigerants.

Constellation has replaced older refrigeration installations across a number of its facilities that used hydro-fluorocarbon-based refrigerants with a high Global Warming Potential ("GWP") to refrigeration systems that utilised lower GWP refrigerants. These upgrades have resulted in energy cost savings of between 15-20% per facility.

Constellation has also embarked on an initiative to roll-out rooftop solar panels at a number of its facilities in order to increase its green energy consumption. In 2023, Constellation installed an additional 6.7 MWp of rooftop solar PV capacity at sites in the UK, Belgium, Netherlands and the Nordics. As a result, the company more than doubled its peak solar PV generation capability, to 12.4 MWp and can now generate approximately 13% of its energy requirements through self-generated renewable energy.



Biodiversity

Biodiversity encompasses all living things and is the foundation of health and wellbeing. Arcus recognises that infrastructure assets have the potential to adversely impact proximate flora and fauna biodiversity. Therefore, Arcus considers biodiversity as a potential material topic for investment opportunities. Where biodiversity is regarded as material, Arcus is committed to best practice and actively monitors and reports on the topic.

At a minimum, Arcus and its portfolio companies will comply with local biodiversity legislation and continuously seek ways to minimise the adverse impacts during the asset lifecycle. Arcus has included an assessment of the adverse impact on biodiversity sensitive areas as part of its investment process. Furthermore, Arcus reports annually on the exposure its investments have to areas with sensitive biodiversity as part of the SFDR PAI reporting to investors.

After net zero which has a central focus, biodiversity is the topic next gaining attention and expect the emphasis on reporting on biodiversity will increase. Through frameworks such as the Taskforce for Nature-related Financial Disclosures ("TNFD") and Science Based Targets for Nature ("SBTN"), there is growing recognition on the importance of biodiversity which will inevitably force us all to act.

Encouraging Biodiversity

GTC

GTC is the concessionaire of the AmberOne A1 dual-lane motorway linking Gdansk with Torun, in Poland.

The A1 concession comprises a 152km long dual carriage motorway linking the city of Gdansk in the North with Torun further South, and forms part of the broader c.400km long Autostrada A1 motorway. The Autostrada A1 forms an integral part of the European integrated road plan (EU TEN-T) and constitutes a key North-South corridor that connects the main Polish Baltic port cities of Gdansk and Gdynia with the Czech Republic, Austria and Slovenia to meet the Adriatic Sea.

GTC is committed to doing its part in conservation of habitats and biodiversity, including upgrading the habitats on the motorway to encourage more biodiversity while reducing incidents related to harm to biodiversity and habitat.

In 2021, GTC increased the height of fencing at various locations across the motorway to prevent elks from jumping over fences and onto the motorway, causing accidents and injuries. GTC continues to inspect and maintain these fences to protect elks and road users.

As part of the AmberGreen programme, GTC worked in conjunction with the Łąka Foundation (a foundation promoting flower meadows) to create an open habitat, sowed with flowers over a hectare of land adjacent to the motorway, near Stanisławie (km18). The project was an initial pilot, sowed in April 2021 and successfully flourished into a flower meadow. This was expanded in 2022 to cover additional areas improving biodiversity, conserving water and improving air quality around the motorway. At the end of 2023, 3 hectares of meadows have been created in total.

As a next step, GTC will conduct research with the participation of specialists botanists, which will allow GTC to assess to what extent the meadows contributed to the increase in fauna and flora and the amount of CO_2 captured.

Air, Land and Water pollution

The degree of materiality of potential air, land and water pollution differs for each investee company.

Arcus will not invest in companies that demonstrate poor environmental management, recognising the damage such occurrences have to ecosystems and that causing pollution can lead to reputational damage as well as result in financial penalties/loss. With a focus on high-quality infrastructure and a commitment to responsible investment and good stewardship, Arcus aims to actively prevent pollution and reduce the adverse impacts on air, soil and water throughout the investment lifecycle.

During due diligence, the Arcus investment teams work closely with the Arcus ESG team to understand the ESG footprint of a potential investment opportunity and whether any specific ESG factors are material and would require attention post investment. The investment opportunities impact on air, land and water pollution would be considered within this due diligence and if the investment passes all other requirements and is acquired, these material ESG factors would be considered during the 100-day plan and beyond. The ESG team would then work closely with the management team and ESG leads at the portfolio company to plan ESG objectives around achieving specific efficiencies with relation to their air, land or water pollution footprint.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Energy & Water Consumption Reduction

HB

HB is a leading provider of rental, washing and integrated logistics services for returnable transport items ("RTIs"). HB provides integrated rental and value-added logistics to its diverse customer base, with a pool of c. 6.14m RTIs and a network of 17 primary operating facilities and depots in the Netherlands. It offers a range of critical services to the food industry including RTI rental, washing, storage, logistics and returns handling. HB is a key infrastructure player in the circular economy.

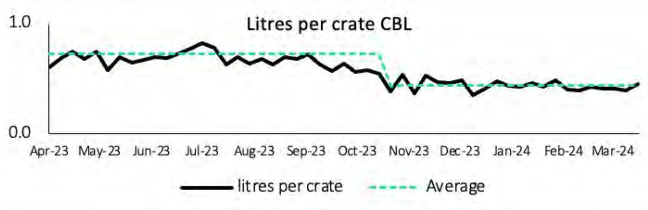
Energy Efficiency Measures

In 2022, ERM assisted Arcus and HB to complete a scenario analysis in relation to climate-related physical and transitional risks and opportunities. The risk/opportunity profile of HB was relatively neutral, with minimum risks identified. However, HB is an energy intensive business, especially for the washing and movement of RTIs. HB has been measuring Scope 1 and 2, and material Scope 3 emissions since 2022, to understand the GHG footprint of the business and to target specific reductions in carbon emissions. HB is actively assessing further energy efficiency measures including electric heating and on-site renewable energy generation and procurement and is embarking on a net zero roadmap, in addition to a new water filtration system in its Utrecht operations.

Water Efficiency Measures

HB's core activities include washing of RTIs which enables reuse of the container and hence, water usage is material to the operations of the business. HB's main focus in 2023 has been on the company's washing activity water and energy consumption profile. Following an energy mapping exercise carried out in 2022, HB identified several avenues to bring down water, electricity and gas consumption. The company has tested several initiatives during 2023 to monitor and assess impact on its footprint.

HB aims to reduce freshwater consumption in the washing process through a range of technical innovations such as filtration techniques and pressure regulation. In Q3 2023, HB installed a new water filtration and dispensing system in Utrecht, expected to reduce water and gas consumption by re-using heated wastewater where possible. Preliminary results have yielded successful results, indicating a savings potential of up to half of water and gas consumption on the basis of the initial operational assessment. Full year results will be known at the end of 2024. HB continues to monitor the water filtration system and if preliminary results are confirmed, it will look to roll out the system to other facilities in 2024 and 2025.



Circular economy

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

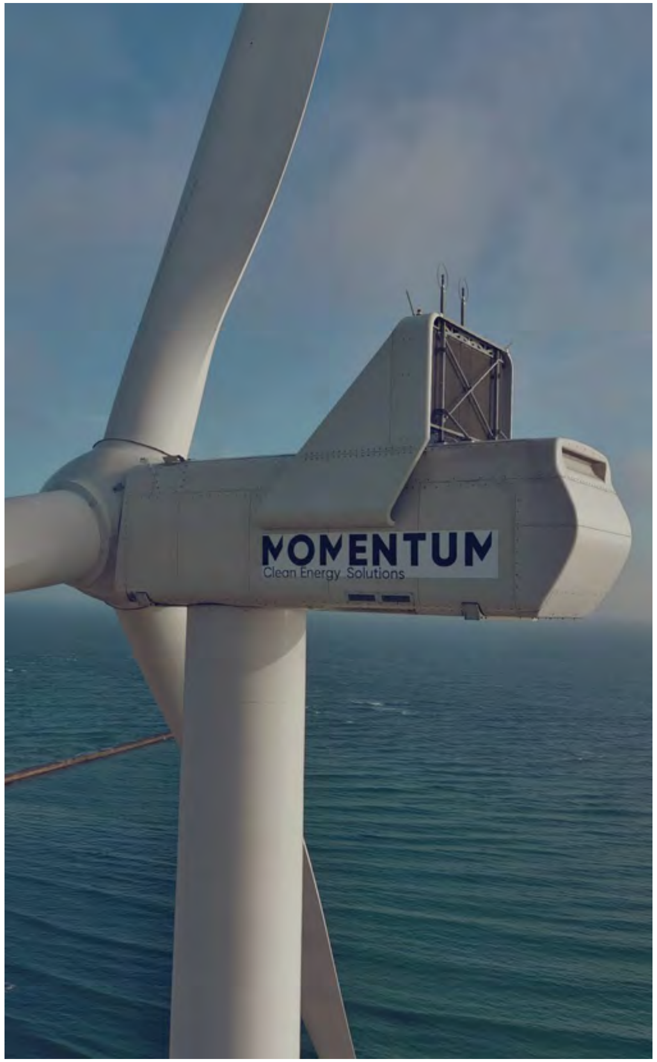
Infrastructure is essential to enable the transition to a low carbon future. The 1.5°C Paris Agreement target can only be achieved by combining renewable energy and efficient usage with other approaches, including promoting the circular economy. Moving away from the linear consumable model of "take-make-use-dispose" and transitioning to a regenerative model is essential to keeping resource consumption within limits. Therefore, governments and intergovernmental bodies have been developing think tanks and action plans to create awareness and draft policy.

The European Green Deal was launched to set policy initiatives in line with the target of the Paris Agreement to reach carbon neutrality by 2050. One of the main building blocks of the European Green Deal is the EU's Circular Economy Action Plan ("CEAP") that was launched in March 2020. The goal of CEAP is to scale up the circular economy in Europe from a few front-runners to the mainstream economic players that will make a decisive contribution and decoupling economic growth from resource use, while ensuring the long-term competitiveness of the EU. A recent study estimates that applying circular economy principles across the EU economy has the potential to increase EU GDP by an additional 0.5% by 2030 and create around 700,000 new jobs. In the CEAP, the EU provides direction of future policy across multiple sectors and stakeholder groups among which is one on packaging and single-use material (e.g. plastics and cardboard). The EU states that in 2017 the packaging waste per capita reached a record level of 173 kg that has been growing continuously. CEAP states that towards 2030 the EU will review and reinforce the mandatory essential requirements for packaging in the EU market, steering the market to reduce (over) packaging and drive design for re-use and recyclability of packaging. The EU is establishing rules for the reduction of single-use plastic in food containers and beverage cups and bottles. These are only the first examples of legislation reducing packaging.

Arcus has recently made two investments in portfolio companies playing a critical role in circular economy asset lifecycle management, namely HB RTS and Momentum Energy Group. Through Arcus' investments, we continue to prioritise protection of the environment and wellbeing of people by minimising waste and promoting sustainable use of natural resources, through improved product design, extension of life and recycling.

Decommissioning and recycling in wind turbines

Momentum



Momentum Energy Group ("Momentum") is a Danish based integrated renewable energy investment and services platform covering the full lifecycle and a significant part of the value chain for wind and solar projects. Momentum invests, services, manages technical and commercial operations, and undertakes the development of greenfield, repowering and lifetime extension projects. Momentum owns a portfolio of operational wind projects and is developing a diversified pipeline of wind and solar projects.

Sustainability and ESG are fundamental to Momentum, and they aim to become a permanent contributor to the green transition and the sustainable economy. Momentum addresses ESG risks and opportunities at three levels; at the corporate, project development and in field operations. This includes setting corporate sustainability targets and initiatives, having the right corporate policies and governance in place, reducing its corporate carbon footprint, developing projects with social inclusion, biodiversity and communities in mind, adopting creative circular economy strategies, endorsing stringent health and safety requirements, promoting equality and diversity, and complying with laws and regulations.

Momentum has an integrated approach to operating and managing the aging renewable energy fleet through specialised professional management. By having the internal expertise to maintain the older fleet to a high standard and beyond its original design life, Momentum is enabling the continued production of clean energy from a fleet that may otherwise be decommissioned.

Momentum is also a leader in adopting circular economy strategies with respect to project development. The team has the expertise to incorporate a wider set of development possibilities, including sourcing and refurbishing decommissioned turbines for use in repowering, life extension or major component exchange cases to reuse materials and reduce waste.

While Momentum prioritises the economic extension the operational life of its wind turbines, over the coming years, there will be occasions when turbines in its fleet require decommissioning. Where this is the case, Momentum's technicians and strategic partners prioritise sustainable practices during the decommissioning process and the company has developed a comprehensive process to recover all possible components of the wind turbine. By way of example, a recent turbine decommissioning project re-covered 80 tonnes of concrete, 13 tonnes of steel and four tonnes of fibreglass through recycling, while 75% of the turbines mechanical parts were redeployed for use in other Momentum's assets.

Social

Diversity, Equity and Inclusion ("DEI")

Arcus and its portfolio companies recognise the importance of having a diverse and inclusive workforce. Diversity and Inclusion are promoted within the approach to recruitment to ensure fairness and equity.

As a signatory of the UN Global Compact, Arcus is committed to elimination of discrimination in respect of employment and occupation. Arcus encourages all portfolio companies to uphold a similar commitment towards DEI within their organisations, encouraging diversity and reducing inequalities across their workforce.

In 2023 all Arcus portfolio companies made a formal commitment towards DEI and formally documented their approach as part of the ESG policy or a standalone DEI policy. In addition, Arcus and its portfolio companies are working on ways to improve reporting on DEI metrics.

WORKDRY INTERNATIONAL

Improving DEI metrics

Workdry

Workdry International Limited ("Workdry" or "the Company") provides critical water pump and wastewater treatment asset leasing to UK water utilities, engineering firms and other industrial customers through the Selwood, Vanderkamp, and Siltbuster trading brands. Workdry operates from a depot network of 25 sites, with an asset register of over 7,000 pumps and c. 1,000 wastewater treatment assets, alongside ancillary assets such as hoses, fittings, and pipework.

Employee equality and diversity is imperative to Workdry International, and the Company takes pride in putting people at the core of the business by empowering the workforce, whether this means professional development, training courses or rewarding people for engaging in the Workdry suggestion scheme. Empowerment not only improves performance and productivity but enables individuals to make positive personal growth, career advancement and social change. Through empowerment, Workdry supports all employees and adopts an open and transparent safe space for development and growth, both personal and work-related. As a key step to targeting improvements in DEI across the Workdry businesses, The Company committed to tracking and reporting multiple DEI metrics from 2023 as part of its annual sustainability report. This oversight will allow Workdry to set specific DEI targets and objectives and then report against those over the coming years.

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

Health and safety

Health and safety of employees, contractors and customers is a key priority across all Arcus portfolio companies. To ensure the highest standards of health and safety are upheld at every level of a portfolio company, we closely monitor health and safety performance through regular board reporting.

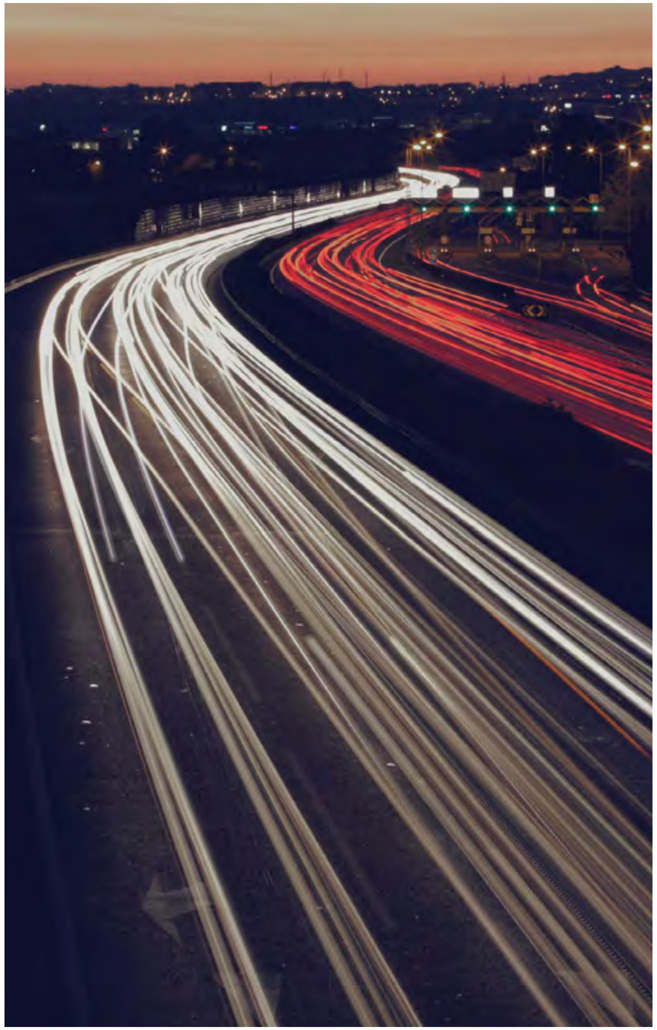
Arcus supports all portfolio companies in establishing, implementing, and regularly reviewing health and safety policies, relevant to their business operations and the sector they operate in. This helps to ensure that Arcus portfolio companies meets their statutory and civil obligations to provide a safe and healthy working environment. All Arcus portfolio companies are committed to this approach to H&S and individual portfolio companies discuss materiality and relative size/number of personnel/risk to H&S based on office verses technical staff.

On an annual basis all portfolio companies are reviewing key initiatives undertaken and are setting targets and next steps for future improvements.

8 DECENT WORK AND ECONOMIC GROWTH

Road Traffic Safety

Brisa



Brisa Auto-Estradas de Portugal ("Brisa") is a leading European toll road operator, owning and operating six road concessions in Portugal with a total length of 1,557 km (c. 50% of the total Portuguese network). Its main concession is Brisa Concessão Rodoviária ("BCR"), accounting for c. 70% of km under management and c. 75% of Brisa's consolidated revenue.

Brisa continues to invest in health and safety across the road network. For example, in 2022 the company acquired several Track Mountain Attenuators ("TMAs"). TMAs work to significantly reduce the risk of collisions between traffic and workers maintaining highways, as well as lessen the impact of any collisions which may occur. More generally, Brisa is undertaking a €7.5m investment programme in road safety for the period 2018-24, including upgrading materials in horizontal and vertical signalling, roadside barriers and safety guard rails and redesigning access branches, among other measures. Overall, 2023 has shown a reduction of 30% in serious injuries and 22% in fatalities in the BCR network vs 2019, with 9% higher traffic.

Target: Implementation of a cross-cutting road safety action agenda throughout the operation's value chain to achieve EU targets of 50% reduction in deaths and serious injuries from road accidents by 2030, with a view to achieving the Zero Deaths objective.

BCR's Safety Policy, in line with its fundamental principle of continuous improvement, integrates into its values and objectives the general principles of prevention, technical developments, work methodologies, lessons learnt from the history of accidents and the heavy investment in technological innovation. This commitment reflects a safety culture that promotes health and wellbeing.

BCR is aware that visibility and protection in works carried out on roads open to traffic are crucial for both road users and employees. The implementation of the "Safe Platform" programme aims to increase the safety of those working on motorways by achieving "Vision Zero" in terms of serious and fatal accidents involving workers on Brisa motorways.

At the end of 2022, the Brisa's Health and Safety Department was created, to propose and promote the implementation of Occupational Health and Safety Management Policies and Systems, Project and Site Safety Coordination and Road Safety.

This department, which has specialised skills in assessing health and safety risks, with particular emphasis on the operation and maintenance of road infrastructures on roads open to traffic, ensures the follow-up of all safety and health activities, as well as defining objectives and action plans in line with best practices and Sustainable Development Goals.

Occupational Health & Safety

Constellation

CONSTELLATION COLD LOGISTICS

Constellation has implemented a standalone H&S Policy to ensure a safe and healthy working environment across all of its operations. The H&S Policy outlines the group's commitment to maintaining the highest standards of H&S performance in compliance with applicable H&S laws and regulations. The policy also provides a standardised approach for the use of Personal Protective Equipment (PPE), employee onboarding, reporting on the company's incident tracking system (INFORM), H&S training, risk assessments, conducting investigations and the logging of H&S KPIs (lost time, near miss, reportable incidents, etc.).

As per the H&S Policy, facilities must ensure that safety equipment (such as PPE, fire extinguishers, and first aid kits) is provided to employees and maintained to a requisite standard. For employees working in cold storage areas, there is a requirement to wear appropriate PPE, including insulated clothing, safety footwear, and high-visibility vests.

For the safety of its own- and third-party drivers, Constellation has implemented several safe driving initiatives across the business. Examples of this include participation in national road safety programmes, the roll-out of internal and external training sessions and the implementation of robust policy protocols.

H&S related incidents are captured within the group's newly implemented Global Management System which captures Recordable Injuries, LTIs, Reportable Leaks and any Quality issues or maintenance issues with site equipment or infrastructure. The system incorporates root cause analysis, actions and completion timestamps. In 2023 Constellation had an incident rate of 1.8%, below the industry average of maximum of 1.9%. All Constellation subsidiaries' Fire Safety and Emergency Preparedness is managed at a site level. The sites typically have a contract in place with the local fire department to conduct an annual inspection/checks of fire safety & emergency response planning, procedures and staff training. Additionally, fire drills are undertaken by the company alongside the safety equipment checklists and useful life notifications are included within the INFORM system.

Target
Constellation aims to achieve zero accidents and continuously improve their safety practices. Regular reviews are conducted to assess effectiveness, while responsibilities for H&S management are clearly defined.

Reporting
Constellation uses the Incident, Reporting, and Tracking system known as INFORM to assist in the internal incident reporting for the business including the tracking of accidents and incidents at each site for employees and contractors. The incident reporting analysis from INFORM is shared with H&S leads at sites and the relevant ESG Champions.

Constellation reports annually on sustainability KPIs to GRESB which includes H&S statistics such and reportable accidents and lost time incident rates.

Human capital development

An aging population is causing strain on availability of workers, especially skilled labour. This, in addition to recent global changes in working patterns such as hybrid work and workforce disengagement post COVID-19, is posing a challenge to organisations to improve ways of engaging and empowering employees. Human capital management and development is vital to improving company culture in addition to delivering better performance.

Arcus actively promotes human capital development and a positive working environment on a corporate level for its members, employees, contractors, and for investee company personnel. Investee companies are approaching human capital development and initiatives around training in the same manner as Arcus. In addition, every portfolio company has set a budget for providing training to all its employees.

4 QUALITY EDUCATION

Award-winning Employee Engagement

TDF

TDF is the largest broadcasting tower infrastructure operator in France, with more than 80% market share in Digital Terrestrial Television ("DTT") and over 50% market share in radio. TDF is also one of the largest outsourced mobile tower site hosting services providers in France, with c. 17% market share on towers and c. 4% market share on rooftops.

TDF owns and operates a comprehensive asset base of active sites in mainland France and in French overseas territories and has entered into commercialisation agreements for c. 12,500 additional sites in France, including rooftops, making it the largest independent portfolio of sites covering the entire French territory. This unique combination of interconnected infrastructure assets positions TDF as an essential French communications infrastructure operator and enables it to develop complementary business models which require reliability, high capacity and/or high-speed data transmission (e.g. data centres, cloud, content delivery networks, etc.). TDF's dedicated HR team strives to motivate employees and harness everyone's energy working together to connect everywhere, faster. To do so, TDF breaks down its activities into three core goals - anticipate, promote and balance. Anticipate staying nimble and attract top-class people; promote to build staff skills; balance to enshrine a robust and fair HR framework that balances business needs with staff wellbeing.

In Q2 2023, TDF launched a national survey of its employees. The purpose of this anonymous survey was to allow teams to express themselves on the company's strengths and successes, as well as on areas for improvement.

TDF achieved a significant participation rate (63%), showing the interest of employees in the future of the company.

Employees who value their working conditions and environment
The responses also reveal TDF's commitment to Quality of Life and Working Conditions. More than 70% of respondents say they enjoy their workplace and enjoy going there, and the vast majority also say they are satisfied with their work-life balance. In addition, 63% believe that the ways of working adopted at TDF (remote/ hybrid working, flexibility and agility) are innovative.

Human relationships are also highlighted in this survey. Employees emphasize the sincerity and quality of their exchanges and their work with the various teams (70%). Finally, 77% are also happy to have been able to establish trusting relationships with managers.

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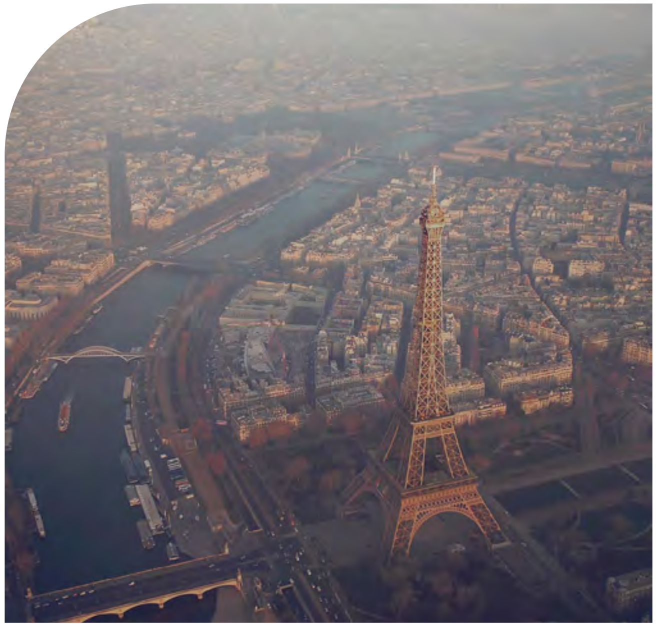
HappyIndex®AtWork
FRANCE 2023

Subsequently, TDF was awarded the HappyIndex®AtWork label, awarded to companies in which employees thrive and are happy with their work. Christophe Maximilien, Director of Human Resources, said: "Obtaining the HappyIndex®AtWork label for 2023 is a source of pride for all TDF employees. The answers provided in this survey reflect the usefulness of the services we offer as well as the quality of our social base. Workshops will be organised between now and December, led by the HR department, to make the diagnosis and generate ideas and solutions that contribute to the improvement of our main points of progress."



Human rights

Arcus' commitment to human rights is based on the expectation that its members, employees, contractors, and its investee companies will respect human rights in their business activities.

This commitment is further strengthened through Arcus' support of the ten principles of the United Nations Global Compact ("UNGC").

Arcus' statement in response to the UK Modern Slavery Act 2015 is publicly disclosed on the Arcus website. Arcus has zero tolerance for slavery and human trafficking in its supply chain management and staff complete relevant compliance training annually. Through its due diligence procedures and ongoing asset management of investments, Arcus endeavours to ensure no form of slavery, servitude, forced, compulsory or child labour, or human trafficking takes place.

Stakeholder engagement

Arcus recognises that its operations and the operations of portfolio companies have impacts on a broad range of stakeholders.

Through its commitment to responsible investment and active stewardship, Arcus considers relevant stakeholders' interests and the importance of infrastructure as a shared community resource. Arcus actively promotes integration of employee engagement and customer satisfaction in the processes and procedures of the investee companies. Arcus works closely with all its portfolio companies to formalise an approach to stakeholder engagement, including stakeholder mapping, policy setting and annual strategy setting.

Community engagement

All Arcus portfolio companies seek to make a positive contribution to the communities or charitable organisations in the countries in which they operate through corporate monetary donations and corporate volunteering activities.

Aiming to use multiple channels to provide support, and in addition to Arcus organised charitable activities, all members and employees are encouraged to fundraise, volunteer, participate and contribute to charitable organisations that they feel passionately about. Arcus supports individual volunteering, subject to it not unduly interfering with their role within the business and Arcus provides "match-funding" for selected fundraising initiatives on an annual basis.

11 SUSTAINABLE CITIES AND COMMUNITIES

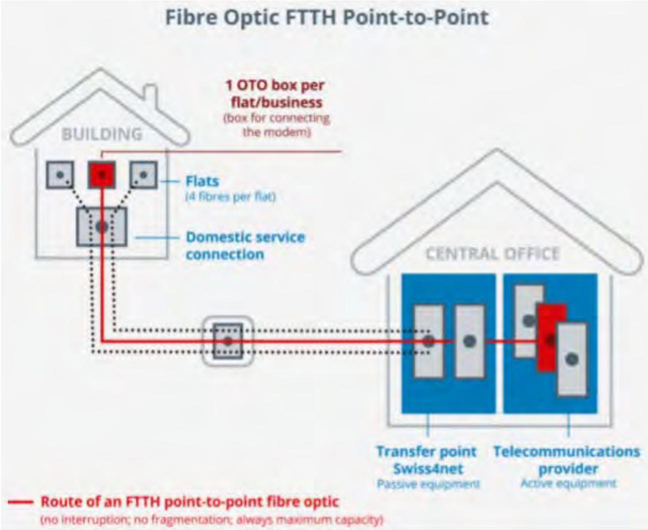
Educating the Community regarding fibre networks

Swiss4Net

Swiss4net is a fibre-to-the-home ("FTTH") network owner which develops, builds, and operates FTTH networks in less densely populated areas of Switzerland. Swiss4net currently operates three regional networks covering c. 46k homes passed ("HP") and just over 34k homes connected ("HC"). Swiss4net has five further projects approved and in the process of being rolled out. On completion of the approved projects, Swiss4net will cumulatively cover >80k HP and about 72k HC. Swiss4net operates the only privately-owned open-access wholesale FTTH networks in Switzerland. Swiss4net's build model is to secure the right to lay fibre into existing publicly owned regional utility ducts (which already carry electricity cables).

The company regularly conducts several initiatives, including flyer distributions, for the end customers within the communities where Swiss4Net is present. The main objective is to raise awareness of the benefits of fibre connectivity. In addition, Swiss4Net publishes some LinkedIn posts regularly to inform people about fibre technology and the activity of Swiss4Net.

Swiss4Net is dedicated to raising awareness and educating the community about the benefits of fibre broadband connectivity and how households can benefit from this. The company makes a contribution through sponsoring educational events and supporting innovative education labs.



Governance

Once Arcus has successfully executed an investment, ESG risks and/or opportunities (identified as part of diligence and actions associated with ensuring investee companies meet Arcus ESG requirements) are included in the 100-day plan workstreams.

Arcus ensures that its portfolio companies have appropriate governance structures, policies, and procedures for ESG and compliance matters (either via an ESG or sustainability policy, or specific subsidiary policies dealing with relevant ESG factors such as health and safety or environmental matters). If not already in place, the Arcus asset management team works closely with the portfolio company to establish best practices and policies for ESG, compliance and business ethics as well as other related topics.

Arcus works with a member of the management team responsible for ESG related matters, or if one isn't in place, Arcus engages with the existing team to allocate responsibilities, provide training and guidance to that person(s) (either Arcus lead or externally provided) or hire additional resources. Generally, ESG is managed by an individual reporting to the investee company C-level management team (often the CEO) and may either be a dedicated sustainability resource or part of the operational, technical, finance or legal teams. Arcus works in partnership with investee companies to ensure sufficient resources and experienced personnel are allocated responsibility and given necessary guidance.

Arcus encourages an asset-led, Arcus-guided approach to ESG with an emphasis on building a strong ESG foundation. Recently, Arcus has made several investments in group level platforms made up of smaller, individual companies. This comes with its own governance challenges around creating new group level structures, strengthening management teams to run these platforms and instil common approach, policies and practices across the different companies which could span across different EU jurisdictions.

80% of portfolio holds ISO9001

53% of portfolio holds ISO14001

40% of portfolio holds ISO45001

50% of portfolio holds other certifications including further ISOs/BREEAM

Advisory Council

Arcus

Established in May 2021, the Arcus Advisory Council has been formed to further strengthen Arcus' Asset Management capabilities by providing strategic insight and guidance to the Arcus team.

All members are experienced professionals with diverse backgrounds, with each contributing unique knowledge and experience. The Advisory Council ensures that relevant knowledge and best practice are shared appropriately and collaboratively to deliver optimum support to Arcus' portfolio. They provide an outside-in view of macroeconomic activities in relation to the jurisdictions Arcus invests in and advise on strategies to improve the value of each portfolio company. The Advisory Council meet quarterly.


Sir Brian Ivory


Rosa Garcia


Lord Nicholas Macpherson


Robert Parker


Miriam Maes


Thomas Thune Andersen


Laurence Mulliez


Ian Harding
Executive Member


Simon Gray
Executive Member

Establishing platforms and group-level governance structures

Constellation, Portus, Officium

Arcus prioritises establishing governance structures appropriate to the portfolio company shortly after the initial investment. This is especially relevant for businesses that have significant growth potential which includes a market roll up/ consolidation strategy.

Constellation Cold Logistics – From fragmentation to a formidable platform player
Upon acquisition in cold storage logistics companies, Arcus set up the Constellation platform bringing together individual cold storage companies and establishing a group level Board of Directors. The platform has benefited from a structure where the individual companies continue to be governed and run day-to-day by company CEOs, but with shared policies, approach and learnings across the group structure. This approach brings initial challenges in the first years of investment implementing consistent policies, data collection and reporting across different companies. Overall, it has proved very successful growing operations organically and through M&A expansion of Constellation across different regions.

Arcus has applied a similar methodology towards its investments in Portus Data Centers and Officium.

Sustainability Linked Loans and Green Financing Frameworks

Alpha Trains, Horizon, SMA, Peacock, Workdry

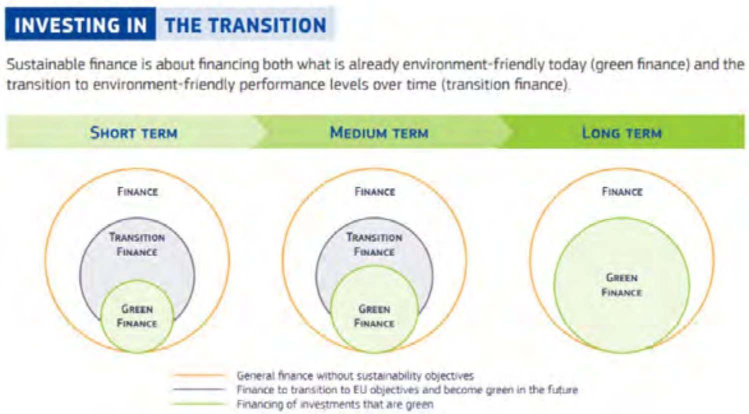
Sustainability-linked loans (SLLs) are financial instruments that encourage borrowers to meet specific sustainability performance objectives, such as reducing their carbon footprint, increasing energy efficiency, or promoting diversity. These loans typically align with investors' ESG goals, incentivising borrowers to commit to environmental, social, and governance principles. The inclusion of margin ratchets, explained below, reassure investors that their investments drive real change.

Margin ratchets are a pivotal feature in SLLs, serving as an incentive for borrowers to meet sustainability targets. These mechanisms adjust interest rates based on sustainability performances in two ways: A step-down or step-up. A step-down leads to lower interest rates as a reward when sustainability targets are met, encouraging borrowers to prioritise sustainability. Conversely, a step-up increases interest rates when targets aren't achieved, creating a financial consequence for insufficient sustainability efforts.

Several Arcus portfolio companies have put in place SLLs in the past few years, made up of different underlying sustainability performance objectives according to the portfolio company's focus and trajectory. The sustainability-related financing arranged at Alpha Trains, Horizon and SMA are labelled as 'Green Financings'; a financial instrument defined by the UN Environment Programme (UNEP) as "to increase the level of financial flows (from banking, micro-credit, insurance, and investment) from the public, private and not-for-profit sectors to sustainable development priorities." These portfolio companies must adhere to an agreed set of objectives and KPIs annually to benefit from differential capital allocation and margins as agreed in the financing terms. They must publish their Green Financing Framework and report annually on the KPIs agreed in relation to their green financing.

In September 2023, Brisa published its Sustainability-Linked Financing Framework, which identifies the three KPIs that best represent the main aspects of sustainability and its strategy. The targets (SPTs) for each of these KPIs have been validated by a Second Party Opinion, issued by S&P Global Ratings, which confirms their alignment with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles.

Both Peacock and Workdry have SLLs with specific ESG targets which if met, result in a margin reduction on their loans. In the case of Peacock its loan target is based on specified scoring using an EcoVadis rating. Workdry has three metrics which include improvements in the annual GRESB assessment and reduction in emission profile.



Sustainability Linked Loans and Green Financing Frameworks

Alpha Trains, Horizon, SMA, Peacock, Workdry (continued)

EcoVadis

EcoVadis is a globally recognised provider of sustainability ratings and performance improvement tools for supply chains. Through its comprehensive sustainability assessment methodology, EcoVadis evaluates companies across various industries based on their environmental, social, and ethical practices. These assessments provide valuable insights into supplier sustainability performance, enabling organisations to make informed decisions and drive positive change throughout their supply chains. EcoVadis assess more than 100,000 companies in over 175 countries across a range of sustainability measures.

After GRESB, EcoVadis is one of the most used sustainability ratings from Arcus' assets. In total, four Arcus portfolio companies have committed to EcoVadis as an additional sustainability rating benchmark. Peacock, by way of example, is Gold rated by EcoVadis.

Upcoming CSRD regulation

The Corporate Sustainability Reporting Directive ("CSRD") is a new EU Directive, that specifically targets European (and some non-European) companies to disclose enhanced sustainability-related reporting. CSRD is designed as part of the European Green Deal to increase transparency and improve corporate sustainability reporting whilst encouraging comprehensive non-financial disclosures on ESG factors. The EU is moving in this direction in a strategy to strengthen sustainable investment.

Since 2017, Arcus has required all investee companies to participate in the annual GRESB assessment whilst actively supporting investee companies to pursue best in class ESG reporting. Since 2021, all Arcus investee companies annually contribute to Arcus' mandatory SFDR disclosures and PAI reporting. CSRD is the next development in the evolution of ESG reporting and the shift to a more regulated ESG reporting environment. The directive is to be implemented in the local legislation of EU member states by 6 July 2024. As part of a phased roll-out between 2024 and 2029, CSRD initially targets the larger public companies and expands its scope each year.

Unlike SFDR, which targets financial market participants like Arcus, CSRD targets all European companies which meet the size-based thresholds. In total the directive is expected to impact approximately 50,000 European companies. Currently eleven of the sixteen Arcus investee companies will be required to report under CSRD as part of the second stage of the legislation that is set to come in from 2026. Indirectly, this implies that the investee companies need to prepare and have processes in place to commence data collection from 2025.

To ensure CSRD results in standardised ESG reporting, the directive is underpinned by the European Sustainability Reporting Standards (ESRS). The ESRS consists of twelve standards of which two over-arching standards define the framework and ten topical standards which are dedicated to environmental, social and governance factors. Of the ten topical standards, five are classed as environmental factors, four as social factors and one as a governance factor.

Companies are expected to conduct materiality assessment using double materiality principles. This process is designed to transparently disclose the assessment that determines which of the topical standards are relevant to a company and need to be included in the reporting. The double materiality assessment reflects on the one hand, the impact a company has on the environment and society and on the other hand, how external ESG factors impact a company, for example, climate change.

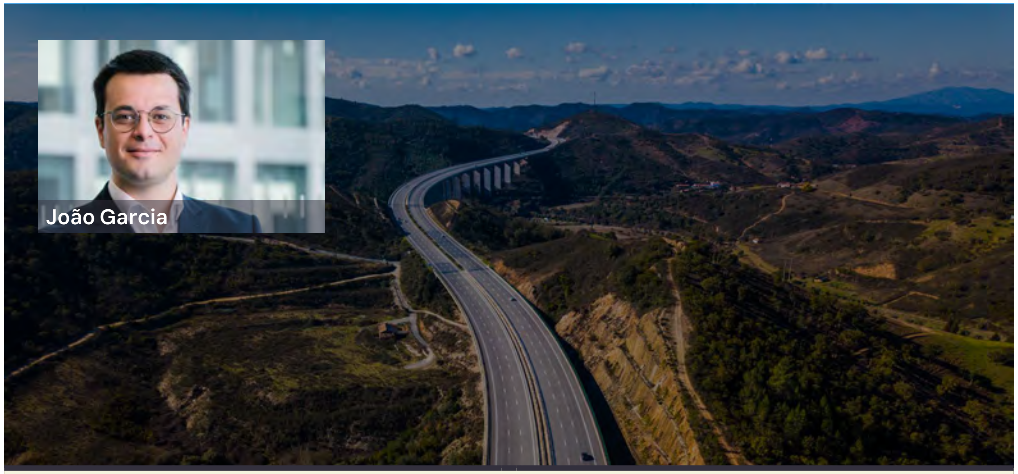
Through CSRD the EU seeks to ensure companies approach ESG reporting with the same rigour as financial reporting. Therefore, CSRD requires companies to acquire third-party assurance on ESG reporting, much like common practice for financial reporting. In a phased rollout, the directive will initially require 'limited assurance' of ESG reporting in the interim and subsequently, by around 2030, the directive will raise the bar to require 'reasonable assurance'.

To prepare investee companies for the adoption of these regulatory requirements, Arcus appointed Pinsent Masons, multinational legal consultancy firm, to develop a training program to guide investee companies with the adoption of CSRD. The goal is to provide guidance for the Arcus investee companies to ensure a standardised and more cost-effective approach to adopt the regulation. The program will be concluded by Q3 2024, allowing investee companies to implement any necessary changes to ESG data collection from the start of 2025 in preparation to report on CSRD from 2026.

Arcus investment portfolio summary

Alpha

Sector Transport	**Location** Luxembourg
Website www.alphatrains.eu	**Number of employees** 132
Investment date 5 December 2008	**Gender diversity** 60% male, 40% female
Percentage ownership as at reporting date 58.30%	**Arcus asset manager** Neil Krawitz
Energy consumption 14,000 MWh renewable energy consumption 69,0000 MWh total energy	**Health & Safety metric** 0.79% work days lost to injuries or accidents 0 Recordable injuries
2023 GRESB results 100 / 100	**GHG emissions (tCO_2e)** Scope 1: 123 Scope 2: 40 Scope 3: 183,580



Brisa

Sector Transport	**Location** Portugal
Website www.brisa.pt	**Number of employees** 2,995
Investment date 27 June 2007	**Gender diversity** 61% male, 39% female
Percentage ownership as at reporting date 83.30%	**Arcus asset manager** Joao Garcia
Energy consumption 29,370 MWh renewable energy 21,070 MWh of electricity	**Health & Safety metric** 11.73% work days lost to injuries or accidents 19 recordable injuries
2023 GRESB results 97 / 100	**GHG Emissions (tCO_2e)** Scope 1: 5,308 Scope 2: 0 Scope 3: 69,192

Constellation

Sector
Logistics

Location
Luxembourg

Website
www.constellationcold.com

Number of Employees
775

Investment Date
30 September 2019

Gender diversity
85% male, 15% female

Percentage ownership as at reporting date
75.20%

Arcus asset manager
Jordan Cott

Energy consumption
40,390 MWh of electricity

23,100 MWh of renewable energy

3,289 kL of diesel

278 kL of biodiesel

34 kL of petrol

5,943 MWh renewable energy generated

Health & Safety metric
0.4% work days lost to injuries or accidents

55 recordable injuries

GHG Emissions (tCO_2e)
Scope 1: 8,684

Scope 2: 8,757

Scope 3: 31,643

2023 GRESB results
93
100

Coolworld

Sector
Logistics

Location
Netherlands

Website
www.coolworld-rentals.com

Number of Employees
198

Investment Date
30 August 2023

Gender diversity
79% male, 21% female

Percentage ownership as at reporting date
99.30%

Arcus Asset Manager
Jordan Cott

Energy consumption
4,330 MWh of electricity

Health & safety metric
56 total workdays lost due to injuries or accidents

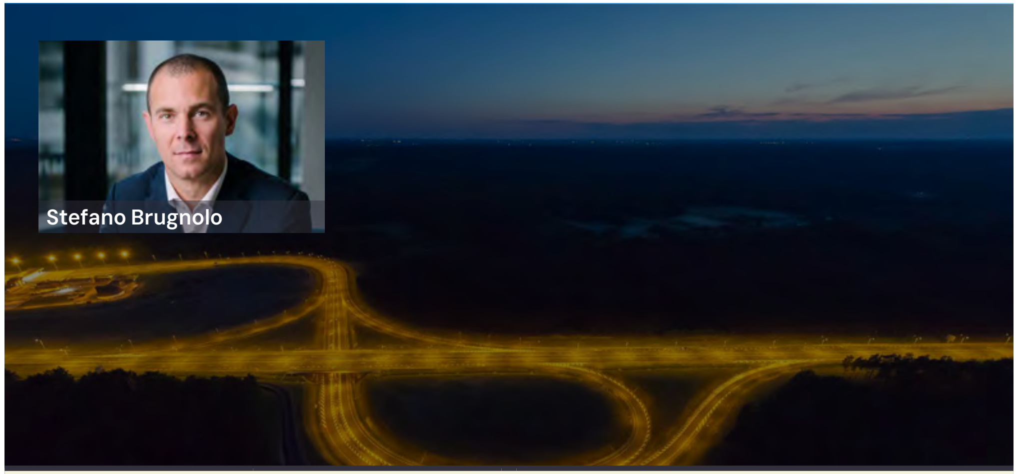
25 recordable injuries

2023 GRESB results
N/A

GHG Emissions (tCO_2e)
Scope 1: 7,536

Scope 2: 211

Scope 3: 33,732



GTC

Sector Transport	**Location** Poland
Website www.a1.com.pl/en	**Number of employees** 9
Investment date 22 December 2016	**Gender diversity** 33% male, 67% female
Percentage ownership as at reporting date 75.60%	**Arcus asset manager** Stefano Brugnolo
Energy consumption 9,570 MWh of energy	**Health & Safety metric** 0 recordable injuries
2023 GRESB results 96 / 100	**GHG emissions (tCO_2e)** Scope 1: 1,251 Scope 2: 2,661 Scope 3: 14,210

HB

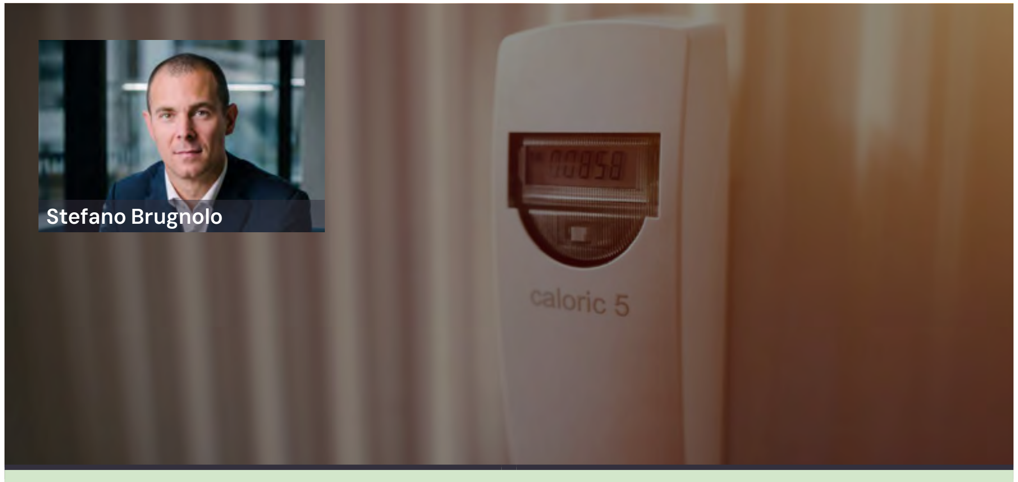
Sector Logistics	**Location** Netherlands
Website ww.hb-rts.com/en	**Number of Employees** 126
Investment Date 08 December 2021	**Gender diversity** 84% male, 16% female
Percentage ownership as at reporting date 99.00%	**Arcus Asset Manager** Lisero Perez Lebbink
Energy consumption 7,840 MWh of electricity 7,180 MWh of renewable energy 699,000 m^3 of gas 85,400 m^3 of water	**Health & safety metric** 0.15% workdays lost to injuries or accidents 6 recordable injuries
	GHG Emissions (tCO_2e) Scope 1: 1,692 Scope 2: 1,306 Scope 3: 4,697
2023 GRESB results 73 / 100	

Horizon

Sector Energy	**Location** United Kingdom
Website www.horizonei.co.uk	**Number of Employees** 32
Investment Date 13 November 2019	**Gender diversity** 76% male, 24% female
Percentage ownership as at reporting date 100.00%	**Arcus Asset Manager** Mark Cresswell
Energy consumption 18.9 MWh of electricity 10 MWh of renewable energy	**Health & safety metric** 0 Recordable injuries
2023 GRESB results 92 / 100	**GHG Emissions (tCO_2e)** Scope 1: 0 Scope 2: 4 Scope 3: 3,666

Momentum

Sector Energy	**Location** Denmark
Website www.momentum-gruppen.com	**Number of Employees** 125
Investment Date 21 December 2021	**Gender diversity** 71% male, 29% female
Percentage ownership as at reporting date 64.00%	**Arcus Asset Manager** Jake Woolfstein
Energy consumption 1,990 MWh of electricity 97 MWh of heat 45,859 litres of diesel 95 litres of petrol 406,100 MWh of renewable energy generated	**Health & safety metric** 1.6% workdays lost to injuries or accidents 4 Recordable injuries
2023 GRESB results 95 / 100	**GHG Emissions (tCO_2e)** Scope 1: 117 Scope 2: 170 Scope 3: 4,944



Officium

OFFICIUM

Sector Energy	**Location** Germany
Website www.officium.gmbh	**Number of Employees** 240
Investment Date 19 January 2023	**Gender diversity** 85% male, 15% female
Percentage ownership as at reporting date 98.00%	**Arcus Asset Manager** Stefano Brugnolo
Energy consumption 290 MWh of electricity 10 MWh of renewable energy	**Health & safety metric** 3 RIDDOR's
2023 GRESB results N/A	**GHG Emissions (tCO_2e)** Scope 1: 45 Scope 2: 45 Scope 3: 27

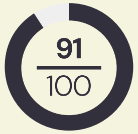
Opus B

OPUS Bilprovning

Sector Transport	**Location** Sweden
Website www.opusbilprovning.se	**Number of Employees** 506
Investment Date 29 March 2022	**Gender diversity** 88% male, 12% female
Percentage ownership as at reporting date 100.00%	**Arcus Asset Manager** Michael Allen
Energy consumption 1,650 MWh of electricity 18,440 MWh of renewable energy	**Health & safety metric** 0.3% workdays lost due to injuries or accidents 39 Recordable injuries
2023 GRESB results	**GHG Emissions (tCO_2e)** Scope 1: 145 Scope 2: 864 Scope 3: 3,067

Peacock

Sector Transport	**Location** Netherlands
Website www.peacockcontainer.com	**Number of Employees** 18
Investment Date 19 February 2021	**Gender diversity** 67% male, 33% female
Percentage ownership as at reporting date 90.00%	**Arcus Asset Manager** Jenni Chan
Energy consumption 71 MWh of electricity/heating	**Health & safety metric** 0 recordable injuries
2023 GRESB results	**GHG Emissions (tCO_2e)** Scope 1: 31 Scope 2: 16 Scope 3: 40,152



Portus

Sector Digital	**Location** Luxembourg
Website www.portusdatacenters.com/	**Number of Employees** 31
Investment Date 11 January 2023	**Gender diversity** 85% male, 15% female
Percentage ownership as at reporting date 100.00%	**Arcus Asset Manager** John Shea
Energy consumption 760 MWh of electricity 19,320 MWh of renewable energy	**Health & safety metric** 0 recordable injuries
2023 GRESB results N/A	**GHG Emissions (tCO_2e)** Scope 1: 166 Scope 2: 4,536 Scope 3: 7,537

SMA

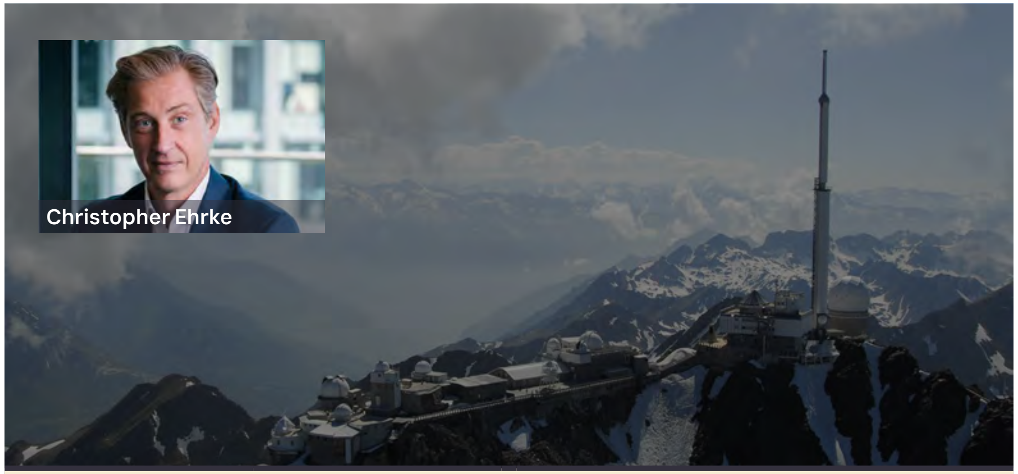
Smart Meter Assets

Sector Energy	**Location** United Kingdom
Website www.smartmeterassets.co.uk	**Number of Employees** 8
Investment Date 12 May 2021	**Gender diversity** 50% male, 50% female
Percentage ownership as at reporting date 100.00%	**Arcus Asset Manager** Christian Scott-Mackenzie
Energy consumption 0 MWh of energy	**Health & safety metric** 0 recordable injuries
2023 GRESB results 91/100	**GHG Emissions (tCO_2e)** Scope 1: 0 Scope 2: 0 Scope 3: 3,912

Swiss4net

swiss4net open fibre access

Sector Digital	**Location** Switzerland
Website www.swiss4net.ch	**Number of Employees** 10
Investment Date 27 April 2018	**Gender diversity** 50% male, 50% female
Percentage ownership as at reporting date 81.00%	**Arcus Asset Manager** Martin Puder
Energy consumption 226 MWh of renewable energy	**Health & safety metric** 0 recordable injuries
2023 GRESB results 91/100	**GHG Emissions (tCO_2e)** Scope 1: 1 Scope 2: 5 Scope 3: 12,287



TDF

Sector Digital	**Location** France
Website www.tdf.fr	**Number of Employees** 1,550
Investment Date 31 March 2015	**Gender diversity** 77% male, 23% female
Percentage ownership as at reporting date 45.00%	**Arcus Asset Manager** Christopher Ehrke
Energy consumption 546,000 MWh of total energy 38,000 GWh of renewable energy	**Health & safety metric** 27 recordable injuries
2023 GRESB results	**GHG Emissions (tCO_2e)** Scope 1: 5,495 Scope 32,408 Scope 3: 137,617

Workdry

Sector Logistics	**Location** United Kingdom
Website www.workdry.com	**Number of Employees** 704
Investment Date 21 September 2022	**Gender diversity** 84% male, 16% female
Percentage ownership as at reporting date 58.80%	**Arcus Asset Manager** Jordan Cott
Energy consumption 20,820 MWh of electricity 890 MWh of renewable energy	**Health & safety metric** 0.12% workdays lost due to injuries or accidents 3 RIDDOR recordable injuries
2023 GRESB results	**GHG Emissions (tCO_2e)** Scope 1: 3,772 Scope 2: 264 Scope 3: 194,691

Arcus ESG Timeline

July 2009
Arcus established

Shareholder Leadership | Management Excellence | Strategy & Operations | Finance & Reporting

October 2009
Creation of Arcus Asset Management framework with ESG considerations

March 2010
Signatory to the UK Stewardship Code

July 2014
First Arcus ESG policy and principle-based approach to managing ESG

December 2016
Appointment of Arcus Head of ESG and ESG Committee

March 2017
Signatory to UN PRI

March 2017
Member of GRESB, and mandatory investee company participation in GRESB

July 2017
Arcus commences supporting the Starlight Children's Foundation Annual Summer Party

December 2017
Integration of UN SDGs in ESG management

January 2019
Arcus begins carbon offsetting all business travel

October 2018
Member of GRESB Europe Infrastructure Benchmark Committee

October 2019
Arcus wins BVCA Responsible Investment Award for firms with more than £1bn under management

November 2019
Adoption of further UN SDGs

February 2020
Signatory of UN Global Compact

December 2020
Arcus implements TCFD reporting across all portfolio companies

March 2021
Update of ESG policy for integration of Sustainable Finance Disclosure Regulation ("SFDR")

August 2021
Arcus initiates a social mobility programme in association with the Sutton Trust

November 2021
Arcus wins the SWEN ESG Best Practice Honours Award

December 2022
Member of iCI

February 2023
Arcus commits to be net zero by 2050

August 2023
Arcus delivers its first social mobility summer internship programme

February 2024
Arcus awarded 1st place once again in the 2023 ESG Transparency Index for Private Equity and Venture Capital Firms

Glossary

Term	Definition
AEIF2	Arcus European Infrastructure Fund 2 SCSp
AEIF3	Arcus European Infrastructure Fund 3 SCSp
AEIM	Arcus European Investment Manager LLP
AEIMNL	Arcus European Investment Manager Netherlands B.V.
AET	Arcus European Trains SCSp
Alpha or Alpha Trains	The group of companies comprising Alpha Trains (Luxembourg) S.à r.l. and its subsidiaries and affiliates
Arcus	Arcus Infrastructure Partners LLP and, as the context requires, its associates
Asset Manager	Arcus individual delegated responsibility for managing the Arcus investment in an investee company on behalf of Arcus
Asset Review Meeting	Quarterly meetings in which Asset Managers share detailed investee company updates with the Investment Committee and other Asset Managers with objective of best practice sharing. Each quarter has a rotating topic for discussion
BREEAM	Stands for Building Research Establishment Environmental Assessment Method, BREEAM assessment evaluates the procurement, design, construction and operation of a development against a range of targets based on performance benchmarks
Brisa	The group of companies comprising Brisa Auto-Estradas de Portugal S.A. and its subsidiaries and affiliates
BVCA	British Venture Capital Association
Carbon Footprint Ltd.	Carbon Footprint Ltd. Is a company which provides organisations with solutions to track and reduce carbon emissions through carbon offsetting projects
Constellation	The group of companies comprising Constellation Cold Logistics S.à r.l. and its subsidiaries and affiliates

Term	Definition
Coolworld	Coolworld provides integrated rental solutions through a wide range of temperature control equipment, including industrial chillers, modular cold rooms and integrated industrial climate control units
EPC	Energy performance certificates
ERM	Environmental Resource Management
ESG	Environmental, Social and Governance
ESG Committee	Internal Arcus committee with oversight over ESG matters
FCA	Financial Conduct Authority
FTTH (fibre-to-the-home)	Also called "fibre to the premises" (FTTP), is the installation and use of optical fibre from a central point directly to individual buildings such as houses, apartment buildings and businesses to provide high-speed Internet access
GHG	Greenhouse Gas
GIIA	Global Infrastructure Investor Association
GRESB	Global Real Asset Sustainability Benchmark, assesses and benchmarks the ESG performance of real assets, providing standardised and validated data to the capital markets. GRESB scores referenced throughout the report are taken from official benchmark reports issued by GRESB
GTC	Gdańsk Transport Company S.A.
HB	HB is a leading provider of critical logistics solutions to the Dutch food and retail industry
Horizon	The group of companies comprising Horizon Energy Infrastructure Limited and its subsidiaries and affiliates
HR	Human Resources

Term	Definition
iCI	Initiative Climat International (iCI) is a global community of private markets investors who seek to display leadership in improving the industry's understanding and management of the risks and opportunities associated with climate change
Investment Committee	Internal Arcus committee responsible for management and oversight of all investment activity undertaken by Arcus
ISPs	Internet Service Providers
Managed Account	Investment in a single investee company that is actively managed by Arcus on behalf of an investor which authorises Arcus to make investment decisions pertinent to the relevant investor, considering their needs and goals, risk tolerance, and asset size
Management Committee or "Manco"	Internal Arcus committee responsible for management and oversight of Arcus as an organisation
Momentum	Momentum is an integrated clean energy investment and services platform
Officium	Officium Holding GmbH, a provider of the long-term rental of submetering equipment and related services
Opus B	Opus Bilprovning, a market-leading vehicle inspection business in Sweden
PAIs	Principal Adverse Impacts as defined in the context of the EU Sustainable Finance Disclosure Regulation
Peacock	The group of companies comprising Peacock Group Holdings B.V. and its subsidiaries and affiliates
Portus data centers	Colocation data centre capacity and related services in highly secure, resilient, and well-connected facilities in Hamburg, Munich, and Luxembourg
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013, often known by the acronym RIDDOR, is a 2013 statutory instrument of the Parliament of the United Kingdom

Term	Definition
SFDR	Sustainable Finance Disclosure Regulation
SMA	The group of companies comprising Smart Meter Assets 1 Ltd. and its subsidiaries and affiliates
SMCR	Senior Managers and Certification Regime
SDGs	UN Sustainable Development Goals, a collection of 17 global goals designed to be a blueprint to achieve a better and more sustainable future for all
Swiss4net	The group of companies comprising Swiss4net Holding AG and its subsidiaries and affiliates
TCFD	Task Force on Climate-Related Financial Disclosure; climate-related financial risk disclosures guidance on providing information to investors, lenders, insurers, and other stakeholders
TDF	The group of companies comprising TDF S.A.S. and its subsidiaries and affiliates
UK Stewardship Code	Part of UK company law concerning principles that institutional investors are expected to follow, it is directed at asset managers who hold voting rights on shares in United Kingdom companies
UN Global Compact or ("UNGC")	UN voluntary initiative based on CEO commitments to implement universal sustainability principles and to undertake partnerships in support of UN goals
UNPRI	UN Principles of Responsible Investing; voluntary and aspirational set of investment principles that offer a number of possible actions for incorporating ESG issues into investment practice. UNPRI scores referenced throughout the report are taken from official reports published by UNPRI
Workdry	Workdry International Limited provides critical water pump and wastewater treatment asset leasing to UK water utilities, engineering firms and other industrial customers through the Selwood and Siltbuster trading brands

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