

ESG Policy

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Glossary

AEIF2	Arcus European Infrastructure Fund 2 SCSp
AEIF3	Arcus European Infrastructure Fund 3 SCSp
AEIF4	Arcus European Infrastructure Fund 4 SCSp
AEIM	Arcus European Investment Manager LLP
AEIMNL	Arcus European Investment Manager Netherlands B.V.
AET	Arcus European Trains SCSp
AFM	The Dutch Authority for the Financial Market (De Autoriteit Financiële Markten)
AIFMD	The Alternative Investment Fund Managers Directive
AIP	Arcus Infrastructure Partners LLP
Arcus	AIP and its directly and indirectly controlled subsidiary undertakings
CSIV	Constellation Strategic Investment Vehicle SCSp
Contractor	An agency worker or an independent contractor required to provide services on Arcus premises under the instruction or supervision of an Employee or Member
CSRD	The Corporate Sustainability Reporting Directive (CSRD) is a directive that modernises and strengthens the rules concerning the social and environmental information that companies have to report in the EU.
DEI	Diversity, Equity & Inclusion
DNB	The Dutch Central Bank (De Nederlandsche Bank)
Employee	An individual with a contract of employment with Arcus
ESG	Environment, Social, Governance
ESG Committee	The ESG Committee of Arcus having the role, membership and terms of reference set out in section 2 of this policy.
ESG Factor	An Environmental, Social or Governance event or condition which, if it occurs, could have an actual or a potential material impact on the value of an Investment either positive (considered an ESG opportunity) or negative (considered an ESG risk).
ESOS	Energy Savings Opportunity Scheme (ESOS) is a mandatory energy assessment scheme for organisations in the UK.
ESRS	The European Sustainability Reporting Standards (ESRS) is the standard adopted under the CSRD directive.
Ethics Committee	The ethics committee of Arcus as constituted from time to time pursuant to the Members' Agreement
FCA	Financial Conduct Authority
Funds	Any funds managed or advised by Arcus from time to time, including but not limited to AEIF2, AEIF3, AEIF4, AET and/or CSIV (as relevant)
GHG	Greenhouse Gas emissions
GP	The General Partner of the relevant Fund.
GRESB	The Global ESG Benchmark for Real Assets. GRESB assesses and benchmarks the ESG performance of real assets, providing standardised and validated data



Human Capital Development	Human Capital is the economic value of a workforce's experience and skills. Human Capital Development includes assets like education, training, engagement, satisfaction, health, and other things employers value such as loyalty and punctuality.
HR	The individual(s) with responsibilities for human resources matters within Arcus
Investment	Any investment made by any Fund or Managed Account from time to time
Investment Committee	The investment committee of Arcus as constituted from time to time pursuant to the Members' Agreement
Investor	The investors in the Funds and Managed Accounts
Managed Accounts	Any Arcus managed or advised investment vehicles (other than the Funds) established from time to time to hold an Investment
Management Committee	The management committee of Arcus as constituted from time to time pursuant to the Members' Agreement
Manager	The Arcus entity (or, in the case of the Funds, third party host manager) appointed from time to time as manager of the Funds and/or the Managed Accounts
Managing Partner	Any individual(s) elected to the role of managing partner or co-managing partner from time to time in accordance with the Members' Agreement
Member	A member of AIP
Members' Agreement	The amended and restated agreement entered into by the Members on 7 July 2015 (as further amended and restated from time to time)



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1. Introduction

1.1. Background

Arcus is a leading European mid-market infrastructure fund manager, adding value through active management of assets, with a strong focus on ESG. Arcus believes that the provision of high-quality infrastructure is critical to Europe's future economic growth, environmental protection, societal development, and reduction of inequalities.

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

Arcus identifies and assesses risks by having a robust enterprise risk management framework and makes deliberate decisions that are in the best interests of its Investors while at the same time having a positive and sustainable impact, meeting expectations of our stakeholders, employees, society and regulators. ESG factors are included within our enterprise risk management framework.

In response to increasing investor demand for the deployment of capital into sustainable investment strategies, regulators are implementing ESG related legislation and reporting requirements. Arcus is committed to comply with all applicable ESG legislation to its Funds and Managed Accounts. Section 3.0 "Responsible Investment" of this policy details how Arcus integrates sustainability into its investment decision-making process in accordance with SFDR, including consideration of principal adverse impacts of investment decisions. Section 5.7 "Objectives and Remuneration" of this policy includes information on how Arcus' remuneration policy is consistent with the integration of sustainability into individuals' objective setting, performance review and remuneration.

1.2. Purpose

The purpose of this policy is to set out basic principles and minimum standards to guide Members, Employees and Contractors at Arcus in the conduct of their day-to-day activities. It is not intended to be a comprehensive guide to all ESG obligations, issues and opportunities. Rather it is to assist in the understanding, promotion, and enhancement of our culture of acting as a responsible corporate citizen whose stewardship includes implementing a responsible investing approach through a framework of ESG considerations.

1.3. Relation to the broader policy framework

This policy is an interconnected part of the overall policy framework that Arcus has implemented to govern its business conduct and should be considered by Members, Employees and Contractors alongside the following policies and manuals that form daily guidance for Arcus' practices:

- Arcus Corporate Governance Policy;
- Arcus HR Policy;
- Investment Lifecycle Manual;
- Valuation Policy
- Treasury Policy
- IT and Security Policy

- Data Protection Policy
- Remuneration Policy
- Code of Conduct
- Compliance Policy
- AML Policy
- Privacy Policy
- Enterprise Risk Management Policy
- Third Party Risk Policy
- Business Continuity Policy
- Incident Management Policy

These documents form a critical element in ensuring that Members, Employees and Contractors are fully aware of Arcus' expectations of them. This policy is disclosed publicly on Arcus' corporate website in order to provide transparency to Investors and other stakeholders of Arcus' commitments towards ESG and responsible investment.

This policy has been approved and adopted by the Management Committee. The policy will be reviewed at least annually, considering legislation, benchmarking, reporting and organisational changes and developments in ESG best practice. Where material changes are noted, the policy will be referred to the Management Committee for approval. This policy and the procedures described herein apply to:

- Arcus;
- Members;
- Employees and Contractors.

1.4. Principles and Commitments

As part of the commitment Arcus makes to responsible investment, relevant policies and procedures are aligned with the following international principles and standards set out below.



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



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



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



Arcus aligns its disclosures with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and continues its commitment under the framework now integrated into the ISSB's global sustainability standards



G R E S B

Arcus is a member of the GRESB infrastructure benchmark and annually requires all assets and funds to participate in the benchmark.



Arcus is a signatory of the initiative Climat International to action on climate change.

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



Arcus' investment strategy is primarily led by commercial assessment of the infrastructure characteristics of a potential opportunity. However, Arcus believes that ESG factors are highly relevant to infrastructure assets and that a commitment to good ESG practices is in the best interests of its Investors and other stakeholders. As a result, Arcus views its Funds (where defined as



Alternative Investment Funds under AIFMD) as being classified within Article 8, promoting environmental or social characteristics under the SFDR.

1.5. Material ESG Factors

Through the commitments set out in this policy Arcus has put in place appropriate governance and reporting structures with respect to ESG factors, with the goal of improving ESG performance and minimising adverse impacts in these areas. At the time of this policy's approval, the ESG factors that are seen to be material to Arcus and the infrastructure industry in general are set out in the overview below.

ENVIRONMENTAL FACTORS	SOCIAL FACTORS	GOVERNANCE FACTORS
Climate change adaption	Human capital development	Business integrity
Climate change mitigation and Net Zero targets	Diversity, Equity & Inclusion (DEI)	Risk management
Biodiversity	Health and safety	Bribery and corruption
Air, land and water pollution	Human rights	Whistleblowing
Energy consumption	Stakeholder engagement	Corporate governance
Greenhouse gas emissions	Community engagement	Information security
Responsible use of resources	Objectives and remuneration	Conflicts of interest
	Responsible tax management	



2. ESG Governance and Structure

2.1. Role and Responsibility

The Management Committee has appointed a Head of ESG, an ESG Committee, and allocated resources for a dedicated ESG team to assist in managing matters specifically relating to ESG. This includes assessing and managing investment ESG factors, reporting, training, maintaining policies and driving Arcus' commitment to ESG.

2.2. Head of ESG

As appointed by Management Committee, currently Neil Krawitz.

2.3. Membership of the ESG Committee

Arcus' ESG Committee as constituted from time to time currently comprises: Kaj Bakker (Senior ESG Director); Jenni Chan (Partner); Ian Harding (Managing Partner); Neil Krawitz (Partner, Head of Asset Management and ESG); Ronak Patel (Partner, Head of Capital Formation & Investor Relations); Shirene Madani (Investment Director).

2.4. ESG Committee Information

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

- Written/verbal updates of any previous agenda items or issues;
- Written reports from asset managers regarding their asset on a quarterly basis;
- Written/verbal reports on any ad-hoc incidents;
- Written training objectives and planning for Arcus Members and Employees; and
- Assistance to the Origination Management Team (OMT) due diligence on ESG Factors.

2.5. ESG Committee Terms of Reference

ESG Members	The ESG Committee shall be formed of a minimum of four members as appointed by the Management Committee from time to time.
Attendees	Members and Employees who are not on the ESG Committee may attend as and when required dependent on agenda items. Representatives of relevant business and support functions as requested by the ESG Committee.
Frequency of meetings	The ESG Committee shall meet on a quarterly basis or more regularly as required.
Quorum	Four
Voting	Simple majority
Minutes	Minutes of meetings will be recorded.
Regular Reports	Assistance with preparation of the asset managers' quarterly and annual reports which are used in respective reports for Investors which are

	<p>reviewed and approved by the Investment Committee, AEIMNL board, GP board as relevant.</p> <p>Updates on Arcus/assets' management programme.</p>
Terms of Reference	<p>Requirements:</p> <ul style="list-style-type: none"> • Maintain required policies and procedures; • To ensure an ESG continuous improvement programme is implemented and carried out at Arcus and asset levels; • To assist origination teams integrate sustainability factors into their due diligence processes and present the sustainability risks and opportunities related to those investment opportunities to the Investment Committee, AEIMNL board, GP board as relevant; • Ensure data quality in information collected, aggregated and reported using systems and related processes which are sufficient to allow Arcus to identify, quantify and monitor ESG factors; • Ensure Arcus complies with the UNPRI Principles and UN Global Compact Principles; • Ensure Arcus and the relevant assets complete GRESB and UNPRI reporting on an annual basis; • Consideration and implementation of TCFD; • Consideration and implementation of financial services regulatory requirements including those of the AFM, DNB and FCA (including the UK Stewardship Code); • Consideration and implementation, as required, of ESG regulation mandatory disclosure including but not limited to the EU Taxonomy, SFDR, CSRD, ESRS, SDR and ESOS; • Ensure relevant training is provided to Members and Employees; • Review quarterly reports to Investors, the Management Committee and Investment Committee, AEIMNL board, GP board as relevant; • Prepare and manage Investor driven ESG requirements including preparation of the annual Arcus sustainability report; • Contributing to ESG related thought leadership content to be used for magazine/news articles, social media, round table events, conferences etc.; • Review ad-hoc ESG matters on an incident driven basis; and • Review ESG due diligence materials/raise questions for any future investment and/or fund.
Review	<p>The Management Committee should, at least once a year, review the ESG Committee's performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to implement any changes it considers necessary.</p>

2.6. Dedicated ESG Team

The ESG Committee is supported by a dedicated Arcus ESG team to ensure the commitments to responsible investment and stewardship in this policy are implemented. The Arcus in-house ESG team consists of three dedicated ESG professionals, Kaj Bakker (Senior ESG Director), Tanja Vocke



(ESG Executive), and Fabio Schweinoster Manfroni (ESG Executive) who report to Neil Krawitz as Head of ESG. Under the guidance of the Head of ESG, they are responsible for supporting the ESG Committee, the investment professionals and the broader team at Arcus to implement this policy.



3. Responsible Investment

Responsible investment is a key component of Arcus' investment strategy. It reflects the fiduciary duty Arcus has towards its Investors and other stakeholders. With detailed policies, procedures, and programmes to assist the analysis, monitoring and development of relevant ESG considerations, including sustainability risks, throughout its investment process.

The focus on building sustainable infrastructure of the future stems from Arcus' desire to act in the best interests of its Investors and other stakeholders. Arcus fosters a culture of continuous improvement and looks forward to progressing its ESG journey. In addition to the dedicated ESG team, the Management Committee has appointed four key stewardship roles; the Head of Risk and Compliance, Chief Financial Officer, General Counsel and Head of ESG and Asset Management, to ensure sufficient resources to prioritise Arcus' stewardship activity. The material ESG factors that Arcus aims to advance through its proactive stewardship activities are listed in section 1.4 "Material ESG Factors" of this policy.

3.1. Adverse Impacts

The SFDR requires in-scope entities to make a "comply or explain" decision when considering the Principal Adverse Impact (PAI) of its investment decisions on sustainability factors, in accordance with a specific regime outlined in SFDR.

The team of experienced investment professionals at Arcus follows a materiality-based approach to risks and opportunities and applies those considerations for both the mandatory PAI and, where relevant, to the investment opportunity, voluntary adverse impacts in designing due diligence and asset management processes. During the investment lifecycle, Arcus uses an established, internally developed framework to ensure a consistent and rigorous approach to asset management. A dedicated ESG team resource will ensure ongoing monitoring of the PAIs of the investments under management. Currently Arcus reports on the actions taken to avoid and reduce adverse sustainability impacts in its annual sustainability report disclosed publicly on the Arcus website. Arcus reports annually to Investors on mandatory PAIs¹, and relevant voluntary PAIs² (comprising of both environmental and social PAIs)³ for each Fund entity that is required to do so under level 2 reporting obligations of SFDR.

3.2. Exclusions

As a responsible asset manager, Arcus takes a pro-active approach in considering ESG factors in its investment decision making process. The investment professionals at Arcus aim to make well-balanced decisions within the Arcus and Fund risk appetite and otherwise mitigate or treat risks and explore opportunities in the best interest of Investors.

The Arcus investment strategy focuses exclusively on private market infrastructure investments in Europe, where Arcus has an established presence, deep experience, and extensive relationship networks. Within this geography, Arcus is focused on four sectors where the team has in-depth expertise: Digital, Transport, Logistics & Industrials and Energy infrastructure. Arcus believes that the provision of high-quality infrastructure is critical to Europe's future economic growth,

¹ As defined in table 1 of annex 1 of the Regulatory Technical Standards (RTS) of the SFDR

² As defined in table 2 of annex 1 of the Regulatory Technical Standards (RTS) of the SFDR

³ As defined in table 3 of annex 1 of the Regulatory Technical Standards (RTS) of the SFDR



environmental protection, societal development and reduction of inequalities. As part of our fiduciary duty, Arcus applies a targeted screening of transactions and will not invest in:

- Companies that derive their revenue from the production, trade and/or servicing of military/police equipment, ammunition, weapons, cluster munitions, landmines and/or any other similar weapons, or the development or operation of correctional facilities;
- Companies that derive their revenue from the production or sales of, or involvement in adult entertainment, alcohol, opioids, animal experimentation, gambling, or tobacco;
- Companies whose primary business constitutes the generation of power by uranium or thorium;
- Companies whose primary business activity is coal mining (thermal coal), coal extraction, energy production from coal and/or the financing of thermal (coal-fired) power stations;
- Companies whose primary business activity is exploration, mining and/or refining of fossil fuels in liquid and/or gas form (i.e. crude oil, natural gas);
- Companies whose primary business activity is electricity generation from the use of fossil fuels unless Arcus reasonably determines, at the time of the investment, that there is a strategy to transition the primary source for such electricity generation away from fossil fuels, or where Arcus is satisfied that such investee company's activities materially support or enable energy transition to a lower carbon emission network, or where heat is a material byproduct of the electricity generation and which is used for heating purposes;
- Companies whose primary business activity is building, operating or owning pipelines that facilitate transport or export of fossil fuels unless: (A) Arcus reasonably determines, at the time of the investment, that there is a strategy to enable transition of the pipelines away from primarily transporting or exporting fossil fuels; or (B) such pipeline(s) primarily involve the transportation of natural gas (such as distribution networks) and Arcus is satisfied that such investee company represents an interim low(er) carbon emission bridge prior to practical zero carbon alternatives becoming available;
- Companies that have a history of poor health and safety or environmental management;
- Companies that have a history of corrupt practices;
- Companies that have poor governance and ethics practices inter alia, child labour, modern slavery or human rights abuses; or
- Companies that do not demonstrate the ability or willingness to manage current and potential ESG risks effectively, unless Arcus believes that by virtue of its involvement, it will be able to significantly improve the situation and rapidly cause the investee company to conform to the principles laid out in this policy document.

The exclusions process is governed by the Investment Committee, AEIMNL board and GP board of the relevant investment vehicle.

3.3. ESG Screening

When reviewing potential investments, Arcus is primarily led by commercial assessment of the infrastructure characteristics of a potential opportunity. However, Arcus will consider relevant ESG factors, including sustainability risks, associated with those opportunities from an early stage. In recent years between 6–10% of potential investment opportunities have been discarded specifically on ESG grounds. As such, Arcus believes that its Funds' investments are consistent with the relevant Funds being categorised under Article 8 of the EU's SFDR regulation.

For reasons of good governance, Arcus will pay particular attention to companies that operate, or have plans to operate in, difficult operating environments, e.g. countries where governance is known



to be weak, corruption prevalent, and with poor regulation and enforcement of environmental and social factors.

Arcus undertakes due diligence as part of its pre-investment process. As part of this process, all potentially significant ESG factors, including sustainability risks and opportunities, should be thoroughly identified and analysed by the OMT deal team, and the companies' management of those factors should be evaluated. At the beginning of the due diligence process, the deal team will discuss the identified ESG factors, including sustainability risks and opportunities, with a designated member of the ESG Committee to ensure application of a consistent, best practice approach. Adverse impacts are systematically addressed during the due diligence processes and included in the Final Investment Approval Request (FIAR) using a PAI checklist composed of a selection of Environmental, Governance and Social mandatory and voluntary PAIs indicators. Where necessary, specialists should be used, for example, to assess whether sites are contaminated or to complete an environmental impact assessment. Companies' exposure to, and management of, ESG factors, including sustainability risks, should be considered when making the final investment recommendation/decision.

While sustainability risks are considered when making an investment decision, these alone would not prevent Arcus from making an investment. Instead, sustainability risks form part of the overall risk management processes, and are some of the many risks which may, depending on the specific investment opportunity, be relevant to a determination of risk.

3.4. Asset Management

Arcus' primary objective is to deliver returns to its Investors in line with its investment policies. Arcus believes in investing with a long-term view which creates sustainable value for Investors and portfolio company employees, customers and other stakeholders. With this objective in mind, it seeks to monitor and improve the management and performance of its investee companies, including ESG factors.

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

A part of this process is ensuring that companies manage all relevant ESG risks effectively and seek to maximise value from ESG opportunities. ESG factors should be addressed on an ongoing basis post-investment through setting an ESG policy at asset level, monitoring compliance with such policy and supporting the governance, management and reporting systems that are put in place.

ESG is monitored at asset level as part of Arcus' risk management framework. Quarterly risk reviews are prepared by asset managers and collated by the Head of Risk and Compliance. The risk reviews for Funds and Managed Accounts assets are reported to the Investment Committee, AEIMNL board and GP board as relevant on a quarterly basis and any urgent issues are reported on an ad-hoc basis to all appropriate committees and Investors.

Additionally, in the first quarter of each year, the agenda for the quarterly asset review meetings for each asset is ESG, including the following factors:

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



- Assessment of climate related risks and opportunities faced by each asset (further detailed in section 4.1 *"Climate Change Adaption"* and 4.2 *"Climate Change Mitigation / Net Zero Target"*);
- Status update on achieving SDGs identified by Arcus as relevant to the asset; and
- The areas each asset team considers are targets for the ESG continuous improvement programme, including targets for improvement during the following year.

The ESG focused asset review meeting is an important internal assessment tool to implement Arcus' stewardship objectives.

Should any ad-hoc incidents arise throughout the year, asset managers should follow the reporting process as detailed in section 7.4 *"Ad-hoc Reporting"* of this policy.



4. Environmental Factors

Arcus' approach and policy on the environmental factors considered material to Arcus and its Funds and Managed Account assets as set out in section 1.4 *"Material ESG Factors"* is summarised below.

4.1. Climate Change Adaptation

Arcus requires Funds and Managed Account assets to monitor and review climate change risks and opportunities annually. As mentioned in section 3.4 *"Asset Management"*, asset teams are expected to review all physical climate change risks and opportunities regularly and present these during the asset review meeting 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 the annual Arcus sustainability report, accessible on the Arcus website.

4.2. Climate Change Mitigation and Net Zero Target

4.2.1. Climate Change Mitigation

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 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. 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 SDG9: Industry, Innovation and Infrastructure and SDG 13: Climate Action, as set out in section 1.3 *"Principles and Commitments"*, that have reporting and reduction of GHG emissions embedded in them.

4.2.2. Net Zero Target

As a responsible investment manager Arcus is committed to a net zero target by 2050 in line with a 1.5 degrees temperature increase limit scenario. Arcus commits as a signatory to recognised industry net zero initiative, Initiative Climat International (iCI), and adopts a science-based net zero framework to guide the implementation of its net zero targets.

Arcus will work towards translating its net zero target to its fund and investee companies by setting science-aligned targets and establishing a decarbonisation roadmap. As part of our commitment, Arcus will initially implement decarbonisation efforts with a select group of portfolio companies to pilot the approach, with the aim of expanding these efforts portfolio-wide. Arcus is committed to



work towards achieving comprehensive coverage across all its funds, guiding all portfolio companies onto a well-defined decarbonisation pathway with detailed targets that align to a well below two degrees scenario prior to exit.

This decarbonisation commitment includes the establishment of long-term science-based CO₂ reduction targets in line with regulatory and industry standards. For Scope 3 emissions that result from both upstream and downstream activities, Arcus will continue to support its investee companies and influence broader industry practices to reduce the overall emission levels.

4.3. 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 nature-related issues (dependencies, impacts, risks and opportunities) are regarded as material, Arcus is committed to best practice and actively monitors and reports on the nature-related issues. At a minimum, Arcus and its controlled entities and undertakings 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. The assessment includes Natura 2000 sites, as well as Key Biodiversity Areas shown in the KBAs tool, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/213912. Furthermore, Arcus will report annually on the exposure its investments have to biodiversity sensitive areas.

4.4. Air, Land, and Water Pollution

The degree of materiality of potential air, land and water pollution differs for each investee company. As stated in section 3.2 *"Exclusions"*, 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 to air, soil and water throughout the investment lifecycle.

4.5. Energy Consumption

Power generation remains the largest contributor of European carbon emissions and has been the focus for European policymakers. Therefore, energy consumption and GHG emissions are intricately linked material factors. As set out in section 3.2 *"Exclusions"*, Arcus will not invest in companies where the exploration, or use of fossil fuels for electricity generation is the primary source of revenue unless there is a clear strategy to transition the product type away from fossil fuels.

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.



4.6. Greenhouse Gas Emissions

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 CO₂ 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.

On a corporate level, Arcus annually reports and offsets all material GHG emissions of corporate activity and enables Members and Employees to participate in regional tree planting events, ensuring all corporate operations are effectively carbon neutral.

4.7. Responsible use of resources

Arcus recognises that a low carbon economy requires moving away from the linear consumable model of 'take-make-use-dispose' and transitioning to a regenerative model to keep resource consumption within limits. Arcus encourages investee companies to make economical use of virgin natural resources and seek ways to recycle material waste that results from operational activity. To ensure awareness and transparency Arcus reports on material scope 3 emissions that result from upstream and downstream activities of all assets under management.

Arcus is supportive of the principles for a circular economy that can be found in SDG 9: Industry, Innovation and Infrastructure and SDG 12: Responsible Consumption and Production. The contribution Arcus has to these SDGs is in part founded in our investment strategy which is focused on the infrastructure of the future including "circular infrastructure" investments in the transport, energy, social, digital water and waste sectors.



5. Social Factors

Arcus' approach and policy on the social factors considered material to Arcus and its Funds and Managed Account assets as set out in section 1.5 "*Material ESG Factors*" is summarised below.

5.1. Human Capital Development

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. An annual budget is allocated for Arcus team members to engage in technical and personal development training.

The ESG Committee organises annual training for all Members and Employees. The training will be reviewed on an annual basis and cover factors like: UNPRI Principles; UN Global Compact Principles; Anti-Bribery and Corruption; Cybersecurity and data protection; Anti-Money Laundering; GRESB; TCFD; carbon foot-printing; diversity and inclusion; and any other relevant case specific examples and ESG related developments from Arcus and/or the wider investment industry.

Arcus team members are given the opportunity to participate in Infrastructure industry and ESG conferences, round table discussions and working groups such as PEI infrastructure conferences (including the Women in Infrastructure conference), PRI in Person, GRESB Working Groups and Global Infrastructure Investor Association (GIIA), among others. These events target sector-wide themes, emerging trends and risks and improvement opportunities, offering participants a platform to learn, co-operate, share best practices and network.

As part of the annual review process, Arcus conducts an employee engagement survey which incorporates ESG related questions. The survey is a source of employee feedback, and the results are used as an input for continuous improvement of employee engagement, retention, and training.

These processes are embedded in Arcus' Human Resources Policy, that also includes the policies on anti-bullying and harassment in the office environment, the staff grievance mechanism and policy on family leave.

5.2. Diversity, Equity & Inclusion (DEI)

Arcus recognises the importance of having a diverse, inclusive workforce with Members, Employees, Contractors and investee company personnel coming from diverse backgrounds. 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. Furthermore, several Arcus Employees are also members of Level 20, an industry-wide not-for-profit organisation dedicated to improving gender diversity in the European private equity sector. Inclusion and equal opportunity are firmly embedded Arcus' HR processes, which are documented in the Arcus Human Resources Policy. The manual reinforces Arcus' commitment to providing equity and fairness to internal and external stakeholders and to not provide less favourable facilities or treatment on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, ethnic origin, colour, nationality, national origin, religion or belief, sex and sexual orientation, social or educational backgrounds. The Head of HR is responsible for the implementation of these processes.



5.3. Health and Safety

Arcus is committed to ensuring the health and safety of its Members, Employees and Contractors and investee company employees and to providing a safe environment for all those attending the working premises. In particular, Arcus is committed to maintaining safe and healthy working conditions through control of health and safety risks arising from work activities.

Arcus has a dedicated Health and Safety Policy as part of its Human Resources Policy which outlines Arcus' organisation and arrangements for providing a safe and healthy working environment. This will help to ensure that Arcus meets its statutory and civil obligations to provide a safe and healthy working environment for its Members, Employees and for persons visiting and working within buildings under Arcus' control.

Arcus ensures all investee companies establish, operate, and regularly review their own health and safety policies, relevant to the sector they operate in, governing their operations.

5.4. 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.

More information on Arcus' approach to human rights can be found in the Modern Slavery Act Statement publicly disclosed on the corporate website.

5.5. Stakeholder Engagement

Arcus recognises that its operations 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 believes that incorporating ESG factors into its policies and procedures helps to create responsible investee companies, generating sustainable value for all stakeholders and thus delivering better long-term returns for its Investors.

Furthermore, Arcus engages with the wider infrastructure investment industry as a member of various collective bodies including the British Private Equity and Venture Capital Association (BVCA), the Global Infrastructure Investor Association (GIIA), andGRESB. As a signatory to the UNPRI and the UNGC, Arcus uses these bodies to influence relevant stakeholders and underlying infrastructure companies.



5.6. Community Engagement

Arcus seeks to make a positive contribution to the communities or charitable organisations in the countries in which it operates 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.

5.7. Objectives and Remuneration

Arcus has separately implemented a remuneration policy (the “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. As a result, and as described above, Members and Employees at Arcus have annual objectives which include ESG components as appropriate to their roles and are required to comply with Arcus’ ESG policy. Consequently, a portion of their (variable) remuneration is linked to specific ESG objectives, which are set annually. Furthermore, members of the ESG team have specific annual ESG objectives and targets against which their performance will be measured. Under the Remuneration Policy, Arcus carries out an assessment of an individual’s performance when assessing and determining remuneration, with financial consequences for non-performance. This assessment is based on both quantitative criteria (for example, financial performance of the business area for which the individual is responsible, or within which he or she works) and qualitative criteria (for example, performance that contributes to pursuit of asset management and ESG initiatives).

The oversight of performance reviews and assessment of remuneration is carried out by the Management Committee or AEIMNL board as relevant. The qualitative criteria used include whether the individual has met their specific personal objectives linked to the integration and management of sustainability risks and opportunities within investment origination and asset management. Individual performance is reviewed on achievement or otherwise of their objectives with financial (which may be in the form of variable remuneration) and non-financial consequences dependent on the success or otherwise in the individual’s achievement of their objectives.

5.8. Responsible Tax Management

Arcus considers paying the appropriate amount of tax as an important factor in its approach to social responsibility. To ensure transparency, Arcus is committed to high standards of governance and complies with all statutory tax disclosures and legal filing requirements both internally and at investee company level relating to the jurisdictions in which it operates.

Arcus has a dedicated in-house tax function, led by the Arcus Head of Tax. Arcus’ tax positions and the tax positions of Arcus’ investee companies are audited annually by external statutory auditors and form part of the annual financial statements. Arcus and its investee companies aim to maintain a co-operative and open working relationship with tax authorities and seek to make fair, accurate, and timely disclosures in correspondence and tax returns, responding to any queries in a timely manner.



6. Governance Factors

Arcus' approach and policy on the governance factors considered material to Arcus and its Funds and Managed Account assets as set out in section 1.5 "*Material ESG Factors*" is summarised below.

6.1. Business Integrity

As an independent, owner-operated business, the Arcus culture reflects the Members' belief of the importance of conducting its business with integrity and consistently acting in the best interests of its Investors and other stakeholders. This ESG policy is an interconnected part of the overall policy framework that Arcus has implemented to govern its business conduct as outlined in section 1.2 "*Purpose*". Above and beyond applicable legislation, Arcus has aligned its governance policies and procedures with the international principles and standards set out in section 1.4 "*Principles and Commitments*" of this policy. Arcus has appointed an Ethics Committee responsible for the oversight of conduct of all Members and Employees, and the protection of the reputation and integrity of the business.

6.2. Risk Management

Every Member and Employee has a responsibility in managing risk at Arcus, at fund and/or investment level. At Arcus, the risk management function has full escalation and whistleblowing capacity, while being hierarchically and functionally independent from portfolio management activities.

Arcus has a proprietary Enterprise Risk Management (ERM) framework detailing its commitment to managing risks and describing how risk management activities are embedded in its business practices, systems, processes and behaviours. The objective of the Arcus ERM framework is to create and protect the value to Arcus' Investors, employees, investments, and other stakeholders. It improves performance, encourages innovation, and supports the achievement of Arcus' objectives, while complying with law and regulations.

The ERM framework is adapted to Arcus' highly scrutinised regulatory environment and is founded on strategy, risk appetite, risk governance, risk management process and risk culture. The risk appetite is determined on an annual basis and the Investment Committee, AEIMNL board, GP Board, and the Management Committee as relevant discuss compliance with the defined risk appetite by reviewing the risk profile on a quarterly basis as relevant to their respective roles. Through this ERM framework, Arcus can identify, measure, manage and monitor on an ongoing basis all key risks. To identify and control risks, Arcus uses a risk universe, in accordance with prevailing market standards, consisting of financial risks (market, credit, liquidity and counterparty risks) and non-financial risks (strategic, ESG, operational and compliance risks).

6.3. Bribery and Corruption

Arcus takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates, implementing and enforcing effective systems to counter bribery. Arcus will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which it operates. Anti-Bribery and Corruption policy and processes are documented in the Arcus Compliance Manual.



6.4. Whistleblowing

Arcus recognises the importance of having an effective whistleblowing mechanism to reassure Members, Employees, Contractors, and key stakeholders such as Investors and the appropriate authorities that Arcus views, and acts on, unacceptable conduct seriously. The whistleblowing mechanism is documented in the Arcus Compliance Policy and training is provided to Arcus' Members, Employees and Contractors to raise awareness.

6.5. Corporate Governance

The Arcus governance framework is documented in its Corporate Governance Policy, including detailed procedures regarding document execution and delegated authorities.

As part of the Arcus commitment to responsible investment, it actively focuses on ensuring, establishing and maintaining robust corporate governance for its investee companies, to generate sustainable value and deliver better long-term returns for Investors.

6.6. Information Security

Arcus has an IT and Security Policy, and a Data Protection Policy that applies to its Members, Employees and Contractors. Information security is the practice of protecting personal and confidential data processed by Arcus and its investee companies from unauthorised and/or inappropriate access. Arcus complies with the six core principles of the EU's and UK's General Data Protection Regulation (GDPR) and is committed to ensuring that any processing of personal data by or on behalf of Arcus is carried out in compliance with Data Protection Laws. As part of its Data Protection Management System (DPMS) Arcus ensures that each person subject to this policy is provided with appropriate training on IT and cyber-security, data protection laws, and Arcus' data protection policies and procedures, to provide an adequate level of awareness of such matters.

6.7. Conflicts of interest

A conflict of interest could impair the integrity and fairness of actions or decisions taken by Arcus Members, Employees and Contractors. Conflicts of interest can lead to legal, regulatory, integrity and reputational risks and could even result in criminal prosecution, civil claims by customers or other involved parties, and administrative/criminal sanctions being imposed by regulators. It is therefore essential for Arcus to be able to identify conflicts of interest and manage the risks deriving therefrom in a timely and effective manner.

Arcus has a duty to act in its Investors' best interests and is required to put the interests of its Investors ahead of its own and to ensure that all Investors are treated fairly. The Arcus Compliance Manual has documented processes on identifying, managing, monitoring and disclosing conflicts of interest that Members, Employees and Contractors should follow.



7. Transparency, Disclosure, and Reporting

Arcus is committed to providing transparency to its Investors and other stakeholders through disclosure of progress made towards its long-term ESG targets. Through participation in widely recognised benchmarks and commitments to international reporting standards, Arcus enables its key stakeholders to put its performance into perspective against its peer group. Arcus' annual reporting commitments include mandatory PAI reporting under Article 4 of SFDR.

7.1. Disclosure Commitments

Arcus is committed to making mandatory and voluntary ESG-related disclosures as set out in the overview below. The commitment and regular updates on Arcus' performance are disclosed publicly.

Disclosure	Commitment since	Reporting Format	Communicated
UK Stewardship Code	2010	UK Stewardship Code report	Publicly disclosed on the Arcus corporate website.
ESG Policy	2014	Arcus wide policy	Publicly disclosed on the Arcus corporate website.
GRESB	2016	Annual sustainability report; Quarterly Investor reporting; Fund and Asset GRESB Benchmark reports.	Publicly disclosed on the Arcus corporate website; Disclosed to respective Investors; Disclosed to respective investors (upon request).
UNPRI	2017	UNPRI Signatory report	Publicly disclosed through the PRI public database.
UN Global Compact	2019	Communication On Progress (COP)	Publicly disclosed through the UN Global Compact website.
TCFD	2020	Annual sustainability report	Publicly disclosed on the Arcus corporate website.
SDGs	2017	Annual sustainability report	Publicly disclosed on the Arcus corporate website.
SFDR	2022	Periodic Disclosure Template, Article 8 products, as part of annual investor reporting Annual PAI reporting	Disclosed to respective investors; Disclosed to respective investors.

7.2. Annual sustainability Report

Arcus annually publishes a public sustainability report illustrating ESG performance and the journey of continuous ESG improvement at Arcus and across its portfolio. In the sustainability report, material ESG factors are disclosed, including factors key stakeholders indicate are material. The ESG Committee governance includes an ongoing materiality assessment to ensure the reporting scope remains relevant.



More information can be found in the latest annual sustainability report⁴ that is publicly disclosed on the corporate website.

7.3. Investor Reporting

Arcus reports formally to all Investors on a quarterly basis. The quarterly reports include significant ESG events, updates on material ESG risks and opportunities and any relevant ESG developments and KPIs.

Furthermore, Arcus provides Fund Investors an annual financial report (incorporating PAI reporting), and they are invited to attend an AGM of the relevant Fund and to join regular update calls on the performance of the Fund's assets, all of which contain ESG updates. The AGM provides Investors further opportunity to engage and discuss ESG factors. The ESG Committee reviews each annual/quarterly report in advance before it is approved by the Investment Committee, AEIMNL board, GP board as relevant.

7.4. Annual Stewardship Reporting

As a signatory to the twelve principles of the UK Stewardship Code, Arcus annually discloses a Stewardship report, to publicly communicate on the stewardship efforts and results of the previous reporting period. Based on this reporting, the FRC assess if Arcus meets the expected standards to remain a signatory to the UK Stewardship Code. The report can be found on the Arcus corporate website⁵.

7.5. Ad-hoc Reporting

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

⁴ The Arcus Sustainability Report is publicly available on the Arcus corporate website and through the following link: [Arcus-Sustainability-Report-2023.pdf](#)

⁵ The most recent Arcus UK Stewardship Code Report is publicly available on the Arcus corporate website and through the following link: [UK Stewardship Code Signatories](#)



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