SFDR
Sustainability-Related Disclosures

Vantage Infrastructure Group

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Contents

1. INTRODUCTION

1.1 What is the SFDR and why is it important to our business?

The EU's Sustainable Finance Disclosure Regulation ("SFDR") came into force in December 2019, with key disclosure requirements applicable from 10th March 2021. The SFDR is a key initiative under the EU's Action Plan for financing sustainable growth that was launched in 2018. The SFDR imposes new disclosure requirements in relation to sustainability, to enable investors to make more informed investment choices based on environmental, social and governance factors ("ESG factors"). ESG factors are summarised below:

- **Environmental (E)** refers to impact on areas such as climate, fauna, natural resources, pollution and waste
- **Social (S)** refers to impact on areas such as welfare, education, public well-being, living standards and data security
- **Governance (G)** refers to areas such as corporate governance, i.e. board composition and the overall culture of a company.

Vantage Infrastructure ("the Firm", "Vantage", "the Group", "We") have set out below our sustainability related disclosures under the SFDR. Our disclosures provide information on how we integrate sustainability risk into our investment process, and also consider the adverse impact that investments may have on certain sustainability factors. Sustainability factors are defined as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Our sustainability mission is to turn the ESG SHOULD into a MUST and the firm's ESG strategy seeks to do this via a common framework applied across debt and equity businesses and at both manager and investee company levels. Vantage recognises that sustainability and ESG considerations are inextricably linked to the long-term performance (risk and/or return), value and reputation of infrastructure investments. As a result, Vantage considers the integration of ESG considerations in the firm's investment, asset management and divestment decision-making, processes and practices to be of paramount importance to deliver outcomes in the best interest of investors and other stakeholders.

1.2 Relevant legislation

In addition to the SFDR Level 1[1] text referred to above, the European Commission has also published draft Level 2 Regulatory Technical Standards[2] ("RTS"), which aim to provide greater clarity on the disclosures required under the Level 1 text and contain details on the content and methodology of the disclosures. However, it has been confirmed that the SFDR Level 2 RTS will be delayed from the original date of 10th March 2021. As at 1st January 2021, the implementation date for the Level 2 RTS is yet to be confirmed, however indications are that the final RTS will be implemented in January 2022. We have therefore prepared the following disclosure based on the SFDR Level 1 text and, where appropriate and relevant, have drawn on certain aspects of the draft SFDR Level 2 RTS as guidance.

[1] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019
[2] The European Supervisory Authorities joint consultation paper of 23 April 2020 on their proposed regulatory technical standards.

2. BACKGROUND

2.1 Application of SFDR to our business

We have applied the SFDR to our business in our capacity as a Firm that is an Alternative Investment Fund Manager ("AIFM").

Although the SFDR is an EU Regulation, there are a number of ways in which it can be relevant for UK firms. Vantage is making disclosures under the relevant elements of the SFDR for the following reason(s):

- We believe the requirements align with our investment philosophy, culture and ethos and are important to our clients. Therefore, we commit to applying the SFDR requirements as best practice.
- We provide investment management services to one or more EU regulated entities under a delegation agreement. We are required by our delegation agreement to comply with the applicable SFDR requirements to help ensure the SFDR compliance of the EU entity that delegates investment management services to us.
- We may market funds in the EU in our capacity as a third country manager. Such funds may be registered for marketing under the national private placement regime ("NPPR") in one or more EU Member States and as such the SFDR would apply in respect of those funds. Vantage has chosen to apply the relevant SFDR requirements in respect of all our funds because we believe these align with our Firm's stance on ESG and sustainability.

2.2 Our products

The SFDR sets out requirements in relation to the financial products offered by firms such as Vantage. The financial products we are responsible for include alternative investment funds ("AIF"s) managed by us in our capacity as an AIFM or as investment manager.

Vantage is an infrastructure-specialist asset manager, covering both debt and equity investments and serving global, institutional clients through mandates, funds or co-investments vehicles.

On the equity side, Vantage targets sustainable investments in the European mid-market with strong cash flow generation and long-term growth potential, driving value creation through active asset management. Typical equity infrastructure investments are companies or projects providing essential services, benefitting from high barriers to entry and presenting full or joint control.

Vantage's debt business invests in projects and companies located in OECD countries across Europe, North America and Australia. These assets must demonstrate robust infrastructure characteristics and sustainable cash flows.

3. DISCLOSURE

3.1 Sustainability-related disclosures

In alignment with SFDR, Vantage makes the following disclosures.

The Firm recognises the importance of environmental, social and governance (“ESG”) issues and is a:

- Signatory of the UN-supported Principles for Responsible Investment (“PRI”)
- An active member of GRESB IBC (Infrastructure Benchmark Committee) (GRESB was formerly known as the Global Real Estate Sustainability Benchmark), as well as a member of the GRESB Debt Committee and
- A supporter of the Task Force on Climate-related Financial Disclosures (TCFD).

3.2 Policy on integration of sustainability risks into our investment decision-making process

Under Article 3(1) of the SFDR, we set out below a summary of our policy on the integration of sustainability risks into our investment decision-making process.

ESG integration is the process of incorporating ESG issues into investment analysis and investment decision making.

Our ESG integration strategy aims to ensure that the Firm is aware of the key risks and opportunities of potential investments by incorporating additional layers of scrutiny and due diligence in our investment analysis and decision making processes.

Our ESG integration approach relies on three main principles, it:

- Covers both of Vantage debt and equity activities
- Spans the whole investment cycle, with a focus on asset management
- Is embraced at Vantage and investment levels.

In practice, we use a step-by-step approach to integrate ESG into our daily activities where applicable:

- **ESG screening** of an investment opportunity against non-negotiable values and exclusions
- **ESG Due Diligence** of this investment by carrying a comprehensive ESG assessment to identify ESG risks and opportunities and any impact on value and pricing
- **Onboarding and ESG transition Plan** to address the key actions identified during due diligence, including ESG, and to set strategic objectives and create alignment with the management team
- **Ongoing review and engagement** within the Equity team, encompasses a tailored ESG plan to build an ESG capability at investment level by setting targets, leading initiatives and supporting management on key value drivers, monitoring and reporting on its ESG performance. Our engagement activities are akin to active ownership, whereby we exercise governance rights to influence board and shareholder decision-making, and to achieve outcomes at each business.

The Debt team actively exercises its rights and responsibilities by ensuring that all requests and voting matters received are assessed and responded to in a timely manner and regularly engages with borrowers to encourage improved ESG outcomes and reporting

- **Disclosure and transparency** are of utmost importance as a manager and we are encouraging companies to benchmark ESG performance and improve disclosure of material ESG issues and actions to stakeholders. We also continuously refine our communication to our investors and deliver best-in-class reporting.

Below we further describe some of the ways that ESG and sustainability features in Vantage's investment processes:

Pre-investment identification of ESG and sustainability risks

ESG and sustainability risks are considered at all stages of Vantage's investment processes, in respect of each individual investment opportunity.

The Vantage investment teams are required to complete an ESG assessment, which includes sustainability risk considerations, as part of the investment committee paper submitted to the respective Investment Committees for consideration prior to investment in an asset.

The tools used to undertake these ESG assessments are proprietary in nature and differ across the Debt and Equity teams. However, in both cases they will be used to assess ESG and sustainability risks and to identify where additional investigation or due diligence into sustainability risks is required. This seeks to ensure sustainability risks are identified and mitigated during the investment process.

Each proposed investment must be thoroughly evaluated and Vantage will not proceed with an investment if it identifies ESG or sustainability risks which it considers are incapable of satisfactory mitigation.

Monitoring of sustainability risks

Vantage closely monitors the ESG and sustainability risk attributes of each investment through regular monitoring, engagement and, for our equity assets, quarterly and annual reporting. Vantage seeks to actively add value and mitigate sustainability risks through the implementation of sustainability measures including, for its equity assets, placing strong emphasis on these topics at board level.

Vantage utilises monitoring systems to further strengthen and standardise its due diligence process and monitoring of assets.

As a result of this regular reporting and engagement, Vantage aims to help drive improvements in sustainability metrics and performance within portfolio companies with a view to improving the sustainability credentials of the business and creating value.

3.3 Principle adverse impacts of investment decisions on sustainability factors

As required under Articles 4(1)(a), 4(2), 4(5)(a) of the SFDR, we set out below a statement on our due diligence policy regarding the principle adverse impacts of our investment decisions on sustainability factors.

Sustainability factors are defined as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Identification and prioritisation of adverse impacts

Relevant adverse impacts

Under Article 4(2)b, Vantage considers that investments with linkages to the following sectors typically introduce principal adverse sustainability impacts. We consider that these sectors contain companies that introduce negative environmental, social or governance issues and would include:

- The use, stockpile, manufacture or trade of controversial and nuclear weapons
- UN Global Compact violators.

In addition, we would not finance or invest into companies whose main business is the generation of power by coal.

As a minimum standard, Vantage does not ordinarily invest in companies that it believes do not conform to the ESG Values set out in its ESG Policy. In addition, Vantage also typically excludes companies that do not demonstrate the ability or willingness to manage ESG risks, unless Vantage believes it can drive improvement through active asset management.

Vantage may also have specific products that go further than these minimum standards and which therefore concentrate our investment decisions on companies that promote positive environmental, social or governance practices. Examples include companies focused on:

- Low carbon transition readiness
- Sustainable energy
- Any company presenting ESG potential (i.e. an ability or willingness to manage ESG risks and improve its ESG credentials).

Policies on identification and prioritisation of principal adverse impacts

As part of our active ESG management in our investing processes, Vantage screens prospective investment opportunities for multiple ESG-related factors, including the adverse impacts identified above. The ESG Due Diligence helps the Vantage teams refine further their assessment of the ESG profile of an investment opportunity. Once an investment has been successfully made, investee companies are monitored on an ongoing basis for adverse sustainability impacts. Vantage has developed proprietary risk assessment frameworks to consistently identify, evaluate and manage risks and opportunities across the entire life cycle on both the equity and debt sides. ESG factors are assessed from a materiality and risk to value perspective. The table below outlines a non-exhaustive list of ESG factors Vantage typically considers as part of its screening, due diligence and asset management activities:

ENVIRONMENTAL FACTORS	SOCIAL FACTORS	GOVERNANCE FACTORS
• Resilience to disaster	• Health & safety and well being	• Ownership & control
• Resilience to climate change	• Employment engagement & working conditions	• Board effectiveness
• Energy usage	• Diversity and inclusion	• Management performance
• Water usage	• Customer satisfaction	• Management alignment
• Waste generation	• Community engagement	• Transparency & disclosure quality
• Resource management	• Stakeholder engagement	• Cybersecurity & data protection
• Biodiversity & habitat protection		

At investment level, Vantage Equity team exercises governance rights to influence board and shareholder decision-making, and to achieve outcomes at each business, including ensuring that each company acts consistently with its ESG and Sustainable Investment Policy. In addition, each investee company Board maintains oversight of ESG monitoring via regular reporting of material ESG aspects and mitigation actions.

At Vantage level, the Equity and Debt Investment Committees regularly review ESG matters on new and existing investments, as well as ESG reporting and assessments being shared with our investors.

Actions taken to address principal adverse sustainability impacts

Vantage uses active ownership and engagement to reduce any negative sustainable impact that its investment may generate. This is made possible by ensuring that each investee company Board reviews ESG matters regularly as the management team is implementing its ESG plan, taking actions to mitigate any ESG risks and reporting on progress made. As mentioned earlier, management alignment to the agreed ESG objectives plays a critical role in each investee company's success in improving its ESG credentials.

Engagement policies

A key part of our approach to ESG, Vantage actively engages with investee companies to influence their behaviour to improve the long-term sustainability of their business model and ensure transparency.

On a yearly basis, Vantage takes part in the UN PRI assessment to externally benchmark its ESG practices, processes, stewardship and engagement. In addition, Vantage Equity's team assesses and measures this impact via the ESG profile of each investment company and tracks progress through yearly participation in GRESB assessments.

Our investment strategy of infrastructure debt and equity provides the following opportunities for engagement with investee companies:

- Shareholdings with significant governance rights
- Direct access to management of investee companies
- Representation on Boards of investee companies
- Proactive engagement via shareholder meetings
- Regular reporting
- Transparent and open communication

- Company meetings
- Approval and voting rights in respect of issuer requests and amendments

Adherence to responsible business codes and internationally recognised standards

The Firm is a signatory of the United Nations Principles for Responsible Investing (UN PRI), a member of the GRESB IBC (Infrastructure Benchmark Committee) on the Equity side and a member of the GRESB Infrastructure Debt Working Group. In addition, in February 2020 Vantage became a supporter of Task Force on Climate-Related Financial Disclosures (TCFD) and is currently implementing TCFD recommendations within its equity portfolio. In 2019, the Equity team initiated TCFD by carrying out an indicative climate-related risk assessment for its equity portfolio, which enabled to identify the most exposed assets and run TCFD pilots based on materiality.

Vantage is committed to good ESG practices within its portfolio companies, which includes climate-related considerations. Consequently, we design tailored plans to reduce the environmental footprint (including greenhouse gasses emissions) of our equity companies and support them in achieving their objectives.

Notwithstanding that Vantage integrates the consideration of Sustainability Risks into the investment decision-making process, Vantage does not currently quantify and report upon the principal adverse impacts of its investment decisions on Sustainability Factors. Vantage has opted against doing so, primarily as the regulatory technical standards supplementing SFDR which will set out the content, methodology and information required in the principal adverse sustainability impact ("**PASI**") statement remain in draft form and have been delayed. Vantage intends to quantify and report upon the principal adverse impacts of investment decisions on Sustainability Factors once the regulatory technical standards come into effect, which is expected to occur on 1 January 2022.

3.4 Product level disclosures

Assessment of the likely impacts of sustainability risks on the returns of our financial products

Under Article 6(1)b we assess the likely impacts of sustainability risks on the returns of the financial products and or funds we make available. A sustainability risk is defined as an environmental, social or governance event or condition which, if it occurs, could cause a material negative impact on the value of an investment.

In the context of sustainability risks, Vantage has defined a non-exhaustive list of ESG factors that are usually considered during screening, due diligence and asset management activities, which are as per the below:

ENVIRONMENTAL FACTORS	SOCIAL FACTORS	GOVERNANCE FACTORS
• Resilience to disaster	• Health & safety and well being	• Ownership & control
• Resilience to climate change	• Employment engagement & working conditions	• Board effectiveness
• Energy usage	• Diversity and inclusion	• Management performance
• Water usage	• Customer satisfaction	• Management alignment
• Waste generation	• Community engagement	• Transparency & disclosure quality
• Resource management	• Stakeholder engagement	• Cybersecurity & data protection
• Biodiversity & habitat protection		

Vantage has developed proprietary risk assessment frameworks to consistently identify, evaluate and manage risks and opportunities across the entire equity life cycle. ESG factors are assessed from a materiality and risk to value perspective. Investee companies track those factors, actions to mitigate them and the evolution of identified risks' materiality. Vantage's ESG risk management tools and approach enable the firm to closely monitor and aim to mitigate the negative effects of sustainability risks on the rate of returns for the ultimate investors. Vantage's assessment also highlights areas where ESG opportunities or ESG outcomes can be enhanced and for Equity, may therefore improve the returns of the financial products available, ultimately having a positive effect on the returns.

3.5 Remuneration

Under Article 5, Vantage has incorporated criteria on the integration of sustainability risks into its Remuneration Policy. This involves assessing Vantage employees' adherence to sustainability criteria when assessing any increases in remuneration and any variable remuneration to be awarded.

3.6 Review and approval of sustainability-related disclosure

This sustainability-related disclosure was last reviewed and approved by its Senior Managers on 10 March 2021.