



# INVESTING IN OUR SUSTAINABLE FUTURE



**VANTAGE**  
INFRASTRUCTURE

**SUSTAINABILITY REPORT**  
**2020**





## WHY DO WE EMBRACE SUSTAINABILITY AT VANTAGE INFRASTRUCTURE?

1

Sustainable investing enables us to achieve our clients' strategic objectives

2

We believe systematic and effective risk management can contribute to both resilience and long-term value creation for all stakeholders

3

Given the essential role infrastructure plays in the community, robust ESG processes are crucial to fulfil its social contract



# VANTAGE INFRASTRUCTURE AT A GLANCE

Vantage Infrastructure is an independent infrastructure specialist committed to delivering responsible investment solutions as a long-term partner to our clients.

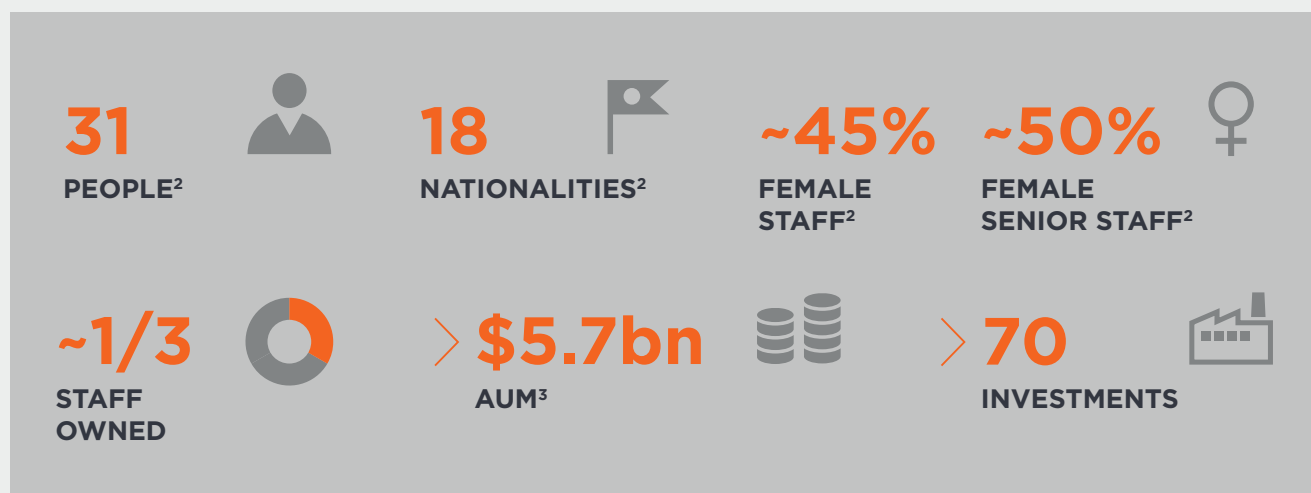
We believe in responsible investing and embed ESG considerations in our investment processes as a driver of value and risk.

Vantage Infrastructure manages over 70 debt and equity investments on behalf of 10 mandates and funds in the energy, environment, transportation, data infrastructure and social infrastructure sectors across Europe, North America and Australia.

## WHO WE ARE

INDEPENDENT	SPECIALIST	SUSTAINABLE	LONG-TERM
			
<p>Backed by experienced long-term asset management specialist</p> <p>Partner-led with material staff ownership</p> <p>Private infrastructure debt and equity investments only</p>	<p>25+ year legacy of infrastructure investing</p> <p>15+ years of core/core+ investment experience</p> <p>Comprehensive client servicing tailored to investors' needs</p>	<p>ESG embedded throughout investment lifecycle</p> <p>Focus on sustainable value/risk management</p> <p>Best-in-class ESG practices and investor engagement</p>	<p>Long-term partnerships with investors</p> <p>Long-term track record in infrastructure investing</p> <p>Long-term holding period of infrastructure assets</p>

## KEY CORPORATE HIGHLIGHTS<sup>1</sup>



Notes: (1) All figures as at 31 December 2020; (2) Full-time employees and contractors; (3) AUM includes undrawn commitments and has been converted at a rate of £1= US\$1.37.



# HIGHEST PRI AND GRESB SCORES AWARDED IN 2020



## TOP SCORES OF A+ AWARDED BY UN PRI

As part of its 2020 PRI assessment, Vantage Infrastructure achieved the top score of A+ for both its approach to ESG Strategy and Governance and its ESG Integration across Infrastructure Equity and ESG Integration across Fixed Income.

These results confirm Vantage Infrastructure's ESG approaches and processes to be above the median scored by its peers in all categories and are a testament of its commitment to deliver innovative ESG solutions to its investors.

### 2020 PRI RESULTS



**ESG Strategy  
& Governance** →



**ESG Integration  
Infrastructure Equity** ↑



**ESG Integration  
Fixed Income** ↑

KEY: → ↑ Change from 2019 results

## TOP OF PEER GROUP IN GRESB ASSESSMENT

Sector Leader



**Vantage**

Globally Diversified

Sector Leader



**South East Water**

Water & Sewerage

Sector Leader



**Crook Hill & Reaps Moss**

Renewable Power

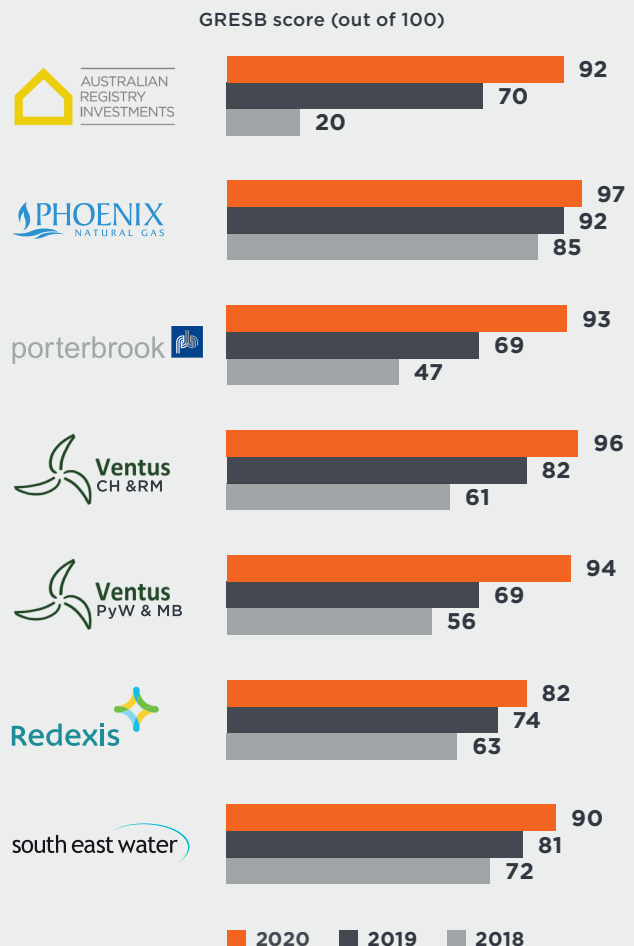


G R E S B<sup>®</sup>  
INFRASTRUCTURE

In this year's GRESB Infrastructure assessment, Vantage Infrastructure was named Sector Leader in the 'Globally Diversified' category, rewarding its ESG practices and the ESG scores of its investee companies. This achievement reflects the dedication and efforts that the Vantage Infrastructure team has committed over the past year to continuously elevate the firm's ESG framework and practices.

All investee companies managed by Vantage Infrastructure continued to improve their GRESB results, with six of them reaching a score of 90 out of 100 or above. In addition, all companies maintained their 5-Star rating. Those excellent results are a testament to the continued and joint commitment of both Vantage Infrastructure and the investee companies' management teams to develop their ESG practices further.

As part of those excellent results, two investee companies were also been named Sector Leaders: South East Water in the 'Water & Sewerage' category and Crook Hill & Reaps Moss in 'Renewable Power'.





## MESSAGE FROM OUR ESG LEADER



The year 2020 will be remembered as the start of the coronavirus pandemic. These unprecedented times have added health and economic fragility to the challenges already faced by our society: persistent environmental threats posed by climate change, widening inequality, political instability and social unrest. In The Global Risks Report 2021<sup>1</sup>, *infectious diseases* rose to become the most impactful risk, followed by *climate action failure*. In fact, climate-related risks continued to make up most of its risk lists by both impact and likelihood.

This backdrop has propelled further general recognition that ESG matters need to be carefully understood, monitored and managed from an investment viewpoint. Furthermore, **a real shift is happening in favour of products, services and policies that make a contribution towards a sustainable future.**

At Vantage Infrastructure, during 2020, we remained focused on our ESG mission (see page 8) and continued to implement our ESG strategy, in partnership with our investee companies. Two years on from its development in-house, **our ESG strategic framework** (see page 9) **was externally reviewed and considered to be aligned with good practices and contributing to the development of a strong competitive position within our market segment.**

We are proud of the continued improvement that our ESG plans and stewardship have driven. The **UN PRI scored A+** both our approach to ESG strategy and governance and our ESG integration. In the annual GRESB Infrastructure assessment, **we were also named Sector Leader in the 'Globally Diversified' category. All of our equity investee companies were awarded the maximum 5-Star rating** and ranked first or second among their peers, with two of them named also Sector Leaders. Most remarkably, the companies achieved 17 points<sup>2</sup> of average yearly improvement in GRESB scores since Vantage Infrastructure became independent in 2018 (see page 2).

Consistent with our 'Deliberate' corporate value, our 2020 programme of work in sustainability remained focused on **maximising impact and value for investors through targeted projects and tailored plans.**

Within our equity business, we have progressed the implementation of TCFD<sup>3</sup> recommendations and conducted a deep dive into diversity & inclusion. We have also pro-actively developed our own EU Taxonomy methodology in-house, which was tested through third party assistance, in order to stay ahead of this key regulatory development.

Our debt business continued the calibration of its ESG tools, working towards further integration of ESG and credit assessment processes in line with the UN PRI's Credit Risk and Ratings Initiative, as well as engaging with borrowers and co-lenders to enhance ESG reporting.

Against the backdrop of the coronavirus pandemic, it would be remiss of me not to acknowledge the hard work and contribution made by our equity investee companies in the fight against the pandemic (see page 13), with a relentless focus on staff safety, service continuity and community support. Similarly, our debt business conducted a sustained engagement programme over the year to ensure that our 65+ global debt investee companies were also taking appropriate actions to protect their stakeholders and service. As a responsible manager, we ensured that our stewardship activities during the pandemic reflected best corporate practices in line with the UN PRI's guidelines.

**Valeria Rosati**, Senior Partner

Note: (1) Published by the Global Economic Forum; (2) GRESB scores are out of 100 points; (3) TCFD stands for Task Force on Climate-related Financial Disclosures.



# VANTAGE INFRASTRUCTURE'S ESG JOURNEY

## MATCHING ESG AMBITIONS WITH RESULTS

The Vantage Infrastructure team has long focused on ESG integration. Following the ownership change in 2018, ESG was deliberately elevated to one of Vantage Infrastructure's priorities. Since then, we have enhanced our ESG strategy, innovated our client reporting, promoted ESG across our portfolio and through thought leadership and embedded a sustainability culture throughout the business. Fuelled by our ambition, this programme of actions has resulted in substantial progress and industry award recognition.

While our journey continues, we are well positioned to march successfully with our clients on the path of further ESG developments and improvements.

## ACHIEVEMENTS TO DATE



Vantage becomes a partly employee controlled company, formed from the international business of Hastings Funds Management



First ESG thought leadership article published

Vantage's new ESG strategy formalised

Apr 2018

Oct 2018

2017/2018

Feb 2018

Designed proprietary debt ESG assessment methodology

PRI signatory and GRESB member



G R E S B

Appointed to GRESB EMEA Industry benchmark committee

Dec 2018

Feb 2019

New ESG policy approved by Vantage Board

ESG scores for all investee companies shared in debt client reporting

Mar 2019

ESG KPIs introduced for all investment staff at Vantage



VANTAGE POINT

ESG thought leadership series, Vantage Point, launched

Jul 2019

Top score of A+ and A awarded by PRI for Vantage's first submission



For ESG Strategy & Governance



For ESG integration across Infrastructure Equity & Fixed Income





## SHORT-TERM GOALS

- Fully comply with TCFD recommendations
- Continue to optimise ESG good practices at investee company level and knowledge sharing
- Report under the EU Taxonomy
- Calibrate and optimise debt ESG Methodology



Engaged with investee companies on TCFD recommendations

Designed proprietary risk assessment framework and introduced SDG<sup>1</sup> mapping for equity investments



Vantage becomes a TCFD supporter



ERM

Vantage's ESG Framework externally reviewed by ERM<sup>2</sup>



In-house EU Taxonomy methodology developed and externally reviewed by ERM<sup>2</sup>

Aug 2019

Sept 2019

New, comprehensive annual ESG reports prepared for equity clients

5-Star rating awarded by GRESB to Vantage's equity portfolio and all its managed investments



Peer Group



Region: Global



Sector: Diversified

Jan 2020

Inaugural sustainability report published



Feb 2020

May 2020

Jul 2020

Sept 2020

Nov 2020

Top score of A+ awarded by PRI for Vantage's 2020 submission in all three categories



For ESG Strategy & Governance



For ESG integration across Infrastructure Equity & Fixed Income

All investee companies maintained 5-Star rating in the 2020 GRESB assessment

Sector Leader



Vantage

Globally Diversified

Notes: (1) SDG stands for Sustainable Development Goals; (2) ERM stands for Environmental Resources Management.



# REPORTING INVESTMENTS' IMPACTS

## KEY EQUITY PORTFOLIO HIGHLIGHTS



**222GWh**

CLEAN ENERGY GENERATED<sup>2</sup>  
equivalent to the annual energy  
needs of **75,000+** households



**79bn litres**

CLEAN WATER CONSUMED<sup>3</sup>  
equivalent to the annual drinking  
water needs of **1.1m** households



**1.4Mtonnes**

CO<sub>2</sub> ABATED ANNUALLY<sup>4</sup>  
equivalent to **978,000** cars off  
the road



**86Ktonnes**

RECYCLED MATERIALS<sup>5</sup>  
equivalent to the total waste  
produced annually by **90,000**  
households



**1,811**

PEOPLE EMPLOYED<sup>6</sup>



**38%**

FEMALE EMPLOYEES<sup>7</sup>



**100%**

HEALTH & SAFETY and RISK<sup>8</sup>  
management systems in place



**0**

MAJOR INCIDENTS<sup>9</sup>



**5★**

FOR VANTAGE PORTFOLIO  
AND ALL INVESTMENTS<sup>10</sup>



**Sector Leader**

PEER GROUP - GLOBAL |  
DIVERSIFIED | PRIVATE<sup>10</sup>



**4th**

OUT OF ALL 75  
INFRASTRUCTURE  
PARTICIPANTS<sup>10</sup>



**A+**

ESG  
INTEGRATION



Pant Y Wal site, Ventus Investments Ltd.

Notes: All figures are rounded, as of the latest available full financial year reported and pro-rated for ownership stakes of respective investments; (1) Sustainable Development Goals contributed by Vantage Infrastructure's equity managed investments; (2) Clean energy generated by Ventus Investments Ltd in 2019; based on typical UK domestic consumption values of 2,900kWh per annum (source: Ofgem); (3) Clean water consumed by South East Water's customers in Financial Year ending Mar-20; (4) Companies' estimates based on (i) c. 909 tonnes of CO<sub>2</sub> emissions displaced per GWh of electricity supplied in the UK (source: Digest of UK Energy Statistics 2019) for wind farms and (ii) the premise that, if natural gas was not used, more polluting fossil fuels would be used in the same proportion in which they are currently consumed, for natural gas networks; (5) Sum of recycling waste for all investments; based on average annual waste produced per UK household; (6) Employees and contractors working for Vantage Infrastructure managed investments; (7) Female employees working for Vantage Infrastructure managed investments; (8) Health & Safety and risk management systems supported by certifications including OHSAS 18001, ISO45001, ISO14001, ISO9001 or sector specific certifications; (9) Fatalities; (10) GRESB scores and benchmarks the ESG management and performance of infrastructure fund managers and investee companies; 5 Stars correspond to the highest GRESB award; The 75 infrastructure fund participants account for funds having obtained a GRESB-score (i.e. both performance and management components).







# REPORTING INVESTMENTS' IMPACTS

## KEY DEBT PORTFOLIO HIGHLIGHTS




**834GWh**   
CLEAN ENERGY GENERATED<sup>2</sup>  
equivalent to the annual energy  
needs of **201,000** households

**335Ktonnes**   
WASTE DIVERTED FROM  
LANDFILL equivalent to the  
total waste produced annually  
by **350,000** households

**18,000**   
HOMES with solar rooftops

**39,000**   
CUSTOMERS supplied with  
district heating or cooling


**3,300**   
PUPIL PLACES  
across **32** schools

**145,000**   
FIBRE CUSTOMERS serviced by  
**414,000km** fibre cable

**450**   
SHELTERED HOUSING UNITS

**486**   
WIRELESS INFRASTRUCTURE  
FACILITIES serving **276m**  
visitors each year

**908,000**   
HOUSEHOLDS supplied  
with clean water

**81**   
PATIENT BEDS  
across **2** hospitals

**A+**   
ESG  
INTEGRATION

Gorham Dam, Central Rivers Power NE, LLC.

Notes: All figures are rounded, as of the 12-month period to 30 June 2020 and pro-rated for the percentage of Vantage Infrastructure debt managed investments within respective projects' total debt issuance; (i) Sustainable Development Goals contributed by Vantage Infrastructure's debt managed investments; (ii) As applicable, based on (i) typical UK domestic consumption values of 2,900KWh per annum respectively (source: Ofgem), (ii) annual Irish household electricity consumption of 4,200KWh (source: Commission for Regulation of Utilities), (iii) annual U.S. household electricity consumption of 10,649KWh (source: U.S. Energy Information Administration, Oct 2020), and (iv) annual Australian household electricity consumption of 4,500KWh per annum (source: Australian Energy Regulator, Nov 2020).



# VANTAGE INFRASTRUCTURE'S ESG APPROACH

## ESG STRATEGY

Based on insights from proprietary data collected from its experience of investing in more than 100 infrastructure assets and industry practice reviews, Vantage Infrastructure has formulated a **common ESG strategy across its debt and equity investment businesses**.

Our **mission** to turn the ESG 'SHOULD' into a 'MUST' is at the heart of this strategy. We have defined the **policy, strategic framework, integration approach** and **toolkits** to help design tailored **action programmes** and drive positive outcomes for all our stakeholders, from our investors to the customers, employees, local communities and supply chain of our investee companies.

Our ESG strategy is not set in stone. We strive to identify innovative areas and we adopt a deliberate mindset to drive **continuous improvement**. We aspire to deliver ESG practices and outcomes above market standard: 'what we do' and 'how we do' to set ourselves apart.



### MISSION

Our mission is to **turn the ESG 'SHOULD' into a 'MUST'**



### POLICY

Our **ESG and Sustainable Investment policy** outlines Vantage's **ESG fundamentals and commitments**



### STRATEGIC FRAMEWORK

Our 360° ESG strategic framework sums up the pillars of Vantage Infrastructure's **ESG objectives** as a manager



### INTEGRATION APPROACH

Our active ESG integration approach reflects '**what we do**' to incorporate ESG throughout the entire investment lifecycle across debt and equity



### TOOLKITS

Our suite of tools, many of which developed in-house, outlines **how we assess, monitor and improve** ESG performance



### ACTIONS

We work on tailored, company specific action programmes to **drive positive impacts for all stakeholders**



## ESG AND SUSTAINABLE INVESTMENT POLICY

Vantage Infrastructure's ESG strategy builds upon the firm's six non-negotiable ESG fundamentals (as shown on the right) and the UN supported Principles for Responsible Investment, of which we are signatory.

Our policy also draws on the UN Sustainable Development Goals, the UN Global Compact, the Equator Principles, the EU Taxonomy, TCFD and other international standards.

In the performance of its investment management activities, Vantage Infrastructure gives careful consideration to the ESG policies and principles adopted by its managed clients and funds.

Vantage Infrastructure strictly prohibits investing in companies in specific sectors or exhibiting certain undesirable characteristics as defined in its ESG policy.

- 1 We will always act ethically and honestly, and with integrity and professionalism
- 2 We will comply with applicable laws, regulation and permits in all material respect
- 3 We will not invest in businesses we consider unethical, socially or environmentally irresponsible
- 4 We will act in the best interests of stakeholders impacted by our investments
- 5 We will promote diversity by race, gender, sexual orientation, religion or age and will not tolerate discrimination
- 6 We will ensure investments treat employees fairly and with respect, and provide safe workplaces







# VANTAGE INFRASTRUCTURE'S ESG APPROACH



## 360° ESG STRATEGIC FRAMEWORK

With its ESG mission in mind, Vantage Infrastructure has developed a firm-wide ESG strategy around its own 360° ESG strategic framework. The latter sets out eight pillars (see wheel on the right) guiding its execution.

Our 360° ESG strategic framework rests on three main principles:

**1. It is common across our debt and equity investment businesses**

We share best practices and toolkits, run common training programmes and co-author thought leadership articles to promote ESG in our infrastructure community.

**2. It pervades the whole lifecycle of an investment, with a specific focus on asset management**

Our strategic framework centres on full lifecycle engagement, from initial screening to realising an investment, with a specific focus on active asset management.

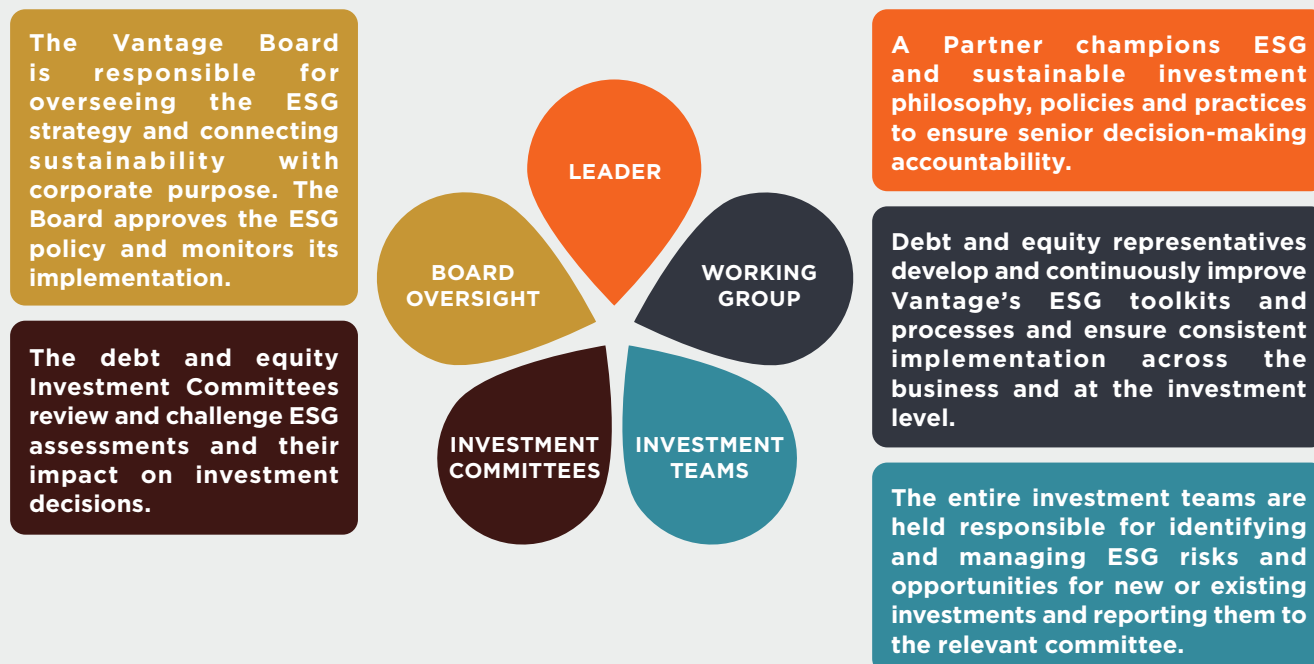
**3. It is embraced at both manager and investments' level**

As with most of our investee companies, we have our own ESG leadership and governance arrangements, we report ESG impacts to our Board, and our investment team members attend ESG training and have ESG KPIs.



## ESG LEADERSHIP & ACCOUNTABILITY

Vantage Infrastructure believes that **promoting leadership and accountability** is essential to implement its policy effectively across its business and develop an internal **ESG and sustainability culture** at all levels of its organisation. While roles have been clearly defined across Vantage Infrastructure's governance bodies and senior leaders, **all investment professionals are ultimately responsible and held accountable** for ESG.





# INTEGRATING ESG INTO DECISION MAKING



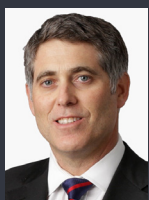
**Anne-Noelle Le Gal**  
Investment Director

“As active managers, we engage with management teams inside and outside the board room to foster an ESG culture, to make them accountable and to specifically incentivise them. Where possible, we also cross-fertilise best practices across investee companies. We are progressing on the implementation of TCFD recommendations and on strengthening our reporting of it to investors.”



**Omar Rahman**  
Investment Director

“It is critical to identify material ESG issues as early as the screening of an investment to check if it is compatible with both our ESG criteria and our clients' requirements. As part of the screening process, we have rejected numerous equity investment opportunities on ESG grounds.”



**Nick Cleary**  
Partner

“As trends like the energy transition accelerate, it has become increasingly important that lenders have effective systems in place to assess ESG risks. Our ESG assessment tool, which has now been applied to over 80 transactions, helps ensure that we consider ESG issues in a robust and systematic way prior to committing our investors' capital.”



**Tim Cable**  
Senior Partner

“ESG continues to rise in prominence on investor's agendas. We work closely with our existing and potential investors to understand their strategic ambitions and ESG objectives. Our mandates' investment criteria can be tailored to ensure they reflect each investor's ESG priorities.”



Vantage Infrastructure has adopted an active ESG integration approach, which combines key features of integration and active ownership.

## INTEGRATION THROUGH THE INVESTMENT LIFECYCLE

Our investment objectives are rooted in our commitment to deploy and manage our investors' capital in a manner that integrates ESG considerations throughout our processes. This is alongside client engagement to understand their own ESG strategy and objectives, hence enabling us to tailor solutions in line with each client's specific ESG requirements.

Our ESG approach spans the entire lifecycle of an investment, from the initial evaluation of a transaction, through its execution, investment onboarding and asset management and finally in divestment considerations. At each step, ESG risks and opportunities are identified, assessed and managed in the same way other risks and opportunities are.

## ACTIVE OWNERSHIP

We believe ESG initiatives can be taken at all stages of the investment cycle, with the asset management phase being critical to protect and enhance value for our investors. We think both our equity and debt managers can make a difference through active engagement.

We collect, benchmark and report data and measurements through internal and external tools and seek to move from assessing an impact to making an impact.

### EQUITY

A range of levers can be used to drive performance, from the adoption of ESG policies and reporting at board level to ESG KPIs for management and the introduction of ESG frameworks.

All our investee companies participated in the GRESB survey and received a 5-Star rating in 2020.

We conducted yearly in-depth reviews of the GRESB reports to help management teams tailor action programmes and drive further improvements.

### DEBT

The systematic identification of market trends, best practices and data collection across the portfolio informs our pre-investment discussions with issuers. Engagement during asset management is also impactful.

We see benefits from tracking the relationships between key project stakeholders. This can be as strong an indicator of future performance as financial ratios. Early identification of issues positions us well to lead constructive dialogue when required.

Transparent and proactive reporting of ESG-related information is also a key element of our approach. We encourage investee companies to improve disclosure of ESG issues and actions to stakeholders and to benchmark their ESG performance. We also continuously improve our communication of ESG and sustainability matters to our investment committees and investors.

We employ ESG scorecards in our debt reporting and issue comprehensive equity portfolio and asset ESG reports to investors, including ESG risk and opportunity analyses, an initial climate-related risk assessment following the TCFD framework, and impact reviews. Publishing this Sustainability Report is also part of our transparency efforts.

## REVIEW AND REPEAT

Our ESG approach is active, engaging, thorough, practical, tailored and consistently evolving. All aspects of our approach, in particular our processes, tools and action plans, are subject to regular review by our ESG working group, seeking to continuously improve and develop.



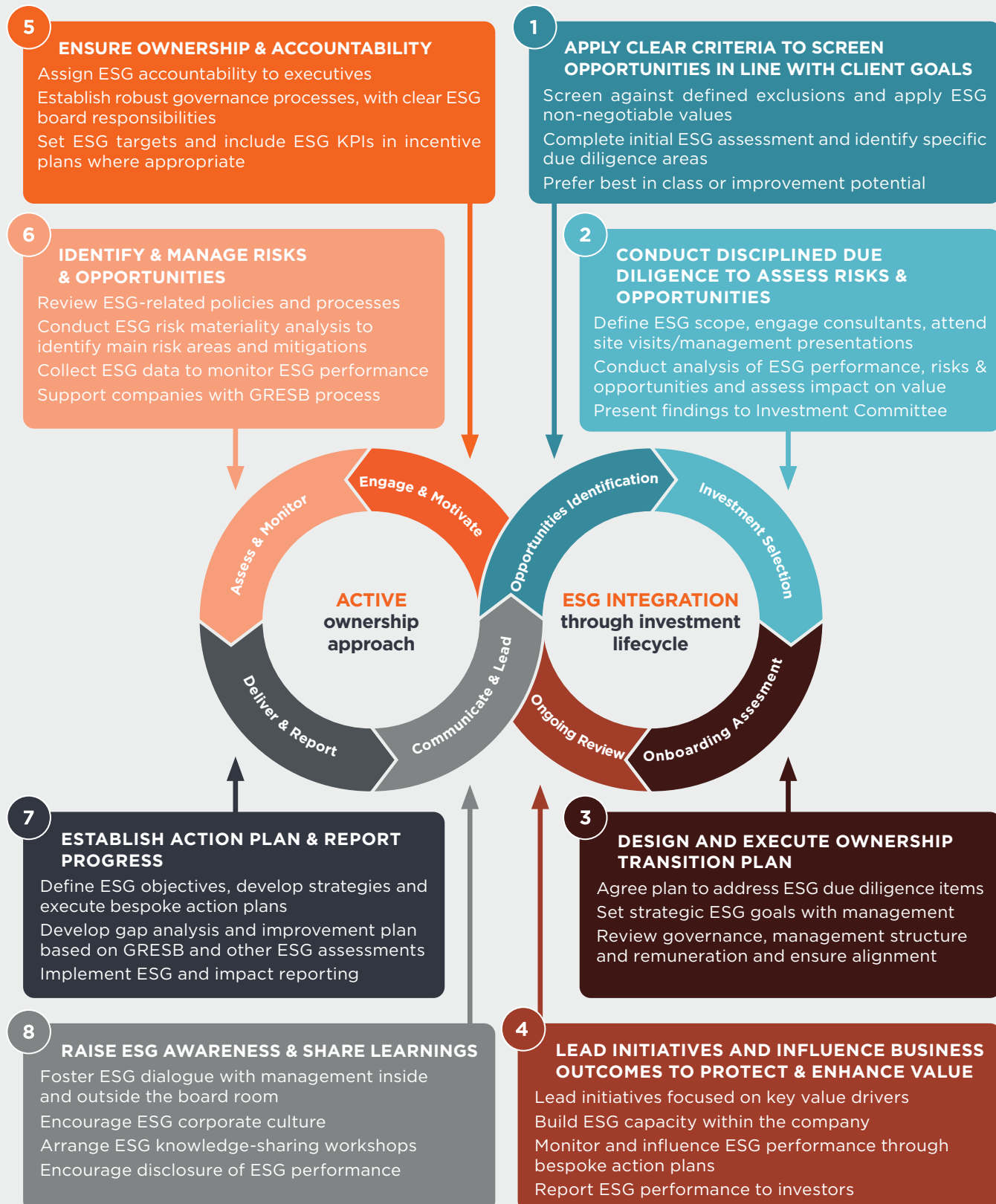


# INTEGRATING ESG INTO DECISION MAKING



## ACTIVE ESG INTEGRATION

Our firm-wide active ESG Integration approach ensures the incorporation of ESG considerations in the investment process at both manager and investment levels. The right-hand side of the diagram below summarises the integration of ESG before, during and after acquisition, while the left-hand side shows our approach post-investment to active asset management of ESG, both at the investee companies' level and within Vantage Infrastructure as a manager.





# 2020 ESG INITIATIVES

Over the course of 2020, the Vantage Infrastructure equity team progressed further on the implementation of the TCFD recommendations for investee companies and launched a number of new ESG initiatives.

Vantage Infrastructure appointed ERM to conduct an external review of its ESG Strategic Framework and its EU Taxonomy methodology and pilots.

These initiatives further supported Vantage Infrastructure's strategy of excellence in ESG performance and credentials as an asset manager.



**Oliver Schubert**  
Senior Partner

“The EU Taxonomy stands out amongst other ESG standards as a useful tool in deal screening, as it provides practical and independent guidance on what qualifies an investment as “sustainable.””

In its November 2020 publication, Infrastructure Investor included Vantage Infrastructure thoughts and takeaways on the EU Taxonomy: [“Embracing the EU taxonomy revolution.”](#)



## ► IMPLEMENTING TCFD RECOMMENDATIONS

The 2019 climate-related risk assessment of the equity portfolio laid down the foundation for Vantage Infrastructure's internal TCFD programme. Two companies were selected to run targeted TCFD pilots based on materiality. In 2020, all companies made progress towards integrating TCFD recommendations into the four TCFD pillars:

- 1 • **Climate-change considerations included in companies' management ESG KPIs and incentive plans**
  - Climate change risks and opportunities **discussed at Board** level
  - As a manager, **Vantage Infrastructure** is **actively involved** in the TCFD workstream, providing support to companies and management teams in implementing it
- 2 • **Qualitative analysis carried out** in 2019 to identify risks and opportunities
  - Progress made on **including climate-related considerations into companies' strategy**
    - Climate-related **scenarios being run in 2021** for selected companies, with disclosure of **strategic and financials planning impacts to come**
- 3 • Each company's **risk register systematically captures climate-change risks. Scenarios' outcomes to be included**
  - Adequate risk management system in place** to identify, manage and monitor those risks
- 4 • **Management teams monitor and report environmental data** (GHG, water, energy emissions) as part of their ESG KPIs
  - Emissions reduction plan** in place or in progress for each investee company



## ► ESG FRAMEWORK EXTERNAL REVIEW

In 2018, Vantage Infrastructure decided to put ESG at the heart of its investing and asset management activities, with an original body of work created. The 2020 review of Vantage Infrastructure's ESG Framework by ERM confirmed this objective has now been met: its ESG strategic framework is fully supported by efficient ESG practices, internal tools and processes, which are continuously reviewed and improved.

### Objective



- Have external review of Vantage Infrastructure's ESG approach, practices and credentials
- Confirm the **successful development of its ESG framework**
- With its strong track record, ERM provided valuable advice to further **strengthen Vantage Infrastructure's key differentiating factors**

### Outcome



- Vantage Infrastructure is developing a **strong competitive position** within its market segment
- Vantage Infrastructure's **ESG framework is aligned to good practices**
- Strong senior management support** contributes to Vantage Infrastructure's ESG culture
- No red flags identified**, only minor improvement points

## ► EU TAXONOMY

As part of its focus on sustainable investing and good ESG practices, Vantage Infrastructure decided to pro-actively embrace the EU Taxonomy guidelines early and look at practical ways to entrench them in its processes and approach, where possible and in line with its investors' needs.



The **EU Taxonomy** defines sustainable investments and **prompts alignment** in the approach taken to assess sustainability of investments. The EU Taxonomy also shows practical ways to take part in and **achieve a net zero economy** over time.



To fully capture the impact of the EU Taxonomy on its investing activities, Vantage Infrastructure **designed a methodology** and assessed how to **incorporate the guidelines into its investment processes**, from the review of an opportunity to its execution and finally its asset management. The Vantage Infrastructure equity team also ran **pilot programmes** using this methodology to assess its practical implementation.



Vantage Infrastructure **appointed ERM to review** its methodology and pilot programmes, strengthen Vantage Infrastructure's internal processes and confirm its approach. The outcome highlighted that Vantage Infrastructure's **detailed knowledge put it at the forefront** in relation to the EU Taxonomy.





# TRANSLATING STRATEGY INTO ACTIONS

By working in partnership with management teams and their stakeholders, the Vantage Infrastructure equity team contributes to the ESG outcomes of its investee companies.

As a manager that values ESG considerations, our goal is to work collaboratively with management teams to identify areas for innovation, catalyse systemic actions and instil a deliberate mindset to continuously drive ESG improvement.



**Alexandra Vantillard**  
Investment Vice President

“2020 has been a challenging year for the world, exposing the need for an always greater focus on ESG. Vantage Infrastructure has continued to support its investee companies in facing those challenges by further strengthening the safety of staff and by remaining focused on providing continuity and quality of service. Collaboration has been at the heart of the pandemic with our companies actively supporting their community, customers and business partners during those difficult times.

Key topics such as the energy transition and preserving biodiversity, have also gained momentum to “build back better”. We are pleased to see that hydrogen initiatives and habitat protection programmes have not been put on hold during the COVID-19 pandemic, on the contrary. Our investee companies have won numerous awards for their achievements.”

## ► EQUITY CASE STUDIES

### COVID-19 Initiatives

Vantage Infrastructure’s investee companies sought to take measures to mitigate harm from the COVID-19 pandemic for both the companies and their broader community:

porterbrook 

Supported freight customers, helping their liquidity and ensuring they were able to continue transporting vital goods during lockdown. Porterbrook also supported liquidity among supply chain partners by ensuring prompt payments to suppliers, and SMEs in particular.

Redexis 

Helped alleviate social and health effects of the crisis to support the community through Redexis Foundation, by suspending bills for the most vulnerable customers and by making various donations (€100,000) to Food Banks and Autonomous Communities (e.g. 2,000 power banks donated to field hospitals).

### Community

PHOENIX  
NATURAL GAS

Strong commitment to invest in its community, including both its staff and the local public, is delivered through its overarching and long-standing ‘LIFE’ programme.



Employees are encouraged to volunteer and support local organisations and charities in various areas (e.g. education, arts, sports, health). Lately, Phoenix worked in partnership with Ulster Rugby and a charity, Extern, to deliver resilience workshops, as well as introducing sport to disadvantaged communities, and a commitment to tree planting (8,000 new native trees per annum in Northern Ireland).

Ventus 

As part of the planning permissions, Ventus is committed to distribute £235k annually to fund local initiatives<sup>1</sup>. Thanks to those funds, meaningful contributions are made to the local communities to improve educational, sport and communal facilities. Since commissioning, over £1m has been granted.




### Energy Transition

porterbrook 

Leveraging its engineering experience to develop HydroFlex in partnership with the University of Birmingham. HydroFlex represents the first hydrogen-powered train in the UK and the first retrofitted hydrogen train in the world. This technology will allow emission-free provision of rolling stock services on non-electrified lines. Mainline testing was completed in 2020 and a fully productionised version of HydroFLEX is being developed ahead of passenger service trials from late 2021. Wide industry recognition with two awards presented.



### Biodiversity

south east water 

South East Water’s operations are intrinsically linked to its natural environment, requiring compliance with specific environmental requirements. A programme of habitat protection initiatives has been undertaken, defined and regulated by Natural England, although the company goes further in its work across its landholdings. Its outstanding performance within biodiversity has been rewarded on several occasions.



Notes: (1) Ventus’ community benefit programmes are administered by Grantscape and Pennant Walters.



# TRANSLATING STRATEGY INTO ACTIONS

Vantage Infrastructure recognises that, as a debt investor, the point at which the most material ESG impact can be made is normally pre-financial close, which is also typically the point of asset selection for our investors' portfolios.

At this stage, we can select or reject deals based on the suitability of their ESG characteristics. This due diligence and negotiation phase is also when our engagement with issuers can have the most influence on their behaviour.

However, the Vantage Infrastructure debt team's ESG actions do not stop there. We believe lenders can continue to have a meaningful impact on ESG issues through careful monitoring and regular engagement with issuers post financial close.



**Lisa Shaw**  
Investment Director

“Across our debt portfolio assets, Vantage Infrastructure's 2020 engagement activities have naturally been dominated by COVID-19. In addition to assessing the financial implications of the pandemic, it was important to us to ensure that all of our borrowers were taking appropriate measures to protect staff and users of their facilities and that appropriate business continuity measures were in place. It is our firm belief that protecting their social licence by looking after their stakeholders will in turn protect our investments' financial standing.”

## ► DEBT CASE STUDIES

### Selection of Positive ESG Impacts

Vantage Infrastructure has financed a significant number of renewable energy projects and, during 2020, we were delighted to finance our first hydro-electric project.

The investment was to a portfolio of mature, operational assets in New England, USA. We particularly liked the transaction from an ESG perspective given its minimal environmental impact.

The portfolio assets were small scale, run of river generators which only use the natural flow of river water to generate power, as opposed to conventional hydro which stores or dams water and thereby causes more environmental disruption. As such, they receive considerable support from environmental and governmental groups.



### Pre-investment Influence



Vantage Infrastructure lends to an midstream transportation system in the US Gulf of Mexico. When financing any transaction in the midstream sector, it is important to Vantage Infrastructure to fully understand the asset's impact on climate change and viability through the energy transition. In this case, we stress tested the investment to conservative net zero scenarios.

Despite getting comfortable with this analysis, we wanted to maintain good visibility and to encourage enhanced ESG performance where possible.

As such, we requested the borrower work towards adopting the TCFD recommendations. In response, the borrower advised it had engaged an ESG adviser to help prepare a sustainability report, ESG strategy and to develop an auditable reporting process.

### Post-investment Activism

Vantage Infrastructure lends to an Australian public-private-partnership, for which the construction progress has fallen behind schedule.

Initially, we found the reporting for the project was very opaque and this particularly concerned us as it became apparent that construction was materially slipping. Vantage Infrastructure was the most active lender and took the lead in voicing concerns with the borrower and lender group. Following this, the borrower's engagement and transparency materially improved.

We now have monthly update calls, the borrower has hired a new commercial manager and construction is proceeding much better than before our engagement.



### Rejection on ESG Grounds



Vantage Infrastructure was approached to support a bidder looking to acquire a district heating business in Eastern Europe.

We have previously funded other transactions in this sector and typically see these systems generating lower emissions compared to single unit heating sources.

However, in this case, up to a third of the fuel used to heat the network was coal. We considered working with the bidders to enforce a transition away from coal over time. However, early indications were that this would not be achievable in a time frame we considered acceptable. We therefore rejected the opportunity.





Our industry has viewed ESG as a mere formality for far too long. At Vantage Infrastructure, we embrace ESG as an indivisible component of value generation, which contributes to a more responsible financial ecosystem and ultimately a more sustainable world.



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