



VANTAGE
INFRASTRUCTURE

**INVESTING IN OUR
SUSTAINABLE FUTURE**
SUSTAINABILITY REPORT **2022**

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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 80 debt and equity investments on behalf of more than 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 HIGHLIGHTS¹

32 PEOPLE ²		17 NATIONALITIES ¹		~41% FEMALE STAFF ²		~44% FEMALE SENIOR STAFF ²	
~1/4 STAFF OWNED		~\$3.9bn AUM ³		> 80 INVESTMENTS			

Notes: (1) All figures as at 31-Dec-2022; (2) Full-time employees; (3) AUM has been converted at a rate of £1= US\$1.17.

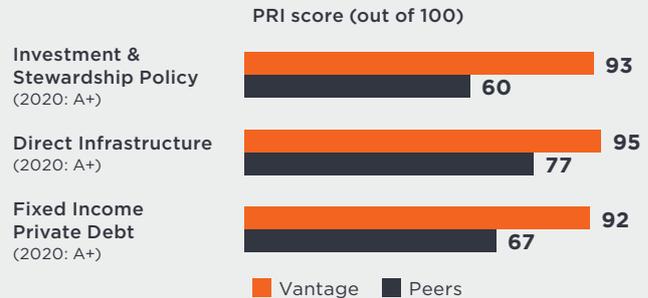


HIGHEST PRI AND GRESB SCORES AWARDED

TOP SCORES OF 5★ AWARDED BY UN PRI

In the latest PRI assessment (2021), Vantage Infrastructure achieved the top score of 5★ in all three assessment categories: ESG Investment & Stewardship Policy, ESG integration across Infrastructure Equity and ESG integration across Fixed Income, Private Debt. In the prior PRI survey (2020), Vantage had also achieved the maximum score which was A+ in all three components.

These results confirm Vantage Infrastructure's ESG approaches and processes to be top rated and ranked well above the median scored by its peers in all categories.

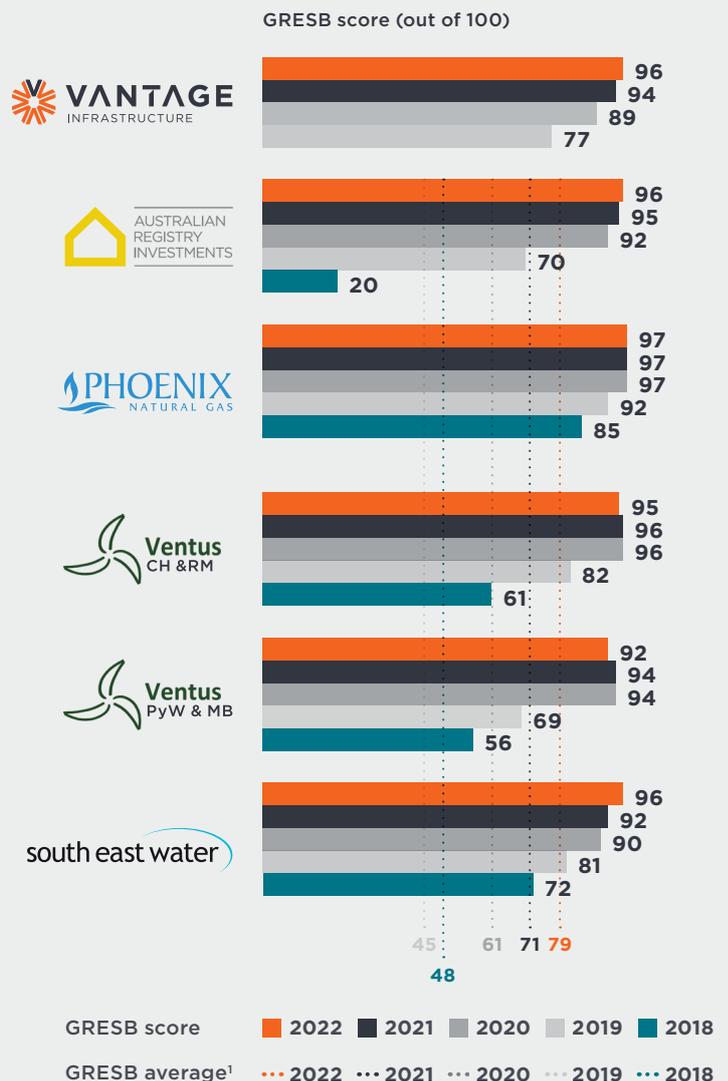


CONTINUED IMPROVEMENT IN GRESB SCORES

In the 2022 GRESB Infrastructure assessment, Vantage Infrastructure maintained its 5-star rating, delivering a further score increase, to reach 96 (out of 100), and ranked 2nd in its peer group, an improvement on its 5th place in the 2021 assessment.

In addition, all portfolio companies managed by Vantage Infrastructure ranked in the top 4 in their respective sectors and maintained scores of 92 and above (out of 100), with strong progress over the past five years. Since 2018, all equity portfolio companies managed by Vantage Infrastructure have consistently outperformed GRESB participants' average score.

Those excellent results are a testament to the continued and joint commitment of both Vantage Infrastructure and the portfolio companies' management teams to develop their ESG practices further.



Source: Portfolio companies.

Note: (1) Yearly average of all GRESB infrastructure asset participants (excluding asset managers).



MESSAGE FROM OUR ESG LEADER

2022 started off with high hopes of COVID-19 reaching the endemic stage, life returning to 'normality' and stimulus to economic growth. However, as the months passed, the year was marred by new challenges. The Ukraine-Russia conflict set off a global energy crisis, sending markets into a state of turmoil, and creating sustained inflationary pressures. Coupled with rising interest rates, this ignited a cost-of-living crisis, the threat of a global slowdown, political instability, and unending worker strikes. To top it all off, major natural disasters have added pressure to this distressed environment, further emphasising the urgency of climate action.

Against this taxing backdrop, sustainable investing and active ESG management have raced to the forefront of investors and managers' agendas. With the world facing new imperatives, policymakers turned to green investments to address future security of supply issues, most notably in the US Inflation Reduction Act, while businesses were called on to support their employees and vulnerable customers.

At Vantage Infrastructure, we believe that the progressive mainstreaming of ESG ought to give asset managers impetus to double down on their efforts. When clients' expectations of sustainability rise and peer performance improves, a truly sustainable asset manager should underscore its own commitment with real impacts and measurable results.

We are delighted to reiterate our sustainability pledge in this report and outline our work and progress over the last 12 months. 2022 was devoted to driving our sustainability agenda forward and seeking to achieve our strategic objectives with unwavering passion.

In the area of climate risk management, Vantage Infrastructure prioritised the continued implementation of the Task Force for Climate-Related Financial Disclosures' (TCFD) recommendations. Last year, we had identified the progression from qualitative to quantitative analysis as an important milestone in our equity asset management programme for 2022. Pleasingly, this target has been achieved, with quantitative scenario analysis performed for the equity portfolio. We have also introduced the estimation of implied temperature rise across equity and debt, thereby enhancing climate-related investor disclosures.

On the debt side, we persevered in our prior year's efforts to engage with our portfolio companies and encourage them to strengthen the quality of their ESG data inventory. This sustained engagement proved successful, allowing us to make progress in obtaining and reporting better data.

On the equity side, last year we had identified a desire to explore how our portfolio companies could enhance their existing climate-related pledges and ESG KPIs. Over the past 12 months, we have specifically considered scope to set approved net-zero commitment pathways at the investment level. We are pleased to report that one of our portfolio companies has completed this work and set approved Science-Based Targets, with its emission reduction trajectory aligned to a 1.5 degree global warming scenario. Two other portfolio companies are still exploring this option, while having net-zero commitments and emissions targets in place.

For our annual thematic 'deeper dive' project, this year we focused on human rights and supply chain ESG risk management. Supply chain resilience has, indeed, proved to be especially topical in an environment of growing disruptions to supply chain due to COVID-19, the ongoing labour crisis and an uncertain economic climate. We defined a roadmap of ESG integration in any company's supply chain and conducted an initial review across our equity portfolio¹ through a bespoke questionnaire.

Two years on, we also returned to our 2020 'deeper dive' analysis of the Diversity & Inclusion status of each equity investment¹ and tracked progress in this area through key metrics and action plans.

It would be remiss of me to close this opening statement without thanking our portfolio companies for their continued ESG efforts, support and willingness to engage, and congratulating our managed equity investments¹ for maintaining excellent GRESB scores of 92 and above (out of 100) and achieving remarkable progress over the last 5 years.

Valeria Rosati, Senior Partner



Valeria Rosati, Senior Partner

Note: (1) Excluding recent equity acquisitions.



VANTAGE INFRASTRUCTURE'S ESG JOURNEY

MATCHING ESG AMBITIONS WITH RESULTS

Vantage Infrastructure has long focused on ESG integration. Following its ownership change in 2018, ESG was deliberately elevated to a priority for Vantage Infrastructure. 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.



SUSTAINABILITY OBJECTIVES

- Continue to optimise ESG good practices at portfolio company level and knowledge sharing
- Fully comply with TCFD recommendations
- Roll out of climate strategy
- Report under the EU Taxonomy
- Continue to invest in new sustainable infrastructure assets
- Produce annual ESG reports for debt clients

2020

- **January:** Inaugural sustainability report published
- **February:** TCFD supporter
- **May:** ESG Framework reviewed by ERM
- **July:** Received top scores of A+ from PRI for all three categories
- **September:** In-house EU Taxonomy methodology reviewed by ERM
- **November:** GRESB 5-Star rating maintained for all equity investments

2019

- **February:** New ESG policy approved by Vantage Infrastructure Board
- **March:** ESG KPIs introduced for all investment staff
- **July:** ESG thought leadership series, Vantage Point, launched
- **July:** Top scores of A+ and A received for PRI's first submission

2018

- **2017/2018:** Spin-off from the international business of Hastings Funds Management
- **February:** PRI signatory and GRESB member
- Designed proprietary debt ESG assessment methodology
- **April:** First ESG thought leadership article published
- **December:** Appointed to GRESB EMEA Industry benchmark committee

2021

- **March:** Initial SFDR¹ disclosures published on the website
- **April:** IIGCC member
- **October:** All portfolio companies maintained 5-Star rating in the GRESB assessment, with three of them being named Sector Leaders in their category

2022

- **January:** iCI signatory
- **January:** Established internal Climate Change Working Group to accelerate strategic climate initiatives
- **February:** Appointed to GRESB's new Infrastructure Standards Committee
- **Completed scope 1 | 2 | 3 and TCFD** quantitative scenario analysis for all equity assets held for 2+ years
- **November:** Awarded 5 Star Ratings in GRESB and PRI

Image: Agronegy.

Note: (1) SFDR stands for Sustainable Finance Disclosure Regulation.



REPORTING INVESTMENT IMPACTS

EQUITY PORTFOLIO – KEY HIGHLIGHTS

<p>182Ktonnes</p> <p>CO₂ ABATED¹ equivalent to +89,000 cars off the road</p> 	<p>576Ktonnes</p> <p>CO₂ AVOIDED² equivalent to +283,000 cars off the road</p> 	<p>24Ktonnes</p> <p>CO₂ SCOPE 1 & 2 EMITTED</p> 
<p>201GWh</p> <p>CLEAN ENERGY GENERATED³ equivalent to the annual energy needs of +69,000 households</p> 	<p>42Ktonnes</p> <p>MATERIALS RECYCLED⁴ equivalent to the annual waste produced by 43,000 households</p> 	<p>82bn litres</p> <p>CLEAN WATER CONSUMED⁵ equivalent to the annual drinking water needs of 1.1m households</p> 
<p>100%</p> <p>HEALTH & SAFETY and RISK⁶ management systems in place</p> 	<p>1,031</p> <p>PEOPLE EMPLOYED⁸</p> 	<p>US\$241m</p> <p>LOW CARBON & RESILIENT investments¹⁰</p> 
<p>0</p> <p>MAJOR INCIDENTS⁷</p> 	<p>2:3</p> <p>FEMALE:MALE EMPLOYEE RATIO⁹</p> 	<p>US\$433m</p> <p>SUSTAINABILITY-LINKED LOANS¹¹</p> 
<p>5★</p> <p>FOR VANTAGE PORTFOLIO AND ALL INVESTMENTS¹²</p> 	<p>2nd</p> <p>GRESB RANKING - GLOBALLY DIVERSIFIED PEER GROUP</p> 	<p>5★</p> <p>ESG INTEGRATION¹³</p> 

Image: Ventus, Reaps Moss wind farm.

Notes: All figures are rounded, as of the latest available full financial year reported and pro-rated for ownership stakes of respective investments. All figures exclude Porterbrook and Redexis which were sold in 2021 and exclude Agronergy unless stated otherwise, which was acquired in 2021; (1) Companies' estimates based on c.909 tonnes of CO₂ emissions displaced per GWh of electricity supplied in the UK (source: Digest of UK Energy Statistics 2019) for wind farms for CO₂ abated; (2) Companies' estimates based on 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 for CO₂ avoided; (3) Clean energy generated by Ventus Investments Ltd in 2021; based on typical UK domestic consumption values of 2,900KWh per annum (source: Ofgem); (4) Sum of recycling waste for all investments; based on average annual waste produced per UK household; (5) Clean water consumed by South East Water's customers in Financial Year ending Mar-22; (6) Health & Safety and risk management systems supported by certifications including OHSAS 18001, ISO45001, ISO14001, ISO9001 or sector specific certifications; (7) Fatalities. Figure include Agronergy; (8) Employees and contractors working for Vantage Infrastructure managed investments. Figure includes Agronergy; (9) Female employees working for Vantage Infrastructure managed investments, including Agronergy; (10) Includes the NAV of portfolio companies including Agronergy and capex invested into low carbon initiatives and resilience to climate change, using £/US\$ and €/US\$ exchange rates of 1.35 and 1.13 as of 31-Dec-2021; (11) Amounts outstanding using £/US\$ and AUD\$/US\$ exchange rates of 1.35 and 1.13 as of 31-Dec-2021; (12) GRESB scores and benchmarks the ESG management and performance of infrastructure fund managers and portfolio companies; 5 Stars correspond to the highest GRESB award; (13) Results of 2021 PRI assessment as PRI did not run an assessment in 2022.



SUSTAINABLE DEVELOPMENT GOALS

EQUITY PORTFOLIO – CONTRIBUTION¹

6 CLEAN WATER AND SANITATION



- Providing access to safe, high quality water (water treatment, measurement and testing, catchment management) to local communities including vulnerable customers in the South East of England
- Supporting resilience of water resources through continued investment in resource planning, water-use efficiency, network capacity building

7 AFFORDABLE AND CLEAN ENERGY



- Contributing to the decarbonisation of the UK energy grid by generating renewable energy through onshore wind farms in England and Wales
- Contribution to the low carbon economy transition in France by offering biomass and geothermal heating solutions
- Providing a less polluting source of heating by offering natural gas to customers which switch away from coal in Northern Ireland

8 DECENT WORK AND ECONOMIC GROWTH



- Supporting job creation and innovation
- Promoting high employment standards for all portfolio companies' staff and supply chain labour through diligent screening and selection processes and policies adoption and implementation (modern slavery, equal opportunities, diversity & inclusion and well-being)

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



- Building, improving and maintaining reliable, sustainable and resilient infrastructure to supply continuous, affordable, essential services through long-term investment approach
- Investing and adopting the right organisational structure and processes to ensure services continuity
- Offering alternative heating solutions to existing fossil fuel options

11 SUSTAINABLE CITIES AND COMMUNITIES



- Actively managing water resources and promoting efficient and sustainable water use to a growing household base
- Clear commitments, endorsed by relevant bodies, towards national reconciliation movement in support of indigenous Australian communities
- Offering climate change mitigation solutions through the provision of renewable energy, incl. for residential/ industrial heating

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



- Promoting active and safe waste management, especially for hazardous waste, while increasing recycling and appropriate disposal
- Supporting actions to prevent/reduce waste generation
- Promoting sustainable procurement practices
- Reporting sustainable performance

13 CLIMATE ACTION



- Including climate actions as KPIs in management incentive plans
- Measuring carbon footprint and setting carbon reduction targets
- Assessing, monitoring and integrating climate risks in portfolio companies' strategies/business planning
- Progressing TCFD adoption across the portfolio

15 LIFE ON LAND



- Preserving and improving wildlife and biodiversity through targeted initiatives, including reforestation, conservation (wart-biter bush cricket), and habitat enhancement/restoration (peatlands, bird, seasonal bats, river basin)
- Environmental impact assessment carried out before construction to mitigate negative impacts



Image: South East Water, Arlington Reservoir.
 Note: (1) Sustainable Development Goals contributed by Vantage Infrastructure's equity managed investments. Vantage Infrastructure managed equity investments have no negative contribution to SDGs. Specifically, while one of Vantage managed equity investments distributes natural gas, which is a fossil fuel, the Company is not believed to hinder SDGs, in particular SDGs 7 and 13.



REPORTING INVESTMENT IMPACTS

DEBT PORTFOLIO - KEY HIGHLIGHTS

<p>295 Ktonnes </p> <p>CO₂ ABATED¹ equivalent to +145,000 cars off the road</p>	<p>0.3 Ktonnes </p> <p>ATTRIBUTED CO₂ SCOPE 1 & 2 emissions² per US\$m invested</p>	<p>100% </p> <p>HEALTH & SAFETY and RISK management systems in place with 0 major incidents³</p>
<p>345 Ktonnes </p> <p>WASTE DIVERTED FROM landfill⁴ equivalent to the total waste produced annually by +360,000 households</p>	<p>27 Ktonnes </p> <p>MATERIALS RECYCLED⁴ equivalent to the annual waste produced by 28,000 households</p>	<p>775 GWh </p> <p>CLEAN ENERGY GENERATED equivalent to the annual energy needs of +160,000 households⁵</p>
<p>32 </p> <p>SCHOOLS providing places for 3,650 pupils</p>	<p>2 </p> <p>HOSPITALS providing 76 patient beds</p>	<p>266 </p> <p>SHELTERED HOUSING units</p>
<p>55,000 </p> <p>CUSTOMERS supplied with DISTRICT HEATING OR COOLING</p>	<p>12,500 </p> <p>HOMES with SOLAR ROOFTOPS</p>	<p>235,000 </p> <p>HOUSEHOLDS supplied with CLEAN WATER</p>
<p>219 </p> <p>WIRELESS INFRASTRUCTURE facilities serving 96m visitors each year</p>	<p>70,000 </p> <p>FIBRE CUSTOMERS serviced by 130,000km fibre cable</p>	<p>5 ★ </p> <p>ESG INTEGRATION⁶</p>

Image: Tyne Tunnel

Notes: All figures are rounded, as of the latest available full financial year reported and pro-rated for the value of Vantage Infrastructure debt managed investments within respective projects' total enterprise value; (1) Company and Vantage Infrastructure estimates of CO₂ emissions from renewable energy projects only; tonnes of CO₂ abated calculated using the International Renewable Energy Agency avoided emissions calculator; (2) Attributed emissions calculated using Company and Vantage Infrastructure estimates of CO₂ emissions pro-rated for Vantage Infrastructure's share of investment per asset using the Partnership for Carbon Accounting Financials methodology; (3) Fatalities; (4) Sum of waste diverted from landfill and recycled waste related to waste volumes processed by waste management companies only, not wider portfolio investments; (5) 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 10,632KWh (source: U.S. Energy Information Administration, Oct-22), (iv) annual Melbourne household electricity consumption of 4,624KWh per annum (source: Australian Energy Regulator, Nov-22), (v) annual German household electricity consumption of 3,113KWh (source: Statistisches Bundesamt (Destatis)) and (vi) annual Norwegian household electricity consumption of 7,400KWh (Source: Statista) (6) Results of 2021 PRI assessment as PRI did not run an assessment in 2022.



SUSTAINABLE DEVELOPMENT GOALS

DEBT PORTFOLIO - CONTRIBUTION¹

3 GOOD HEALTH AND WELL-BEING



- Financing hospitals to provide essential health services to the public
- Investing into highways to improve traffic lights, street lighting, public crossings and signage to help reduce road traffic injuries

7 AFFORDABLE AND CLEAN ENERGY



- Investing into renewable energy with multiple projects across the UK, Europe, US, and Australia generating significant emissions savings
- Providing access to reliable and lower carbon energy infrastructure, helping facilitate the transition to renewable energy
- Providing district heating and cooling systems powered by clean energy

8 DECENT WORK AND ECONOMIC GROWTH



- Engaging with all borrowers pre and post investment to ensure they maintain appropriate health and safety policies and procedures and that they report regularly on their performance

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



- Our business helps finance the sustainable infrastructure assets of the future
- Financing of major international research facility accommodation for plant, animal and biosecurity research
- Providing regional ferry transportation to help connect communities, thereby supporting economic development and human wellbeing

11 SUSTAINABLE CITIES AND COMMUNITIES



- Investing in housing associations which provide safe, affordable and quality housing for all
- Metro rail financing providing fast and low carbon public transport across a major European city

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



- Delivering responsible waste management services through numerous projects with incentives to promote recycling and diversion from landfill
- Extensive borrower engagement to promote the integration of sustainability information into reporting cycles

13 CLIMATE ACTION



- Contributing to lower total greenhouse gas emissions per year through multiple projects, including low carbon transport, energy generation and telecoms networks (fibre, towers)
- Assessing investments' exposure to climate change risk under a TCFD-informed framework

17 PARTNERSHIPS FOR THE GOALS



- Increasing internet coverage in remote locations as well as improving connectivity between major cities through investments in fibre and telecom towers
- Financing of multiple public-private partnerships enabling investment in schools, hospitals, research facilities, transport and waste management



Image: Numurkah Solar Farm.

Note: (1) Sustainable Development Goals contributed to by Vantage Infrastructure's debt managed investments.



VANTAGE INFRASTRUCTURE'S ESG APPROACH

ESG STRATEGY

Based on insights from proprietary data collected from its experience of investing in more than 130 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 portfolio companies.

Our ESG strategy is dynamic. 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 Infrastructure's ESG fundamentals and commitments , as well as the inclusion of ESG factors in our processes
	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 develop tailored, company specific action programmes to drive positive impacts for all stakeholders
	REPORTING	We seek ESG disclosures from portfolio companies and report ESG performance and actions

ESG AND SUSTAINABLE INVESTMENT POLICY

Vantage Infrastructure's ESG strategy builds upon the firm's seven non-negotiable ESG fundamentals (see right hand side) and the 6 principals of the UN PRI, of which we are signatory.

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

In the performance of its investment management activities, the firm 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, professionalism and transparency
- 2 We will comply with applicable laws, regulation and permits
- 3 We will not invest in businesses we consider unethical, socially or environmentally irresponsible
- 4 We will promote biodiversity preservation, resource efficiency and greenhouse gas emission reduction
- 5 We will respect the best interests of stakeholders impacted by our investments
- 6 We will not tolerate discrimination and will promote diversity by race, gender, sexual orientation, religion or age
- 7 We will not tolerate any form of modern slavery or human trafficking and we, along with our portfolio companies and investments, will treat workforce 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 its own firm-wide 360° ESG strategic framework. The framework sets out eight key areas of ESG activity (see wheel on the right).

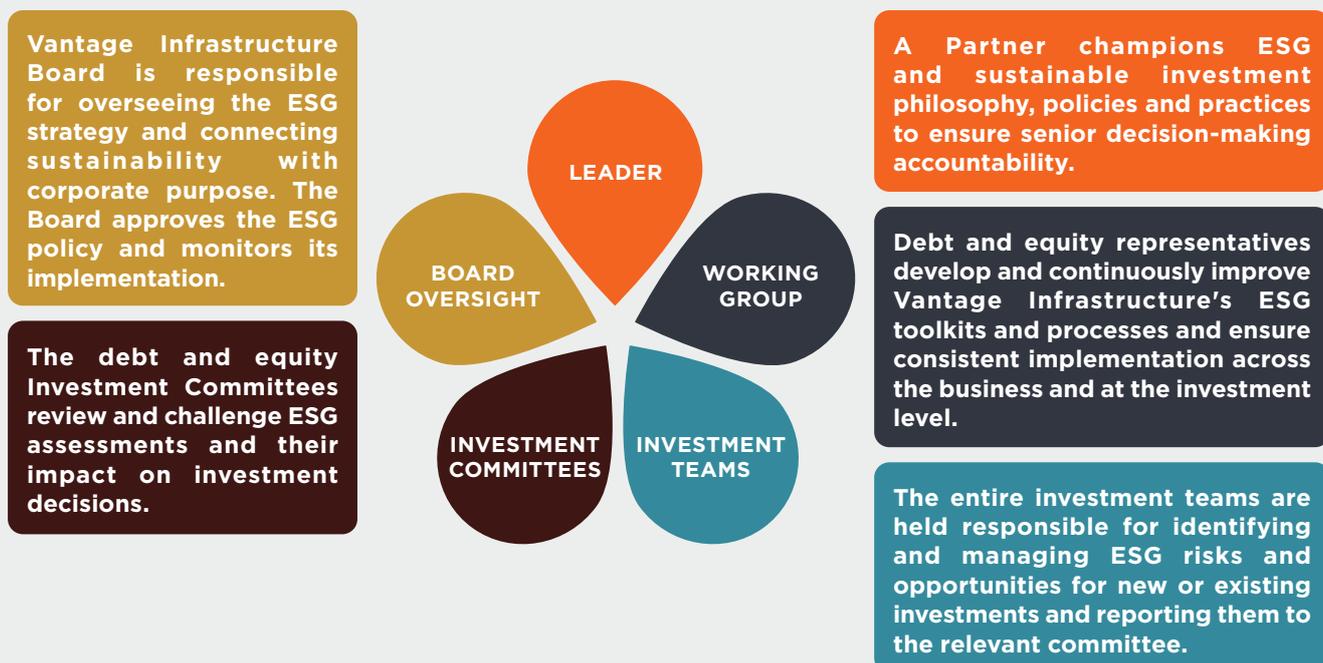
The execution of each of these activities is guided by three main principles:

- 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 portfolio 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

 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. We engage with each of our investors to understand their own ESG strategies and objectives, hence enabling us to tailor solutions in line with their 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 as diligently as 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.

In 2022, all¹ our portfolio companies held for more than 2 years participated in the GRESB survey, with most of them receiving a 5-Star Rating. We conducted 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.



Image: South East Water, Ardingly Reservoir.
Note: (1) Excluding recently acquired equity assets.



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 portfolio companies' level and within Vantage Infrastructure as a manager.





VANTAGE INFRASTRUCTURE'S ESG MATERIALITY ASSESSMENT

ESG MATERIALITY MATRIX

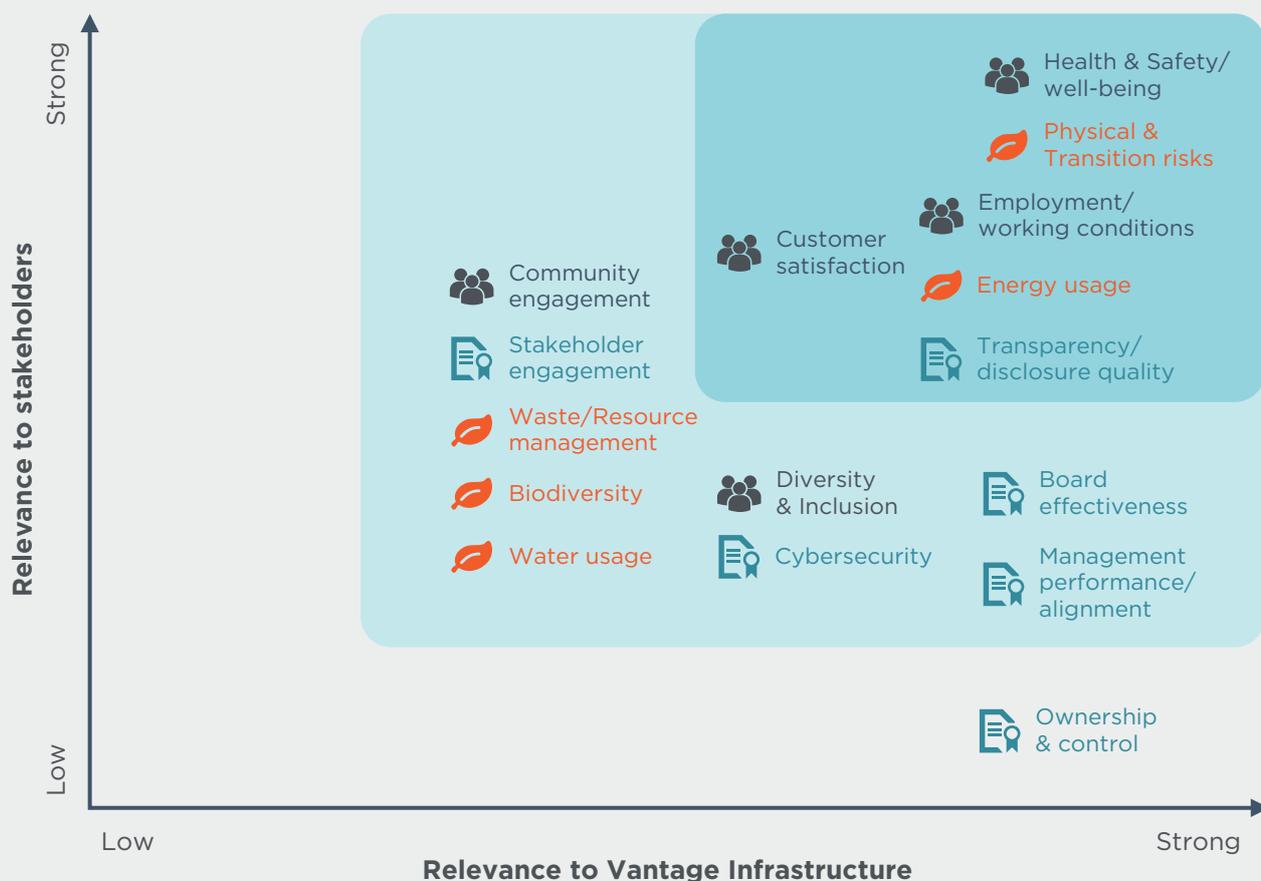
To support its Active ESG Integration approach, Vantage Infrastructure has developed proprietary risk assessment frameworks to consistently identify, evaluate and manage risks and opportunities throughout the investment life cycle of both equity and debt investments.

When performing those risk assessments, Vantage Infrastructure uses a list of non-exhaustive ESG factors, which it typically considers as part of its screening, due diligence and asset management activities. The list draws from a range of industry standards and principles such as GRESB, TCFD, the Ten Principles of the UN Global Compact and the Equator Principles and Vantage Infrastructure's investment experience.

For each (existing or potential) equity investment, ESG factors are assessed from a materiality and risk to value perspective, which can vary depending on its location, sector, market, regulation, business model, stakeholders.

Based on the risk assessment of each portfolio company, continuous dialogue with its broader stakeholders and considerations on the key issues facing the infrastructure sector, Vantage Infrastructure has summarised the high level conclusions of our work in the ESG materiality matrix below.

This ESG materiality matrix ranks sustainability issues based on their relative relevance to Vantage Infrastructure's current equity investments and its stakeholders. This categorisation helps ensure appropriate prioritisation is given to ESG factors based on their relative relevance and develop targeted initiatives to mitigate ESG risks, improve sustainability and drive value for our investors in the long-term.



Environmental factors Social factors Governance factors

VANTAGE INFRASTRUCTURE'S SUSTAINABILITY OBJECTIVES



OVERVIEW OF OUR SUSTAINABILITY GOALS AND PROGRESS MADE

In order to efficiently manage ESG risks identified, Vantage Infrastructure has defined objectives and practical actions to be implemented to achieve them. The table below provides our progress made against each of those E|S|G objectives.

ENVIRONMENTAL	Climate Resilience	<ul style="list-style-type: none"> Assess portfolios' carbon footprint Set carbon reduction targets per asset Transition to net zero 	<ul style="list-style-type: none"> Scopes 1/2/3 for all equity investments conducted¹ and verified externally and yearly for most companies. Data collated for most debt investments and reported to investors Carbon reduction targets set for all equity investments¹ Net Zero/SBT targets implemented or being assessed
	Biodiversity	<ul style="list-style-type: none"> Track wildlife and biodiversity impacts Protect/enhance wildlife and biodiversity Progress TNFD training and adoption 	<ul style="list-style-type: none"> Adequate risk management, processes and monitoring in place to limit and remediate negative effects¹ Invest in programmes enhancing biodiversity, with the support of community¹ Training of investment team to be arranged once TNFD developed. Education programme to be developed for portfolio companies
	Resource Efficiency	<ul style="list-style-type: none"> Track water and energy usage and waste generation Optimise water and energy resources Adopt measures promoting a circular economy by 2025 	<ul style="list-style-type: none"> Energy, water and waste data are disclosed for all equity investments annually. Data being sought for all debt investments Implemented measures to reduce their energy/water usage (on an intensity basis), while aiming to increase renewable energy use Most equity companies target to increase recycling of generated waste
SOCIAL	Health & Safety & Well being	<ul style="list-style-type: none"> Implement a strong H&S culture and risk management system, while ensuring staff well being 	<ul style="list-style-type: none"> H&S and well-being performance monitored for all equity investments, with no major incident to date. Risk management systems assessed and reinforced as relevant All equity companies have H&S KPIs in place¹
	Diversity & Inclusion	<ul style="list-style-type: none"> Improve D&I Deep dive initiative for Equity assets 	<ul style="list-style-type: none"> D&I statistics tracked annually across debt and equity investments. Strong D&I performance and culture, reinforced by staff training and thought leadership D&I deep dive started in 2020 for the equity portfolio, with progress being monitored and reported to clients (see case studies p22)
	Staff Engagement	<ul style="list-style-type: none"> Implement engagement programmes to ensure staff satisfaction and involvement 	<ul style="list-style-type: none"> Staff satisfaction surveys regularly conducted at all equity investments, with engagement initiatives and improvement plans being actioned¹
	Supply Chain	<ul style="list-style-type: none"> Promote good ESG practices through supply chains at manager and investment levels Deep dive initiative for equity assets 	<ul style="list-style-type: none"> Deep dive run in 2022 to map supply chain maturity of equity portfolio. Further work identified to strengthen integration into SC (see case studies p22)
GOVERNANCE	Board Effectiveness, Management Performance	<ul style="list-style-type: none"> Establish board and management accountability Create management alignment to drive performance Put succession planning arrangements in place 	<ul style="list-style-type: none"> Policies, reporting and governance processes in place to ensure the effective review and discussion of key decisions and manage risks and create value Board and management composition and succession risk actively managed (see case studies p22) Management performance closely monitored; Incentive schemes in place to motivate/retain management teams with financial, operational and ESG KPIs; yearly interviews of senior executives
	Transparency & Disclosure Quality	<ul style="list-style-type: none"> Ensure high quality disclosures to Vantage Infrastructure and clients Improve ESG reporting 	<ul style="list-style-type: none"> Processes in place to obtain high quality reporting on key operational, financial and ESG topics (board pack, risk register, management reports, Annual Reports) GRESB assessments, ESG data collection and questionnaires to generate ESG client reporting; TCFD disclosures and Sustainability Reporting support where relevant
	Cyber-Security & Data Protection	<ul style="list-style-type: none"> Ensure appropriate cybersecurity risk management systems in place Monitor data protection practices for the equity portfolio 	<ul style="list-style-type: none"> Cybersecurity deep dive done in 2021 assessing risk-to-value. Next steps identified on governance, mitigation and SC cyber resilience to be monitored (see case studies p22) Data protection assessment not started

Note: (1) Excluding recent equity acquisitions.



CLIMATE STRATEGY

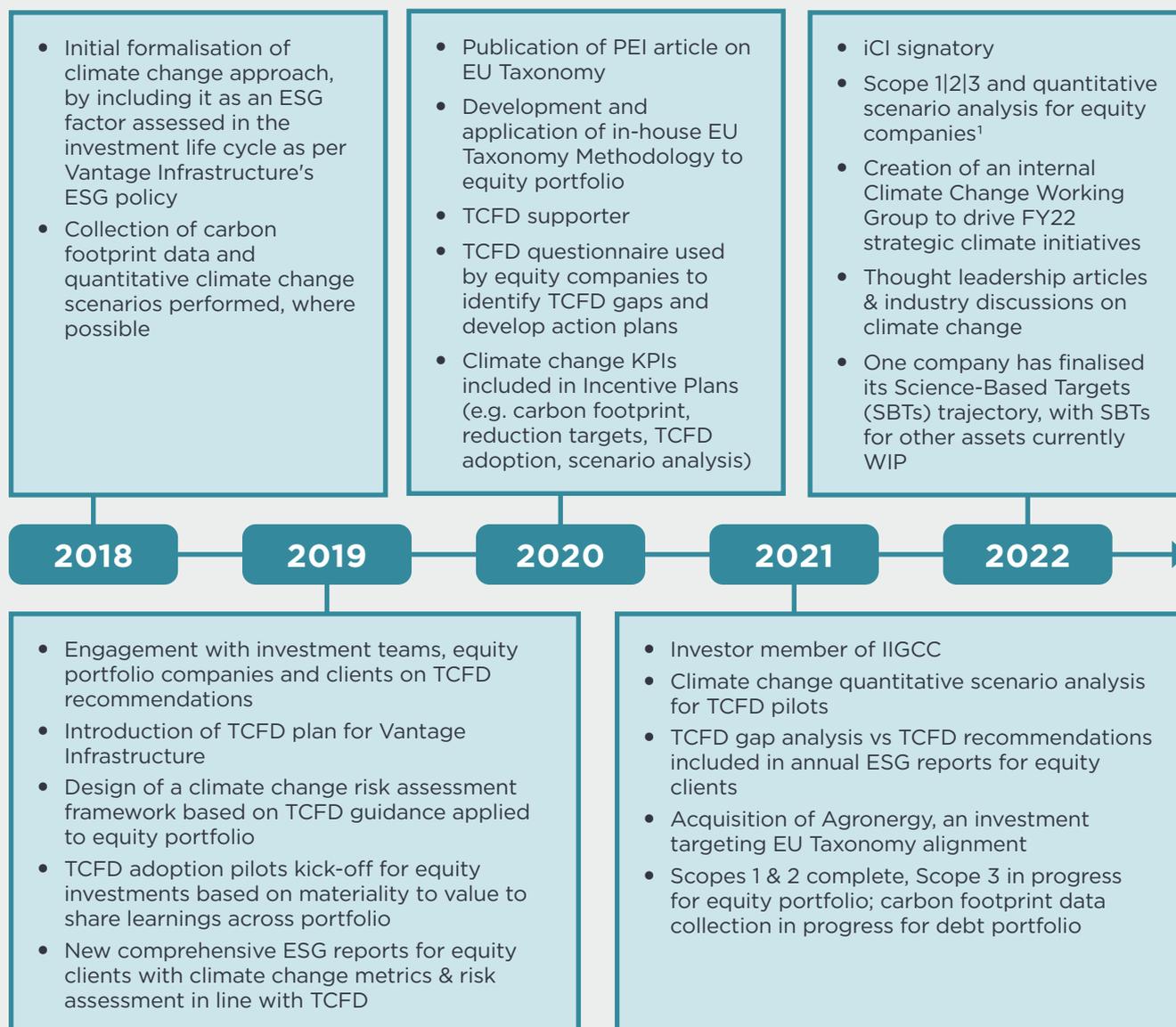
▶ VANTAGE INFRASTRUCTURE'S COMMITMENT TO CLIMATE

As stewards of our investors' capital, we have a responsibility to develop best-in-class integration of ESG considerations in our investment decisions. This includes risks and opportunities related to climate change. We believe that managing those and contributing to the decarbonisation of the economy is key to delivering resilient performance and sustainable investment returns.

Vantage Infrastructure's Climate Strategy, evolved and continuously refined over the past 5 years, rests on four key principles, with its climate change integration approach applied throughout the investment life cycle (see page 19).

While there is still a lot to do, the firm continues to work with its stakeholders to strengthen its approach to tackle the climate change challenge.

▶ CLIMATE CHANGE JOURNEY



▶ VANTAGE INFRASTRUCTURE'S THOUGHT LEADERSHIP ON CLIMATE CHANGE

TCFD [TCFD: The Case For Decision-making](#)



[Ending the scourge of greenwashing](#)



[Embracing the EU Taxonomy revolution](#)

Note: (1) For equity investments held for 2+ years.



CLIMATE STRATEGY

▶ CLIMATE CHANGE MANAGEMENT PRINCIPLES

RECOGNISE AND HELP ADDRESS THE CLIMATE CHANGE CHALLENGE



We recognise the adverse effects of climate change on the environment, the society and the economy globally and our responsibility to drive climate action

EMBED CLIMATE-RELATED CONSIDERATIONS IN PROCESSES



Climate change factors must be integrated in governance, strategic planning & investment decisions, risk management and metrics & performance reporting at both manager and investment levels in line with TCFD guidance

INCREASE VALUE RESILIENCE TO CLIMATE CHANGE



Climate change can provide both risks and opportunities to infrastructure portfolios, which can affect the value and risk profile of our existing and future investments. We must assess thoroughly climate change factors, develop plans to improve the resilience of our investments' values and performance and tailor investment strategies

DRIVE CLIMATE ACTION



We seek to work with portfolio companies to elaborate carbon reduction plans, invest in companies contributing to the decarbonisation of the economy and collaborate with like-minded organisations to take meaningful steps towards reaching the Paris Agreement goal

▶ INVESTMENT INTEGRATION

1

ENGAGE & MOTIVATE

- Establish robust governance processes to address climate change
- Assign clear climate change management and board responsibilities
- Build capabilities and develop training programmes on climate change
- Include climate change KPIs in incentive plans where appropriate (e.g. TCFD adoption, decarbonisation action, Taxonomy alignment)

2

ASSESS & MONITOR

- Apply proprietary climate risk materiality assessment tool
- Perform scenario analysis in line with TCFD guidance
- Calculate EU Taxonomy alignment score
- Measure and benchmark energy/water/waste resource and carbon footprint across the equity portfolio and against peers

3

DELIVER & REPORT

- Develop TCFD gap analysis and adoption improvement plans
- Set aligned targets, preferably assured, to reduce emissions and drive resource efficiency
- Define & drive climate change investment strategies and risk mitigations
- Report climate change metrics and progress against climate change strategic goals

4

COMMUNICATE & LEAD

- Foster dialogue with board/management to drive climate change actions
- Promote transparency of climate change related disclosures
- Share climate change knowledge across portfolio companies and industry
- Promote climate action through industry collaborations



CLIMATE STRATEGY – ASSESSING RISKS

▶ ADOPTING TCFD RECOMMENDATIONS



Since 2018, Vantage Infrastructure has actively sought to drive climate change (CC) resilience across its equity portfolio.

The TCFD journey started in 2019 by engaging with staff, portfolio companies and clients on TCFD recommendations and practical ways to implement them, and becoming a TCFD supporter in 2020. Today, Vantage Infrastructure continues to drive uptake of TCFD guidelines by providing incentives (e.g. setting targets such as CC risk assessments, gap analysis and scenario analysis in line with TCFD guidance) and/or direction, including on more complex workstreams like CC scenario analysis.

CLIMATE CHANGE RISK ASSESSMENT

- In 2019, the Equity team designed a climate-related risk assessment tool in line with TCFD guidance to analyse the risk materiality, risk-to-value and time horizon of physical/transition risks and opportunities
- The analysis is performed on potential and existing equity investments and presented to the Equity Investment Committee and clients as relevant. In 2021, the Debt team also started using the tool to assist its analysis and report to clients
- Assets identified as most exposed were selected to run targeted TCFD pilots, strengthening the learning experience for other companies as they progress on their action plans

GAP ANALYSIS ON INTEGRATION OF TCFD PILLARS

- In 2020, a questionnaire covering each of the four TCFD pillars (Governance, Strategy, Risk Management and Metrics/Targets) was developed, helping identify companies' gaps
- Pilots were encouraged to carry out a formal gap analysis with the support of consultants, with the aim of closing any substantial ones over a 12-18 month period

SCENARIO ANALYSIS AND DECISION MAKING

- Following the completion of qualitative scenario analyses, the Equity team worked with companies to focus on quantitative analyses. These have all been provisionally run
- The outcome, alongside carbon footprinting, will inform long-term strategies to ensure assets strive for resilience in a net-zero world

TRANSPARENT DISCLOSURES

- As a TCFD supporter, Vantage Infrastructure promotes more transparency around climate-related information, by better incorporating climate change risks & opportunities in risk management and strategic planning processes
- The Equity team monitors portfolio companies' disclosures, encouraging them to close identified gaps

THE TCFD JOURNEY: ARI

Vantage Infrastructure has been driving the TCFD journey of all its equity investments, regardless of their size, sector and CC exposure

- In **last year's Sustainability Report**, Vantage Infrastructure highlighted the TCFD journey of Phoenix Natural Gas (PNG), the largest gas distribution operator in Northern Ireland. With a relatively nascent plastic pipe network, PNG's infrastructure has the potential to distribute cleaner gases like hydrogen and biogas, and its role in the energy transition has become a key workstream and value driver in recent years. Given material climate change-related risks faced as a distributor of fossil fuels, and the opportunities to provide a solution to the decarbonisation of heat, PNG was selected as Vantage's pilot to fully implement the TCFD recommendations as early as 2019
- **This year**, we focused on Australian Registry Investments (ARI), a largely office-based business and the sole provider of land titling and registration services in NSW, the most populous state in Australia. Despite a relatively limited interplay with climate compared with other assets, when it comes to climate change, everyone has a part to play, and in recent years Vantage Infrastructure has worked with the company to define its climate strategy

2019

Initial Engagement

- Vantage Infrastructure discusses with ARI possible climate impacts of and to the company
- These are assessed as, on the whole, being indirect and limited

2020

Management Buy-in

- Vantage Infrastructure completes a TCFD gap analysis for ARI using the 4-pillar framework (Governance, Strategy, Risk Management and Metrics & Targets)
- Vantage Infrastructure obtains management buy in to carry out a climate-related risk assessment

2021

Gap Analysis & Goal Setting

- Initial climate change risk assessment developed by Vantage Infrastructure and ARI
- Risks/opportunities classified in line with TCFD guidelines. Disclosed in financial statements
- Timeframe set to close TCFD gaps
- Climate mitigation actions identified despite risk to value being deemed as low
- Sustainability linked loan drawn. KPIs include GHG emission reduction targets over a 5-year period, with Net Zero by FY26

2022

Scenario Analysis & SBT Setting

- *Qualitative* and *quantitative* scenario analyses carried out by ARI and advisor under 3 NGFS¹ scenarios
- SBTs² set, with 1.5°C target. ARI plan to reduce Scope 1 and 2 emissions 42% by 2030, with a commitment to measure and reduce Scope 3

2023

Action Plan

- During 2023 and beyond, Vantage Infrastructure and ARI plan to:
- Begin discussions on how scenario analysis could impact ST/MT/LT business strategy
 - Refine scenario analysis as more information becomes available
 - Monitor progress against climate targets (including emission reduction)

Notes: (1) NGFS stands for Network for Greening the Financial System; (2) Science-Based Targets.



CLIMATE STRATEGY – DRIVING DECARBONISATION

► EMBEDDING DECARBONISATION ACROSS THE FIRM AND ITS PORTFOLIOS

As an asset manager specialised in infrastructure, we believe we have a meaningful role to play in supporting the achievement of the goals of the Paris Agreement. Our belief is value driven: a low carbon, climate resilient world reduces risks for our investments. As per our active climate change integration approach, Vantage Infrastructure seeks to:

- Support, collaborate with and/or follow guidance from organisations promoting the decarbonisation of the economy such as PRI, TCFD, IIGCC and iCI
- Provide training to our investment teams, and, where appropriate, to our portfolio companies’ staff, on climate change concepts, tools and methodologies
- Actively engage with portfolio companies at board and management levels on the impact of climate change on their businesses and vice versa
- Encourage, support and where appropriate incentivise portfolio companies to calculate, monitor, report and reduce GHG emissions

ESTIMATING CARBON EMISSIONS

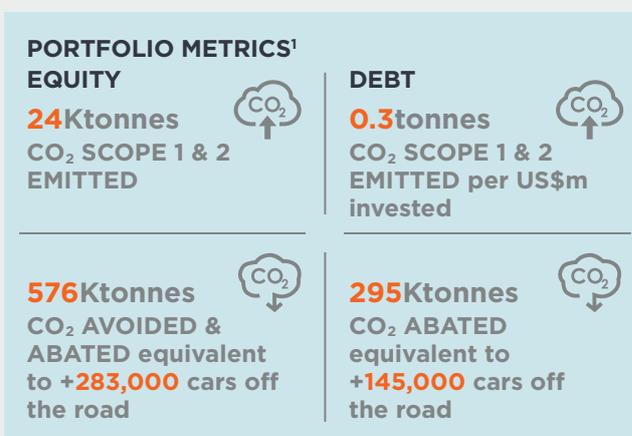
- For equity investments, GHG emissions are externally calculated and/or verified in line with the GHG Protocol and reported to clients annually. The Equity team reported, for all of its investments, Scopes 1, 2 and 3 emissions in 2022 and estimated each of their temperature ratings in 2023. Carbon footprints are also estimated pre-acquisition where possible
- The Debt team collated emissions data from its portfolio companies in 2022 and, where unavailable, estimated the Scopes 1 and 2 data using industry comparables for client reporting

SUPPORTING DECARBONISATION ACTIONS

- Most equity portfolio companies have carbon reduction targets. Most have already developed net-zero plans. For instance, South East Water (SEW) is committed to achieving net-zero by 2030 (see case study) and Australian Registry Investments (ARI) set Science-Based Targets in 2022, with a trajectory to reduce emissions by 42% by 2030
- Performance against targets are monitored, value impact is assessed and support is provided to deliver those plans

SOURCING LOW CARBON INVESTMENTS

- Vantage Infrastructure has long considered carbon emissions when sourcing new investments through carbon positive companies (i.e. renewable energy producers) or companies contributing to the energy transition (i.e. natural gas distributors)
- More recently, Vantage Infrastructure’s equity investment strategy has specifically been driven by the long-term decarbonisation of the economy. For instance, Agronergy, acquired in 2021, has a strong EU Taxonomy alignment potential



NET-ZERO PLAN (SOUTH EAST WATER)

- SEW distributes drinking water to 2.2m customers in Kent, Sussex, Surrey, Hampshire and Berkshire
- The Company, which has been reporting GHG emissions for over 10 years and reducing them by 38% in 2020-25, published in 2021 its plan to achieve net-zero by 2030
- The decarbonisation plan includes switching to commercial green Power Purchase Agreements, implementing energy efficiency measures and installing solar generators onsite
- The Company’s efforts are steered towards meeting net-zero with minimal carbon offsetting measures
- Vantage Infrastructure has been involved in the strategic process of setting the Company’s targets and assessing various decarbonisation options
- In FY 2022, all energy used was carbon zero by securing a renewable energy guarantee of origin
- Vantage Infrastructure is working closely with the Company on installations of solar PV on SEW sites, which are currently under development



Image: South East Water, Ardingly Reservoir.

Note: (1) Latest available full financial year reported and pro-rated for ownership stakes of respective investments.



TRANSLATING STRATEGY INTO ACTIONS

► CREATING VALUE IN EQUITY INVESTMENTS

Vantage Infrastructure creates value through its active asset management processes and strategies, by improving business profitability, driving growth outcomes, optimising capital structure and maximising exit opportunities. Those systematically encapsulate sustainability-related considerations. Practically, active ESG integration initiatives across our equity portfolio include:

- Establishing ESG accountability at all senior levels and including ESG KPIs in Incentive Plans
- Integrating ESG considerations within the company's strategy, risk register, systems and processes
- Setting robust governance, monitoring and reporting processes, with stretching, yet achievable, ESG targets to analyse ESG risks and opportunities and track performance
- Promoting ESG best practices (ESG policies, processes, reporting, training)
- Tailoring ambitious ESG action plans to generate sustainable outcomes

For instance, every year Vantage Infrastructure conducts a deep dive review of a targeted ESG area, by assessing corresponding risks and opportunities in detail, benchmarking performance across the portfolio, and driving improvements by sharing best practices and setting objectives.

TAKING ACTION IN DIVERSITY & INCLUSION (D&I)

In 2020, Vantage Infrastructure carried out a deep dive analysis of its companies' D&I performance to support them in this area and share best practices

- Companies were asked to complete a comprehensive questionnaire and developed improvement plans. Where possible, the Equity team also set D&I KPIs in incentive schemes
- Two years on, progress includes improved D&I governance and processes, such as extensive D&I data collection and reporting, improved recruitment policies, training programmes as well as the definition of a D&I strategy and targets
- The team encourages companies in this area and tracks D&I performance KPIs

ASSESSING CYBERSECURITY RISK-TO-VALUE

In 2021, Vantage Infrastructure conducted a risk-to-value review of cybersecurity across its equity portfolio, given the risk of essential services provider being targeted and the increasing reliance on IT during and post-pandemic

- Assessed appropriateness of processes, responsibilities, auditing, reporting and insurance levels in place
- Considered level of risk controls given underlying exposure and put targeted plans in place to strengthen monitoring and reporting, where companies could improve

BUILDING RESILIENT SUPPLY CHAINS (SC)

- In 2022, Vantage Infrastructure reviewed the management of ESG factors in the SC, with benefits to reputation, risk management and value
- Developed a bespoke questionnaire to assess portfolio companies' ESG awareness, integration and performance in their SC, in line with best practices (UN PRI, UN Global Compact)
- Shared ESG SC management roadmap and discussed areas for improvement, e.g. SC mapping, ESG integration in procurement processes, communication of ESG expectations, ESG due diligence and audits, capability building programmes
- Identified initial actions for each investment, taking into account specific risk exposure, stage of ESG integration, and contractual and commercial relationship with suppliers

- Continued to push towards commitments to NZ, given typical large contribution of SC to CO2 emissions

STARTING THE ESG JOURNEY FROM SCRATCH

Vantage Infrastructure provides ESG support, wherever its portfolio companies are in their ESG journey. Since Agronegy's (AGN) acquisition in Sep 2021, the team has been focusing on:

- Setting clear ESG KPIs for senior executives to ensure alignment
- Working with management to define an ESG roadmap, identify gaps and prioritise actions
- Raising staff and senior management ESG awareness with topical presentations and targeted workshops on key ESG and climate change topics
- Hiring a CFO and QHSE manager to define / improve ESG practices and foster an ESG culture
- Organising cross-portfolio session to help AGN identify ESG operational value-add and define its ESG strategy
- Retaining a consultant to estimate the Company's carbon footprint

MANAGEMENT ALIGNMENT & SUCCESSION PLANNING

Vantage Infrastructure has been actively contributing to the design of management incentive plans and managing the succession planning of its equity investments

- Ensure talent mapping, succession planning and development programmes for mid to senior executives are included as a KPI in management incentive schemes
- Arrange coaching, mentoring, training or other forms of support for internal candidates and newly promoted/recruited executives
- Select consultants to conduct market mapping, external search and benchmarking exercises
- Interview candidates, testing skillset, experience, leadership and cultural fit
- Agree optimal organisation chart to deliver business objectives
- Design management incentive plans, setting financial, operational and ESG targets to drive appropriate behaviours and value creation



TRANSLATING STRATEGY INTO ACTIONS

► DEBT INVESTMENT DECISIONS

Vantage Infrastructure's Debt ESG investment strategy reflects our position as a sustainable investment firm. This means that our investments are made in expectation of a transition to a net zero world and are robust to this. We nevertheless recognise that there are different pathways to net zero and that the geographies in which we are active have made varying degrees of progress along these pathways. Our investment decisions are therefore taken with net zero in mind, with analysis undertaken relative to local market and global developments, as applicable. In this way we aim to responsibly combine sustainable solutions with the best risk adjusted return outcomes.

Across the infrastructure debt universe, it is possible to construct a portfolio with considerable sectoral diversity whilst maintaining sustainable ESG credentials. The opportunity set extends much broader than renewable energy, encompassing transport, utilities, and digital infrastructure, amongst others. This diversification has been one of several factors which helped the asset class's resilience through the COVID-19 crisis and historically through periods of economic turbulence.

In the section below, we highlight recent investment decisions that have been informed by our sustainability strategy with examples of how ESG issues are considered in our investment process.

DECISION TO INVEST

A key tenet of the transition to net zero, in which we believe infrastructure investors can play a meaningful role, is the decarbonisation of transport systems.

During 2022, Vantage Infrastructure assessed a northern European ferry company which is gradually transitioning towards more sustainable vessels, through either electric capabilities or using biofuels. This transition creates a risk for existing ferry operators as their fleet could become obsolete if municipalities require ferry routes to become increasingly low emission. Through our detailed due diligence, we learned that the company had already made good progress in electrifying its fleet and had established a good track record of winning low-emission tenders.

Part of our loan proceeds will be used for capex, allowing the company to bid for more contracts of this kind, further electrifying its fleet over the debt tenor.

Other companies with ESG-positive credentials we have invested in over the last year include:

- a provider of broadband services to communities in rural Midwest, USA, that would otherwise be poorly served for digital communications
- a leading European energy service provider committed to decarbonising its generating portfolio and promoting green energy solutions to help its customers improve their carbon footprint
- the largest developer, owner and manager of student housing communities in the US providing safe and secure accommodation in resource efficient buildings, retro-fitted with energy efficient appliances and lighting



DECLINED INVESTMENTS

Vantage Infrastructure was approached to finance a gas transition asset in the North Sea in mid 2022.

The importance of gas transportation infrastructure and its near term demand outlook is clear and, therefore, we remain open to financing these assets where we consider they will remain essential throughout any energy transition over the likely financing term. However, we are cautious with regards to the likelihood of new offshore gas developments over the longer term as these may be inconsistent with a path to net zero by 2050.

Our feedback to the sponsor and advisor on this asset was that we needed debt service to be covered by the equivalent of "Proven, Developed and Producing" Reserves. However, they counter-proposed that lenders take some risk on the future development of various "near-term" reserves, none of which had received a Final Investment Decision.

The gap between our two debt sizing approaches was not viewed as being consistent with our ESG investment strategy and we therefore declined the transaction.





TRANSLATING STRATEGY INTO ACTIONS

► DEBT ENGAGEMENT ACTIVITIES

In addition to careful asset selection, Vantage Infrastructure's Debt ESG investment strategy promotes active engagement with borrowers before and after investment. We recognise that debt investors' greatest influence is generally pre-investment, and utilise this period not just to fully understand the credit and ESG profile of a transaction, but also to negotiate appropriate reporting transparency, increasingly related to ESG data and sustainability-linked KPIs.

During 2022, our engagement activities have continued to prioritise climate and ESG transparency. Our commitment as a TCFD supporter, the forthcoming requirements of the EU's SFDR and our investors' increasing expectations for ESG reporting have combined to make access to reliable ESG data important. In addition to working with our portfolio companies to encourage the provision of this data, Vantage Infrastructure has also collaborated with peers through our ESG networks and associations to promote and standardise ESG data requests across the infrastructure debt industry.

As highlighted below, we are delighted to see that our sustained engagement and industry collaboration is driving meaningful change with materially greater numbers of borrowers now willing and able to share ESG data. For some infrastructure debt borrowers there is still a long way to go to implement the systems needed to meet the demanding new expectations of the industry. However, by engaging early, and standardising requests, we believe we can achieve the best outcome. Due to this intense and portfolio-wide engagement, we have now been able to provide our investors with detailed climate-related ESG reporting.

PRE-INVESTMENT

Another macro trend we believe infrastructure investment can support is in addressing the needs of an aging population with the resultant demands that this will place on healthcare.

In 2022 Vantage Infrastructure provided financing to an Italian healthcare company which provides pharmaceutical services across northern and central Italy which we believe will benefit from these demographic changes. Pharmacies play a key role in community infrastructure, providing visible and easy access to essential drugs and medical products as well as providing health advice, vaccinations and testing services which in turn reduces pressure on the wider healthcare system.

One risk we identified during due diligence is that the company utilises a large number of buildings across its portfolio, thereby exposing it to the risk of material energy consumption for its heat, cooling and electricity consumption. The company's new shareholders were cognisant of this and had committed to installing rooftop solar panels to help meet these needs.

However, to ensure ongoing visibility over the company's progress to decarbonise and overall ESG outcomes, we engaged prior to investment to agree environmental reporting obligations.

POST-INVESTMENT

Vantage Infrastructure views positively the increasing interest from infrastructure debt borrowers in arranging sustainability linked loans. However, we have had reservations that the ESG KPIs proposed are sometimes set at a "business as usual" level rather than incentivising borrowers to make meaningful ESG progress.

During 2022, we were approached by one of our borrowers, a Dutch rural fibre network provider, with a proposal to implement sustainability linked KPIs into their existing financing.

Whilst the company's baseline performance in the KPIs was impressively strong in comparison to peers, we assessed the proposed target levels did little to stretch it beyond its existing performance. We therefore advised the borrower that we did not view the proposed target levels as ambitious enough to be aligned to the Sustainability-Linked Loan Principles, making them hard for us to support. We also used this opportunity to seek improvements to the existing ESG reporting package they produced.

The borrower was initially reluctant to commit to more ambitious goals but Vantage's feedback was consistent with other funders in the wider lender group, as the borrower ultimately put in place KPIs and targets which will push their performance beyond their baseline forecasts. It also agreed to provide an extensive ESG reporting package.





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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