Taskforce for Climate-Related Disclosures

Vantage Infrastructure Group

2024 Statement

1. INTRODUCTION

Vantage recognises climate change is a critical global issue which long term investments in infrastructure assets may be particularly exposed to. The firm also acknowledges that asset managers, particularly those in the infrastructure sector, can play a meaningful role in supporting the goals of the Paris Agreement to limit global warming. As a sustainable infrastructure asset manager, Vantage is therefore committed to assessing the impact of climate-related risks and opportunities on its investments, business strategy and operations, managing their implications and, where possible, promoting climate change mitigation and adaptation.

In support of this commitment, Vantage became a formal supporter of the Task Force on Climate-related Financial Disclosures (TCFD) in 2020. In the same year, it began reporting on its progress towards implementing the TCFD recommendations to improve transparency regarding its approach towards assessing and managing climate-related risks and opportunities. In this section, Vantage is pleased to present its fifth disclosure against the TCFD recommendations.

Key highlights for 2024 include:

- After making a commitment to the Net Zero Asset Managers (NZAM) initiative in late 2023, Vantage commenced work on its initial target setting process, with its Initial Target Disclosure to be published in 2025
- Significant progress was made on obtaining improved asset-level ESG data quality with the implementation of a new data collection portal, enabling 100% carbon intensity data coverage for its debt portfolios
- The development of Vantage's first Article 8 product, which promotes environmental and social characteristics, most notably in support of the energy transition.

2. GOVERNANCE

Vantage's ESG and Sustainable Investment Policy sets out the firm's governance structure for all sustainability considerations, including the oversight and management of climate-related risks and opportunities. The policy defines the roles of the firm's governance bodies and senior leaders, who provide oversight and guidance on climate-related matters; however, all Vantage investment professionals have accountability for integrating climate-related considerations into their investment analysis and processes. The core governance functions are set out below.

- **Board of Directors**
  The Vantage Board is responsible for monitoring and overseeing Vantage's overall ESG strategy and connecting sustainability with its corporate purpose, including regarding the firm's progress towards addressing climate-related issues. Sustainability, including climate-related matters, is a core part of Vantage's strategy given its entwinement with infrastructure investing and importance to many of the firm's investors. Consequently, the Board will discuss climate related matters, including the review and approval of Vantage's ESG and Sustainable Investment Policy, on an annual basis.
  Vantage's Risk Committee and Executive Committee support and report to the Board in relation to climate-related matters through their responsibility for identifying, assessing and managing risks to the business.
- **Sustainability leadership**
  Vantage has appointed a Managing Director to champion sustainability and the firm's approach to climate change analysis, policies and strategy. A Senior Partner and Board member of Vantage has formal oversight and accountability for ESG matters.
- **ESG Working Group**
  A working group, comprising individuals from the debt and equity team, as well as the Head of ESG Integration from Vantage's affiliate company, Capital Four, are responsible for staying current with

the evolution of best practice across the developing and improving ESG toolkits, ensuring consistency of implementation and tracking progress against annual action plans.

- **Investment Committees**
  Vantage's Debt and Equity Investment Committees have responsibility for investment decisions. This includes responsibility for ensuring sustainability risks, including climate-related risks, have been properly integrated into the investment process and for reviewing and challenging climate change assessments and impacts on investment decisions.
- **Investment teams**
  Every member of Vantage's debt and equity investment teams is responsible for identifying and assessing ESG and climate-related risks for the new or existing investments they analyse. A thorough ESG and TCFD-informed risk and opportunities assessment is included in every investment paper for potential new investments and every review for existing investments. Team members are also responsible for engaging with assets to obtain GHG emission and carbon intensity data and for promoting decarbonisation, for example through encouraging net zero commitments, with portfolio companies.
  Portfolio managers are responsible for engaging with existing and potential new investors with the aim of understanding their approach to sustainability and climate-related matters and to encourage the management of portfolios in line with a Net Zero target.

3. STRATEGY

Vantage is a specialist asset manager, focused exclusively on offering investment solutions into infrastructure assets, frequently with a long-term, buy and hold strategy. The firm understands that climate risk and opportunities can have a financial impact on these investments, but also that these assets can have an impact on the economy, society and on the climate. Consequently, its sustainable investment strategy seeks to target both investments that are resilient to climate-related risk whilst also helping to support inclusive and sustainable economies for all.

Our strategic response to climate change includes the following ongoing actions for Vantage and its Debt and Equity investment businesses:

Clients:
- Engage with existing clients on climate change to agree decarbonisation targets
- Consider how climate-related risks and opportunities influence future product design

Investment Selection and Due Diligence:
- Prioritise the selection of assets that support climate mitigation or adaptation
- Seek climate-related analysis and data from potential investee companies
- Integrate climate-related considerations into investment decisions

Asset Management and Stewardship:
- Encourage ongoing climate-related transparency and reporting by portfolio companies
- Regularly update climate-related risk assessments of portfolio companies
- Actively engage with portfolio companies on climate change issues, promoting the adoption of TCFD recommendations and the making of net zero commitments at investment level
- Support potential climate mitigation or adaptation actions at investment level
- For equity portfolio companies, ensure management alignment through KPIs and a corporate culture of sustainability

Vantage Business:
- Consider the impact of climate-related risks and opportunities on our business
- Promote a culture of sustainability with ESG-related KPIs set for all investment personnel

Climate-related risks and opportunities the organisation has identified

Investment Level

Vantage assesses each of its investments for physical and transitional climate-related risks and opportunities over short, medium and long-term horizons. The assessments are conducted during initial due diligence and then on an ongoing basis throughout the investment hold period. The results of these assessments are reported to clients annually.

Through this process, several climate-related risks have been identified which may, or already do, impact assets within the portfolio. These risks are disclosed in detail to the respective clients. Across the portfolio, transition risks have been found to present the most material risk to the firm's long-term infrastructure asset investments. Notable transition risks may comprise future taxes that a company may need to pay, restrictions on its ability to operate following future legislation changes or, particularly for energy generation assets, restrictions on their ability to export and sell power as grids struggle to accommodate new renewable energy projects and the cannibalisation of merchant energy prices in areas experiencing rapid renewable energy roll out. Identified physical risks include wildfires impacting the condition and ability to generate of solar PV transactions, typhoons or rising sea levels impacting port assets and changing rain patterns impacting water supply companies' ability to effectively service their catchment area.

However, for infrastructure assets, there are frequently climate-related opportunities to improve resiliency. This may be, for example, through the installation of renewable energy or energy efficient equipment, through carbon capture and storage or through investing in the electrification of transportation assets.

Vantage Level

No material transition or physical climate-related risks have been identified in relation to Vantage's operations. The business is mainly located in leased office locations in the UK and USA and flexible working can be maintained if these locations are unavailable.

The main risk to Vantage is considered reputational and focused on its failure to identify and manage ESG or climate-related risks within the investments it makes, leading to a loss of value for its clients. This risk is managed through having structured processes in place to assess climate-related risks, regular training being given to investment team members and senior oversight of all analyst work, including scrutiny by investment committees.

Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

The ability of the infrastructure asset class to actively target climate resilience, mitigation or adaptation has enabled Vantage to develop new strategies that actively promote environmental characteristics. This includes an Article 8 product which invests in infrastructure debt transactions and will select a minimum percentage of assets for their ability to contribute towards supporting energy transition to a lower carbon economy, consistent with achieving net zero by 2050 or sooner.

In late 2023, Vantage became a signatory to the Net Zero Asset Managers (NZAM) initiative. The firm has commenced work on its interim target setting process, with its Initial Target Disclosure to be published in 2025, following the consent of its respective clients as these targets will need to be aligned to clients' investment strategies, and vice versa.

4. Risk Management

Vantage has a variety of processes to identify, assess and manage climate-related risks. These are integrated into Vantage's investment process, for risks to existing and potential portfolio investments, and into Vantage's corporate risk manage processes, to manage risks to Vantage. Strategies include top-down investment risk analysis, portfolio company monitoring and engagement activities.

Processes for identifying and assessing climate-related risks

Investment activities

Sustainability risk assessment frameworks have been developed by the debt and equity investment teams to consistently identify and evaluate ESG factors, including climate-related risks, at every stage of the investment process.

In addition to an overarching ESG scoring assessment, the investment teams conduct climate-related risk assessments of every portfolio company, using a framework aligned to the TCFD guidance, to analyse the materiality, risk and timeline of transition risks (policy and regulation; technology; market; reputation), physical risks (acute; chronic) and climate-related opportunities. The analysis is performed annually on existing investments and as part of late-stage due diligence for potential new investments and is presented to the respective Investment Committees and client(s), where applicable. Several portfolio companies also report their own risks and opportunities analysis within their risk management processes or regular reporting.

Vantage collects SFDR-aligned Principle Adverse Impact data from portfolio companies, which provides useful data on each company's carbon emissions, carbon intensity, fossil fuel exposure and renewable energy consumption and generation. The increasing availability and reliability of this data means the firm can now assess ways to more systematically incorporate it into its evaluation of climate-related risk and an asset's overall ESG assessment score. The firm also assesses each portfolio company's progress to commit and align to a net zero target and will prioritise engagement with outlying companies whose progress has fallen behind that of peers within a sector.

Corporate activities

At a corporate level, Vantage's 'Risk Framework' governs the firm's arrangements to monitor and assess the adequacy and effectiveness of its procedures, controls, risk management measures and actions. Vantage's Risk Committee and Board regularly review and update its risk management policies and its risk register, which ranks all identified risks by impact and likelihood, including ESG-related risks. Among Vantage's investment policies, its ESG and Sustainable Investment Policy describes how the firm integrates ESG considerations, including climate-related factors, into its investment processes.

Processes for managing climate-related risks and how these processes are integrated into the organisation's overall risk management

Investment activities

The debt and equity Investment Committees are ultimately responsible for making investment decisions, based on the investment analysis, which incorporates a description of climate-related risks prepared by the investment analysts. Transactions will be declined if the sustainability risks are deemed high or unmanaged, and these declines typically occur at investment team level, prior to a transaction being presented to the Investment Committee.

Vantage prioritises and resources an active approach to the asset management of its portfolio investments, across both its debt and equity portfolios, allowing the firm to maintain good oversight of any emerging risks and act swiftly should issues be identified. Vantage regularly engages with portfolio companies to receive and review sustainability and climate-related information and to promote emission reductions and net zero commitments where possible. Where risks are identified, Vantage will engage with the relevant stakeholders, including company management teams, sponsors, advisers and co-funders (whether debt or equity providers) to manage the situation appropriately.

Corporate activities

From an operational perspective, all employees have the ability to work remotely, reducing business risk stemming from physical climate hazards.

The firm works with myClimate to assess its carbon footprint on an annual basis and makes a financial contribution towards climate protection projects based on this climate footprint. These projects are intended to save or remove as many emissions from the atmosphere as the company produces via its own operations. Additional initiatives to reduce the firm's environmental impact include sorting and recycling waste and using refillable glass bottles rather than single use plastic bottles or cups.

5. Metrics and Targets

We continue to use various metrics to track progress against our climate strategy, ensuring transparency and accountability for climate impacts and risks. The latest available data is for the 2023 calendar year.

Metrics to assess climate-related risks and opportunities

GHG emissions from investments

Vantage works with its portfolio companies to encourage the accurate reporting of metrics in relation to climate change. Metrics sought include energy usage, carbon emissions and savings, and are informed by the SFDR Principle Adverse Impact metrics. Despite significant and ongoing engagement, Vantage recognises that the data set across its portfolio may have gaps and inaccuracies. The firm uses industry averages and external data providers to help fill gaps and identify material outliers. It also promotes the merits of obtaining data assurances and reports to investors when data is estimated or unverified.

The latest GHG emissions, carbon footprint and intensity of the firm's Debt portfolio investment are shown below. Year-on-year increases in Scope 2 and 3 are predominantly driven by increased data availability and accuracy rather than negative trends in the average emissions performance of portfolio companies. As can be seen, data coverage materially improved between 2022 and 2023.

		Current Year (FY23)		Previous Year (FY22)	
Indicator	Metric	Impact	Data Coverage	Impact	Data Coverage
1. GHG Emissions[1]	Scope 1 GHG Emissions (measured in tonnes of CO2e)	760,118.81	100.0%	876,461.34	91.5%
	Scope 2 GHG Emissions (measured in tonnes of CO2e)	74,707.29	88.5%	42,449.80	78.8%
	Scope 3 GHG Emissions (measured in tonnes of CO2e)	260,183.05	63.6%	246,668.60	50.9%
	Total GHG Emissions (measured in tonnes of CO2e)	1,095,009.15	100.0%	1,165,579.75	91.5%
2. Carbon Footprint[2]	Carbon Footprint (measured in tonnes of CO2e per million USD invested)	367.38	100.0%	375.12	84.6%
3. GHG Intensity of Investee Companies[3]	GHG Intensity of Investee Companies (measured in tonnes of CO2e per million USD revenue)	1,150.53	100.0%	757.74	71.4%

Footnotes:
(1) Attributed GHG emissions calcualted using the proportion of Vantage-provided debt drawn to the enterprise value of each asset, in line with the PCAF methodology
(2) Weighted average carbon footprint of each asset
(3) Weighted average GHG intensity of each asset

GHG emissions from Vantage operations

The climate impact from Vantage's own operations is dominated by business travel and overnight stays, resulting in material dip in Scope 3 emissions during 2020-2022 as the pandemic reduced business travel. Energy consumption, commuting, IT materials and food and beverages also contribute. As noted above, the firm makes a financial contribution each year towards climate protection projects in an amount equal to the climate footprint of its operations.

The development of operational emissions from 2019 is shown below. Emission calculations are based on the internationally recognised “GHG Protocol: A Corporate Accounting and Reporting Standard” and comprise the climate-affecting greenhouse gases over which the company has operational control.

	2019	2020	2021	2022	2023
Scope 1 GHG emissions (measured in tonnes of CO_2e)	67.4	1.5	1.9	1.9	1.6
Scope 2 GHG emissions (measured in tonnes of CO_2e)	0	27.0	31.2	20.7	16.4
Scope 3 GHG emissions (measured in tonnes of CO_2e)	276.3	131.1	50.4	71.4	146.1
Total GHG emissions (measured in tonnes of CO_2e)	343.7	159.6	83.4	93.9	164.2

Targets to manage climate-related risks and opportunities

Targets for investment portfolios

Vantage became a signatory to NZAM in late 2023. By pledging to achieve net zero GHG emissions across its AUM by 2050, or sooner, Vantage is aligning its investment strategies with the global imperative to mitigate climate change. Vantage’s Initial Target Disclosure will be made in 2025.

6. Looking ahead

Vantage recognises that, despite the progress achieved to date, there is more it can do to improve its approach to identifying, assessing and managing climate-related risks and opportunities. Looking forward, its priorities include:

1. Finalising its initial interim Net Zero targets in conjunction with clients
2. Continuing to raise awareness of its Net Zero strategy with issuers and investors
3. Implementing enhanced engagement processes related to climate-related risks, including tracking of engagement efforts
4. Enhancing disclosure and transparency efforts
5. Continuing to develop and upgrade climate risk assessment tools, including the implementation of quantitative climate-related scenario analysis across its debt portfolio

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