

# Infracapital's Approach to Responsible Investment







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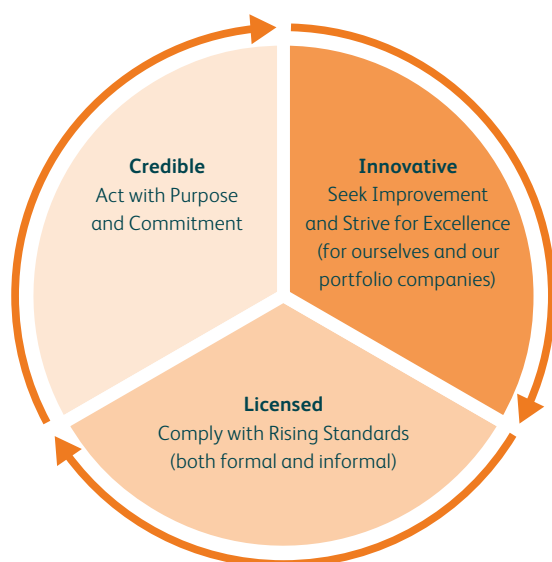
# Our Responsible Investment Approach

## Our Purpose

At Infracapital, our purpose is to invest in, build and manage essential sustainable infrastructure. We are excited by the role that we can play in creating a more sustainable and inclusive world through our investment activity, from investing in new innovative solutions to support the decarbonisation agenda to delivering impact by reaching underserved rural communities through mass digitalisation.

## Our ESG Vision

Our ESG vision can be summarised across three key pillars:



We see our journey as non-finite and constantly evolving. We are committed to challenging ourselves to continually evolve and **innovate**, both in identifying the new infrastructure to address the 21st century challenges and in our, and our existing portfolio companies to practice more sustainable models. We strive for excellence, efforts and at a minimum continual improvement, and will encourage cross portfolio collaboration to raise performance across the businesses we are invested in.

Our '**licence to operate**' requires we comply with not only the regulatory standards expected of us, but the standards and expectations of responsible owners of society and our wider stakeholders. Our ESG management system formalises and systemises our ESG governance ensuring we adhere with these standards.

Finally by delivering on this vision, acting with purpose and commitment we will remain **credible**.



## Why Sustainability Matters for Us

As a long-term investor and steward of assets for c.100 investors, we estimate over 50 million pension holders are financially exposed to our investments. Our portfolio companies provide essential services to all walks of society and employ c.4,000 direct employees. We believe we have a responsibility to all these stakeholders to build businesses committed to sustainability.

Well-governed businesses, run in a sustainable manner, will deliver stronger long-term risk-adjusted performance to our investors, in addition to better overall outcomes to the environment and society alike, creating a more sustainable and inclusive future for all.

The importance of sustainability to us can be summarised in three key areas:



### Opportunity to Deliver Impact

We have a responsibility to invest with purpose. We have reached a critical period in addressing the climate change challenge. Population growth and urbanisation are putting an ever greater strain on existing infrastructure.

These macro-trends are demanding material investment and as investors with experience in the sector we have a role to play in funding solutions and delivering positive impact towards a sustainable and inclusive world.



### ESG is a Key Value Driver

We see ESG as a value enhancing lever in its own right and a mandate for legitimacy, resilience and growth. Consistent with our fiduciary duties to our investors, we believe integrating ESG has the potential to generate stronger long-term risk adjusted performance in addition to positive value to our planet.



### Legislation and Regulation

Governments and regulators are becoming more stringent on disclosure requirements and accountability around ESG monitoring and practices. This fast-moving landscape poses many challenges for investment managers and business leaders but also abundant opportunities for those businesses, such as ours, that are committed to sustainability.



# Our Responsible Investment Commitment

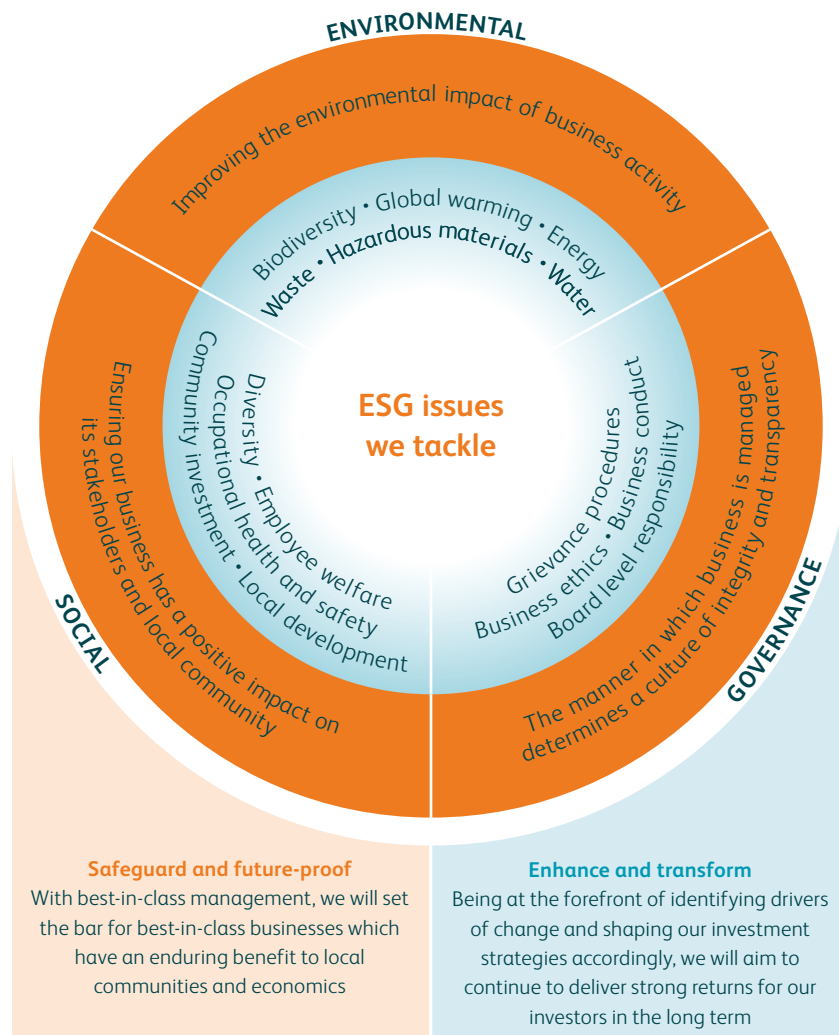
As a long-term investor providing essential infrastructure services to society, responsible investing is part of the ethos of the firm and ESG is embedded across our investment lifecycle.

## Infracapital ESG Commitment

Consistent with our fiduciary duties to our investors, our ESG policy is intended to protect and enhance the value of our investments in the long term. We thus take into account all factors that influence investment performance, ESG being one of them. Infracapital seeks to build long term value through sustainable performance in our investee companies and sees ESG factors as value enhancing levers in their own right.

We are committed to:

- Full integration of ESG factors in our investment process
- Implementing, through our active asset management approach, appropriate ESG practices across our investee companies driving value for investors and environmental and social cohesion for the communities in which they operate
- Transparency in our ESG performance through an open dialogue and annual report to our investors



# Overview of our ESG Management System

As a long-term investor providing essential services to society, we have always been alive to the numerous stakeholders we impact. As such, we have always recognised that long-term value can be achieved through sustainable growth and considered ESG across our numerous activities. In 2018 we made a commitment to enhance and systemise our ESG activities through the creation of our ESG Management System ("ESMS") – a system based on continued improvement, enabling us to respond to the ever-changing needs of the societies which we serve.

Our ESG approach starts with the consideration of how our investment strategy can respond to the challenges faced by societies of today and tomorrow. It ensures that material ESG issues, and opportunities are identified at acquisition and then addressed and actively driven post investment.

## ESG approach throughout the investment lifecycle

### Investment strategy

- Address climate and natural resource challenges
- Deliver attractive returns and positive social benefit
- Undertake negative screening for sectors that do not meet our ESG standards

### Investment appraisal

- Identify ESG related risks/opportunities
- Engage expert advisers, as necessary
- Review ESG at the Final Investment Committee, and actions included in the Asset management 100-day plan

### Active asset management

- Active management of investments and their ESG approach
- Setting relevant ESG KPIs and driving impact in these areas
- ESG an agenda item for the board to ensure oversight and engagement

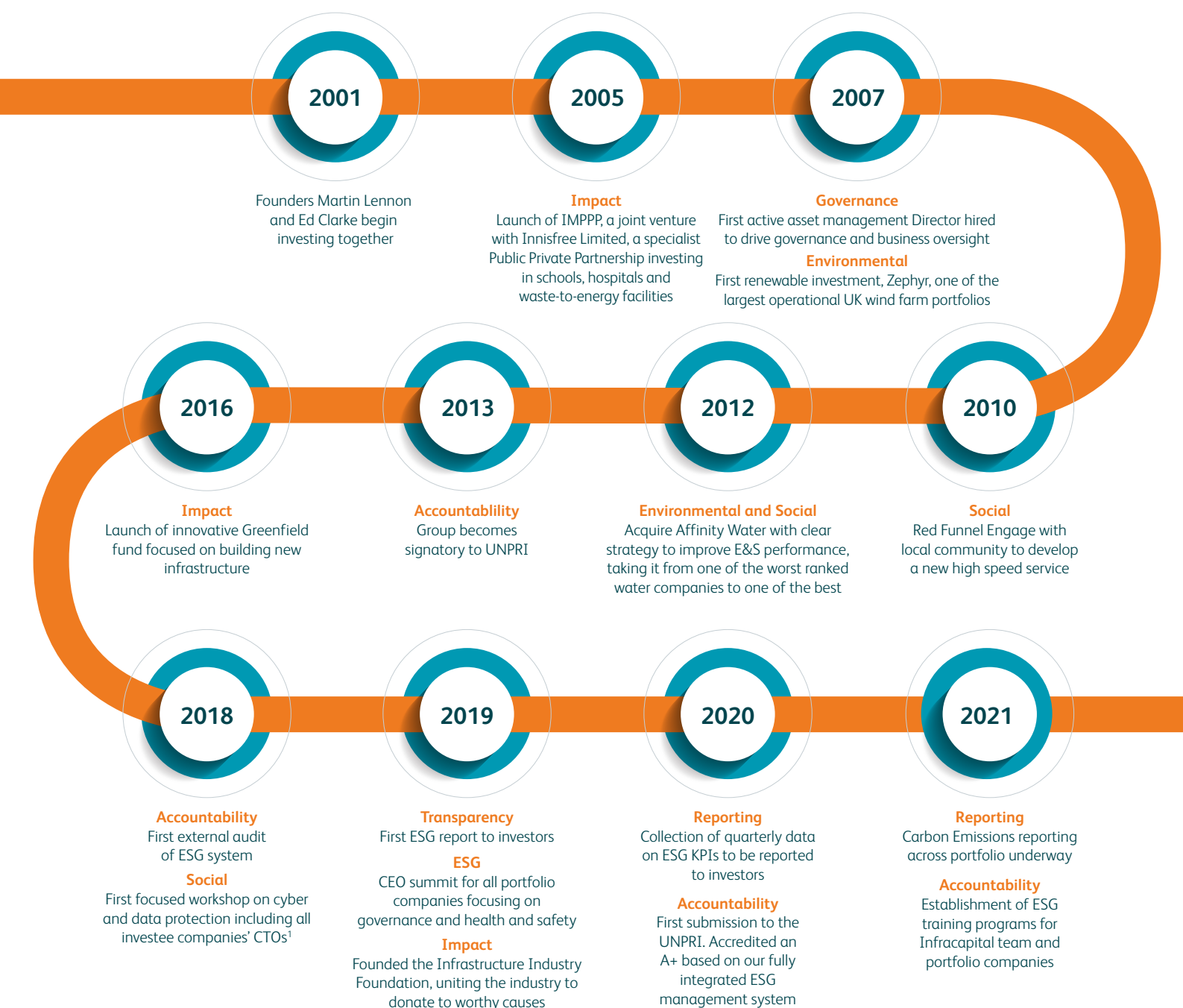
### Monitoring and oversight

- Monitor ESG through data collection, objectives and targets
- Report on an annual basis and in quarterly Manager Reports, where necessary
- Continually improve the ESMS system

# Our ESG Journey

As an active long-term manager, ESG has been an integral part of our strategic priorities from the foundation of Infracapital in 2001, both in identifying investment opportunities and driving sustainable improvements in our investee companies.

In a world of unprecedented challenges, our ESG approach has, and continues to, evolve. Being forward-looking in nature, we seek to continually improve and challenge ourselves to achieve more within our ESG journey, investing as a force for change – creating additional sustainable value for our investors and the wider communities in which our investments operate.



<sup>1</sup> Chief Technical Officer.

# We are part of an International Community

In a globalised world, we see value in working with a number of international organisations that promote acting in a more responsible manner to ensure a better, more sustainable future for all.

M&G, Infracapital's parent Group, is a signatory of the United Nations-backed Principles for Responsible Investing (UNPRI) and complies with the UK Stewardship Code 2010. At Infracapital, we commit to adopt the principles and incorporate sustainability issues into our investment decision making and ownership practices.

We support the UN Sustainable Development Goals which estimate that between \$5-7 trillion is required annually to reach its 17 SDG goals and 169 associated targets by 2030. We are proud that our initiatives not only directly address one goal: Build resilient infrastructure, promote sustainable industrialisation and foster innovation, but that our businesses have their own role to play in supporting many others.

During 2021, M&G plc became a signatory to the UN Global Compact and we look forward to utilising the resources of the UN Global Compact to further enhance the implementation of sustainability principles across our investment lifecycle to further the positive impact that we can effect.

## The UNPRI Principles



### Principle 1

We will incorporate ESG issues into investment analysis and decision-making processes.



### Principle 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.



### Principle 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.



### Principle 4

We will promote acceptance and implementation of the Principles within the investment industry.



### Principle 5

We will work together to enhance our effectiveness in implementing the Principles.



### Principle 6

We will each report on our activities and progress towards implementing the Principles.



# Our Responsible Investment Oversight

In 2018 Infracapital formed a Responsible Investment Committee to oversee the implementation of our ESG commitment.

The committee ensures the consideration of ESG at all stages of the investment, and the championing of the policy across the teams. The committee will set objectives for the year and review performance against these.

In addition to the committee, we ensure all our staff have the competency to understand ESG. We recognise that we cannot be experts on everything, as such where necessary we also employ specialist advisers who have the relevant skills to advise us on environmental, social and governance issues.

Specialist advisers may assist not only in the evaluation of investment opportunities, but are also engaged to improve the knowledge of our teams and investee companies. We run workshops on areas of focus bringing key executives across the portfolio companies together with the Infracapital team to educate them on current and ongoing risks and opportunities.

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## Responsible Investment Committee

### Responsible Investment Champion

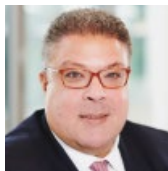


Drives the strategy and takes responsibility for championing responsible investment across the business

### Responsible Investment Manager



Oversees the implementation and adherence to the ESMS



This Committee is made up of Directors representing all functions in the business, and includes: Co-founders Martin Lennon and Ed Clarke, Andy Matthews (Head of Greenfield), Mark Chladek (Head of Brownfield), Stephen Nelson (Asset Management Managing Director), Wael Elkhoully (Asset Management Managing Director) and Alexia Savva (Responsible Investment Lead)



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**Investment Team**

**Investor Relations**

**Finance**

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**Investee Companies**

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