



ESG POLICY

INFRANODE AB
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Infranode's ESG Policy

1. Background and purpose

With a vision to be a leading, long-term infrastructure investment platform in the Nordics, Infranode's approach constitutes a cost-efficient way for institutional investors to access essential infrastructure assets with attractive long-term returns while offering the public sector a sustainable and reliable business partner.

Infranode believes that a responsible investment approach that promotes the integration of Environmental, Social and Governance ("ESG") aspects is a crucial ingredient to capitalize on opportunities, as well as handling risks. Simply put, Infranode believes that a high standard of business conduct and promoting integration of ESG aspects makes good business sense and is more likely to create sustainable value over the long term. Conversely, poor management of ESG aspects may pose a risk to the reputation and value of businesses.

For Infranode, a responsible approach to ESG integration is to invest in infrastructure assets and projects that promote a sustainable and efficient functioning of the environments, economies, communities, and people that they serve. For example, this means infrastructure that has a low, zero or negative carbon footprint ("climate friendly"); can absorb disturbances, for example climate change or a financial crisis, and still retain its basic function and structural capacity ("resilient"); provides cross-system complementarity ("connected"); and brings improved health, safety, education, and social inclusiveness ("inclusive").

The purpose of this ESG policy is to outline Infranode's ESG and responsible investment philosophy and its commitments - and by doing so provide guidelines for how ESG aspects are handled in Infranode's assets. Infranode's day-to-day management of ESG matters and how it is integrated across the company is the responsibility of Infranode's management. The management appoints a Head of Sustainability and members to the ESG Committee to assist with the management of matters related to this ESG policy and its integration within Infranode and the portfolio companies. It is the responsibility of each Infranode team member and the Investment Committee to consider ESG aspects in the investments with support and guidance from the ESG Committee. This policy also serves as a vehicle for transparent communication to those investors, employees, advisors, stakeholders, and members of society at large that are interested in understanding how Infranode strive to promote and integrate sustainability criteria in infrastructure investment.

2. Understanding and positioning

As a signatory of the United Nations Principles for Responsible Investment (UNPRI) (2016), the Swedish Sustainable Investment Forum (SWESIF) (2016) and the Long Term Infrastructure Investors Association (LTIIA) (2017), these organisations and related international conventions, standards and guidelines – notably the Paris Agreement, TCFD (Task Force on Climate related Financial Disclosures), Global Compact and the Sustainable Development Goals (SDGs) – form the departure point for how Infranode understands and deals with ESG aspects. In addition, as a European company Infranode closely monitors the development of ESG within the European Investment Bank (EIB) as well as the European Bank for Reconstruction and Development (EBRD).

The potential relevant ESG aspects facing a future or existing asset varies across geographies, sectors, and value chains. Infranode therefore expects each investment team and management team or board of a specific asset to analyse those areas that are the most relevant or material to their specific situation. Examples of what Infranode considers to be relevant ESG aspects – in general terms – could be:

Environment:

- Climate change mitigation and adaptation.
- Resource efficiency and pollution prevention (*inter alia*, energy efficiency and air emissions, hazardous materials management, water management and waste management, recycling, and re-use).
- Exposure to carbon taxes and emission trading schemes.
- Impact on biodiversity, habitats, or ecosystem services.

Social:

- Employment arrangements, employment policies and employment contracts (*inter alia*, wages, freedom of association and collective bargaining, and equal opportunities and non-discrimination).
- Work health and safety (*inter alia*, physical hazards, air quality, exposure to noise and vibration, exposure to hazardous materials, electrical hazards, exposure to electromagnetic fields, fatigue, security, and fire and explosion risks).
- Internationally recognized human rights (*inter alia*, indigenous rights and native title claims, gender equality and eliminating child labour in supply chains).
- Stakeholder engagement (*inter alia*, specific engagement programs and assessment of projects' consequences for local communities, contractors, and employees).

Governance:

- Ethics and corruption (*inter alia*, anti-bribery and corruption policies, money laundering mitigation, correct taxation, and fair competition practices).
- Transparent dialogue (*inter alia*, shareholder's rights and alignment of interests between majority owners, management and minority owners, transparency related financial and non-financial information, disclosure of remuneration and incentive schemes and open and clear dialogue with public policy makers).
- Diversity (*inter alia*, diversity and equality in board representation, composition, capabilities, and experience).
- Diligence (*inter alia*, risk management processes, code of conducts, whistleblowing mechanisms).

3. Approach and integration commitments

Infranode considers and promotes ESG aspects in each step of the investment process, from the preliminary screening of assets, due diligence, asset management and finally in a potential exit situation. ESG is approached from the perspective of risk mitigation as well as value creation and the approach employed depends on Infranode's possibilities to influence change in each asset.

In accordance with PRI's principle 1, Infranode shall incorporate ESG issues into investment analysis and decision-making processes as follows:

3.1 Pre-investment phase: Screening and Due Diligence

Infranode shall evaluate ESG related risks and value creation opportunities when considering investments. Such evaluation shall be an integral part of its commercial, financial, managerial, and other analysis processes. ESG principles are applied in the context of asset sectors in which Infranode invests. This means that if a potential investment promises similar financial returns as a competing investment but has relative sustainability advantages, Infranode will always choose the more sustainable investment opportunity over its peer. This is based on the conviction that companies that understand and utilise sustainability in their business strategy will outperform their counterparts over the longer term.

The tools Infranode employs when undertaking the pre-investment ESG analysis are:

- *Exclusion:* Infranode's investment guidelines include several excluded areas and sectors that Infranode shall not invest in. The investment guidelines are in line with Infranode's long-term strategy of investing in essential infrastructure. Among these, several exclusions relate to this ESG policy. For example, it is Infranode's policy not to invest in companies directly involved in the extraction of fossil fuels, oil, coal, or gas, and to avoid investments where a material percentage of the revenues stem from fossil fuel related activities. When we do invest in industries in various ways related to fossil dependency but not in its direct extraction, we always develop the asset to take measures to manage their ESG risks to prevent or minimize a potential adverse impact from their business activities through our due diligence and ownership processes as described below. Other examples of excluded sectors are investments in arms, tobacco, pornography, and alcohol, sectors involving harmful or exploitative forms of forced labour and/or harmful child labour, any operation or project engaged in the destruction of Critical Habitats etc.
- *Due Diligence:* Infranode applies a standardized ESG due diligence framework for all potential investments. The framework includes ESG aspects, including identification and prioritisation of principal adverse impacts and assessment of sustainability risks on financial returns, and tries to identify, weigh, and explain to what extent the target investment is mitigating the ESG risks or capitalising on existing ESG opportunities. The ESG assessment is conducted in collaboration with expert consultants and the target companies. The ESG risk assessment is reviewed and evaluated by Infranode. Both quantitative and qualitative methods are utilised as part of the ESG due diligence. The Due Diligence results in a qualified judgment by the responsible investment professional, to be incorporated into the investment memorandum that forms the basis for investment decisions by the Investment Committee.

3.2 Active Ownership

Team members of Infranode are responsible for the acquisition and management of the investments held by the funds. Board representation is a strategic requirement for every investment and Infranode combines active engagement with the management and/or operating partners in order to ensure appropriate ESG integration. Infranode's possibility to influence change varies however depending on ownership size and variation in synergies among and between assets and owners. That is why Infranode has adopted a two-tiered approach: One where Infranode has sole control over the company ("sole control stance") and one where control is share with other shareholders ("co-control stance").

3.2.1 Sole control stance:

In all assets where Infranode has sole control the following demands are placed on invested assets:

- *Formalizing an ESG roadmap:* With assisting tools provided by Infranode, all assets shall develop a clear formulation of strategic sustainability goals through an in-depth analysis. Metrics shall be identified to measure performance against identified goals and subject to periodic monitoring. This includes developing or starting a meaningful dialogue with relevant stakeholders and shall be done during the first year following the acquisition.
- *Code of Conduct or similar:* With supporting tools provided by Infranode, all assets shall develop a code of conduct or similar, which provides the baseline, cultural values, and organizational beliefs that underlie the asset's operations. The code of conduct shall be signed by the board of the asset and be communicated to Infranode during the first year following the acquisition.
- *Organizational and functional capabilities and responsibilities:* In all portfolio companies where Infranode has sole control, ESG aspects are integrated into the formal corporate governance procedures. Every Infranode asset is required to report on progress in relation to the ESG roadmap on a quarterly or annual basis and to conduct an annual review of such roadmap to ensure it is properly updated. Furthermore, to standardize and improve comparability of reporting, all assets where Infranode has sole control should report in GRESB or another relevant framework as soon as practically possible. Finally, Infranode requires that there shall be an organizational locus in the asset where sustainability and ESG is hosted, either in the board or through delegation to or via the executive management group.

3.2.2 Co-control stance:

Given the diverse range of assets and projects in which Infranode engages the investment team is in touch with a variety of ESG aspects in various infrastructure contexts on a continuous basis. This diverse exposure allows the team to continually expand their know-how from which to influence and push each asset to implement best practices of ESG. In a co-controlling situation Infranode's ESG stance involves stimulating and demanding ESG value creation activities in a similar way as under the sole control stance but then also working together with and impacting the other owners to fully align on sustainability related matters.

4. Implementation and monitoring

The overall responsibility for the oversight and implementation of this policy lies at fund-level and shall be managed on a continuous basis by the funds' investment advisor Infranode AB.

To ensure that this policy contributes to crafting sustainable and modern infrastructure – climate friendly, resilient, connected, and inclusive – Infranode's fund board commits to reviewing the ESG performance of the portfolio at least once a year and communicate its progress through the UNPRI as well as per specific investor requirements.

Infranode's ESG Policy documents how we view our responsibilities and how they apply in a practical way to the daily running of our business. The policy is reviewed from time to time to ensure that it remains relevant in a changing world, and consistent with best practice.