# Vesper Next Generation Infrastructure Fund I SCSp - Responsible Investment Policy (RI Policy)[1]

## Core Principles and Objectives

Vesper Next Generation Infrastructure Fund I SCSp (the "**Partnership**") believes that environmental, social and governance factors ("**ESG Factors**") represent a material driver of positive returns as well as the potential risks of the investments.

Therefore, the Partnership nurtures a responsible and sustainable business culture, ensuring that ESG Factors are properly identified, assessed and incorporated into the investment process, with the aim to: (i) support the creation of sustainable businesses that can benefit the environment and society; and (ii) enable the generation of long term investment value and attractive returns for the investors in the Partnership.

For these reasons, a specific responsible investment Policy ("**RI Policy**") policy has been developed to:

- Identify the key ESG foundational frameworks providing the strategic blueprint to ensure that the ESG Factors and responsible investment practices are properly embedded into the whole investment process;
- Define the guidelines and the governance framework required to drive the implementation of the core principles and commitments set out in the ESG foundational frameworks into the day-to-day activities (e.g. from screening of investment opportunities and due diligence, through asset management, business transformation and engagement with investee companies); and
- Set out the appropriate monitoring and reporting instruments to update the investors in the Partnership on the activities performed, the progress towards the full implementation of the selected ESG frameworks and the performance of the investee companies in relation to ESG Factors.

## ESG Foundational Frameworks and Key Commitments

The Partnership has identified certain established industry frameworks, that provide strategic guidance and to set high level commitments regarding key ESG Factors:

- **The UN sustainable development goals (SDGs),** which provide a shared blueprint for strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve oceans and forests;
- **The 10 Principles of UN global Compact**, setting key principles with regard to fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption;
- **The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises**, that provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards;
- **The UN Guiding Principles on Business and Human Rights** in relation to the conduct of transnational corporations and other business enterprises; and
- **The 6 UN Principles for Responsible Investment (PRI)** setting the possible actions for incorporating ESG issues into investment practice.

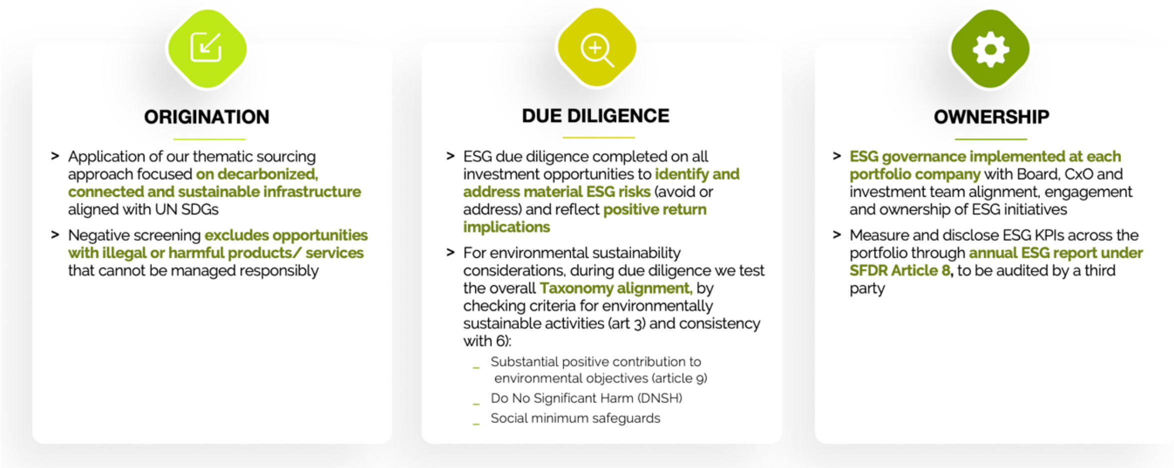
The Partnership has selected the PRI's six principles as the foundational framework around which shaping its own RI Policy, resolving to commit to:

1. Incorporating ESG issues into investment analysis and decision-making processes;
2. Being active owners and incorporating ESG issues into ownership policies and practices;
3. Seeking appropriate disclosure on ESG issues by the entities in which investments are completed;
4. Promoting acceptance and implementation of the principles within the investment industry;
5. Working together to enhance effectiveness in implementing the principles; and
6. Reporting on our activities and progress towards implementing the principles;

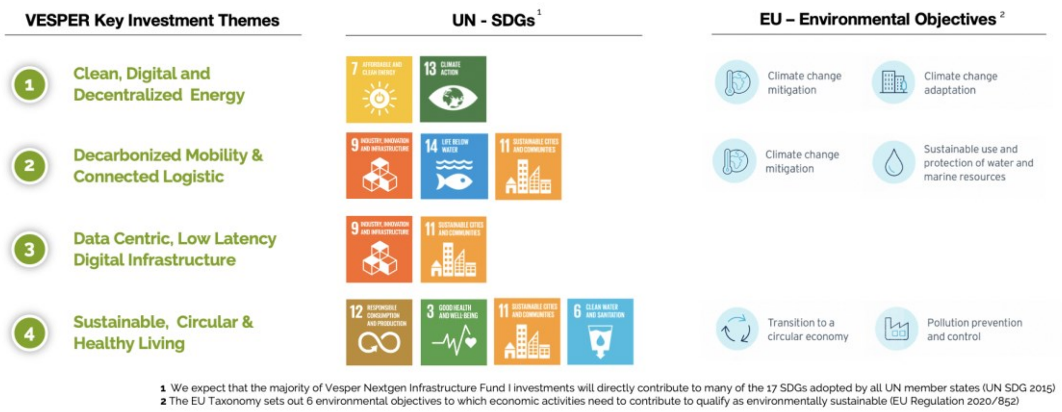
[1] Unless defined herein, defined terms used herein are as set out in the private placement memorandum of the Partnership (the "**PPM**").

### Implementation Guidelines

Key ESG Factors are systematically integrated into the investment analysis and through any stage of the decision-making process, from “origination and sourcing”, through “business due diligence” and “ownership/ asset transformation” phase:




More specifically, the thematic investment approach which is naturally focused on investment opportunities that are aligned with many of the SDGs adopted by the United Nations and with the great majority of the environmental objectives set out by Art. 9 of the Regulation (EU) 2020/852 (the “**Taxonomy Regulation**”).




The ESG Factors naturally promoted by this thematic investment approach are complemented by an additional sustainability screening that is based on the systematic application of the exclusion list. The Exclusion List (as defined below) further helps to ensure that no investments are made in companies that are incompatible with the corporate values and responsible investing approach of the Partnership , as incorporated in the selected ESG foundational frameworks.

The current Exclusion list includes businesses which:

- Have as their principal activity (defined as more than 50% of total revenues) in the exploration, extraction and/or production, transportation, marketing and trade of:
  - Coal and/or Oil;
  - Gas (only applies to upstream activities); and
  - Tobacco products;

  This exclusion criteria, however, do not automatically exclude a target opportunity from further consideration and potential investment, in case there is a clear transformational plan in place to substantially change the revenue mix of such companies and repurpose them towards more sustainable businesses that can benefit the environment and society.

- Have any activity in the production, marketing, distribution, and trade of:
  - Pornography;
  - Weapons and associated critical components;
  - Gambling (unless government regulated); and
  - Human body parts or organs;
- Have any activity in the production, marketing, distribution and trade of products or services deemed illegal under applicable national laws or are banned through global conventions and agreements, with regard to:
  - Slavery, forced labour or compulsory child labour;
  - Ozone depleting substances; and
  - Endangered or protected wildlife species;
- Whose direct or indirect owners are on a sanction list of EU, UK or US:

  (the "**Exclusion List**").

After having ensured that a target company does not operate in any of the areas captured by the Exclusion List, key ESG Factors that materially drive returns as well as the potential risks and elements that may adversely impact sustainability factors can be identified. This high-level and front-loaded identification process of key ESG risks/opportunities is performed through the application of a dedicated ESG check-list based on the following reference list:

| | | | |
|---|---|---|---|
| **ENVIRONMENT** | **Climate change adaptation / mitigation**<br>> GHG emissions<br>> Energy efficiency<br>> Climate neutral mobility and food practices<br>> Clean tech solutions and renewable energy | **Sustainable use of natural resources**<br>> Water management efficiency & quality<br>> Sustainable land use & agric. Practices<br>> Preserving marine environment<br>> Bio-diversity conservation | **Circular economy and pollution prevention**<br>> Raw material efficiency and re-use<br>> Re-use and recycling of waste<br>> Waste generation reduction<br>> Air, land and water pollution prevention |
| **SOCIAL** | **Society and human capital**<br>> Employees health and safety<br>> Employees rights and working conditions<br>> Employees engagement and satisfaction<br>> Employees training and development | **Diversity and Inclusion**<br>> Discrimination of gender, faith or nationality<br>> Equal opportunity employment practice<br>> Economic participation<br>> Community inclusion and cohesion | **Value chain and responsible sourcing**<br>> Child, slave or forced labor<br>> Purchases of prohibited goods<br>> Supply from sanctioned countries<br>> Third party ESG impacts |
| **GOVERNANCE** | **Corporate governance**<br>> Effective Board structure and composition<br>> Top executive compensation & link to ESG<br>> Labor relations & stakeholder engagement<br>> Conflict of interests | **Transparency**<br>> Responsible lobbying<br>> Bribery, corruption and fraud<br>> ESG reporting<br>> Whistleblower protection | **Risk Management**<br>> Robust financial and accounting controls<br>> Cyber protection<br>> Personal data protection<br>> Regulatory compliance |

<u>Advisory Process</u>: The overall outcome of the screening of the ESG Factors performed during the "origination and sourcing" phase is then recorded in each OM[2], so that Vesper Investment Committee can ensure that ESG-related factors are properly considered, when recommending an investment opportunity for each of the subsequent phases of the investment process.

After an OM has been discussed and approved by Vesper Investment Committee, the Investment Team conducts an ad-hoc detailed ESG due-diligence exercise to assess the potential nature and the materiality of the ESG Factors of the specific investment opportunity. ESG due-diligence is conducted with the support of external experts, with the aim to: (i) identify and address material ESG risks (i.e. avoid or mitigate) affecting the target company; (ii) reflect positive return implications that ESG Factors may offer to the target company; and (iii) to perform a final assessment of the actual materiality of the absolute or residual ESG risks identified, in order to ensure an operationally effective and pragmatic investment process, also in the best interest of the investors.

Regarding the assessment of potential risks and positive implications of ESG Factors, the areas in which the Partnership is focused include, but are not limited to:

- **ESG risks**: compliance risk, reputational risk, financial risk triggered by higher cost of capital, stranded asset, technology disruption, and carbon pricing; and
- **ESG positive impacts**: return generation opportunities driven by extension of the economic life of the target company, amplification of growth potential and profitability expansion (linked to reduction on insurance costs, employee accidents, carbon emission costs, etc.).

[2] Unless otherwise defined in this IR Policy, all capitalised terms herein shall have the same meaning as in the Partnership's private placement memorandum, as amended from time to time.

Finally, during the due-diligence phase, and only in relation to environmental sustainability, the Partnership also performs a high-level analysis to test the overall alignment of the target company's activities within the EU Taxonomy[3]. This is performed by considering the criteria for environmentally sustainable activities set out in art 3 of the Taxonomy Regulation and checking that the company's economic activities: (i) contribute substantially to one or more of the environmental objectives (set out in article 9 of the Taxonomy Regulation); (ii) do no significant harm any of the environmental objectives (set out in Article 9); and (iii) are carried out in compliance with social minimum safeguards (according to article 18).

Even after an investment into a target company is completed, the Partnership is committed to continue to engage with the investee companies and their management teams on ESG Factors. The Partnership engages with the board and the management team of the investee company to ensure they deliver high standards of corporate responsibility and sustainable business practices. This is an active ownership approach, with specific regard of the key ESG Factors impacting the target company, which is implemented through a number of different ways, including:

- **Post-closing discussions with management team**: Building up on the results and key outcomes of outside-in ESG due diligence performed during the origination and acquisition phases, the Partnership shares with the management team of the investee company the perceived areas of risk and the potential opportunities, with the aim to confirm, and where relevant implement, the findings of due-diligence.
- **Acquire and assess the ESG knowledge of relevant people in the investee company**: The Partnership asks the management of the investee company to describe how ESG issues are managed on a daily basis and how ESG Factors are incorporated in their business planning and strategy, and ESG goals set and monitored. Main objective of this phase is to assess the ESG maturity of the company's leadership team and identify strengths, gaps and key areas to progress.
- **Definition of the investee company's ESG Journey**: Leveraging on the main findings of the two previous phases, the Partnership collaborates with management to define the overall ESG Journey, by (i) setting company-specific ESG targets; (ii) assigning ownership at board level and responsibilities at management level, including ESG targets in the management's business objectives and long term incentive plan; and, finally, (iii) defining KPIs and monitoring progress.
- **Monitor and tracking of ESG Journey**: The Partnership monitors the evolution of both ESG risks and opportunities by adding ESG matters to the agenda of board meetings of the investee companies on a regular basis with the aim to review the progress towards the implementation of the ESG Journey and the achievement of the ESG goals. The outcome of this activity, together with the tracking of the KPIs, is also discussed on a regular basis at the quarterly ESG portfolio review meetings and through annual ESG surveys.

## ESG Governance Framework

The implementation of the IR Policy, as described in the previous paragraphs, is ensured by Vesper Advisory[4], acting as advisor of the AIFM in respect of the Partnership:

- **Day to day operational implementation of the IR Policy:** is complied with by all the members of the Investment Team. For this purpose, Vesper Advisory commits to provide all relevant members of the Investment Team involved in advising the Partnership with regular responsible investing training, ensure knowledge of the IR Policy, explain the rational and guidelines to complete the relevant ESG sections and analysis included in each Vesper Investment Committee approval (OM, PA and FA).
- **Quarterly review of the IR Policy application and effectiveness**: each quarter, the Investment Responsible[5] reports to the Head of Responsible Investing in relation to the proper implementation of the IR policy and the progress made toward overall ESG Journey. The Head of Responsible Investing is responsible for (i) overseeing and ensuring the proper application of the IR policy in relation to investments by the Partnership in investee companies which have been identified by Vesper Advisory; (ii) highlighting gaps and

[3] For the avoidance of any doubt, there is no commitment to a minimum share of investments aligned with the Taxonomy at this stage or a commitment to a minimum share of sustainable investments within the meaning of Article 2 (17) of the Regulation (UE) 2019/2088 (the "**SFDR**").

[4] Vesper Infrastructure Advisory S.r.l ("**Vesper Advisory**") acts as the Investment Advisor to the AIFM in relation to the Partnership, in accordance with the Investment Advisory Agreement.

[5] The individual at Vesper Advisory who is leading the advice in relation to a transaction.

areas for improvements versus sound governance practices; (iii) as well as providing guidance on ESG matters, emerging ESG topics and regulatory evolutions.

- **Overall oversight on the Implementation of the IR Policy**: Vesper Investment Committee has delegated to the ESG Committee the overall responsibility for the implementation of the IR Policy and oversee portfolio progress on ESG matters. The ESG Committee meets on a quarterly basis (or as required). The decisions are taken by a majority vote with no member having a veto right. The ESG Committee comprises the Head of Responsible Investing, one of the members of Vesper Investment Committee and the Head of Asset Management and Value Creation. The ESG Committee is responsible for:
  - Monitoring on the effective implementation of the IR Policy, with particular regard to ensuring the inclusion of ESG Factors across the overall investment process, as described in the IR policy, and the monitoring of potential adverse sustainability impacts of Portfolio Companies;
  - Managing ESG continuous improvement programmes at Vesper Advisory and the Fund's investee companies, to ensure that all professionals of the Investment Team have the right skills to understand and effectively assess ESG risks and potential positive return implications;
  - Overseeing and improving tracking of ESG KPIs both at portfolio level and at consolidated Vesper Advisory level;
  - Managing ad-hoc ESG matters on an incident-driven basis;
  - Reviewing ESG reporting for investors;
  - Monitoring on external compliance with SFDR disclosure obligations and reporting, emerging ESG topics and regulatory evolutions; and
  - Engage with co-investors and other relevant infrastructure investors and industry associations to promote acceptance, implementation of the ESG principles and collaboration within the investment industry.

## Reporting

With regard to public disclosures, the Partnership ensure compliance with SFDR disclosure requirements and provide related-ESG data and information to investors on an annual basis, through the annual non-financial report. In addition, the Partnership also provides (i) education and ESG updates sessions to investors (as relevant and required); and (ii) ESG updates in ad-hoc communications to investors and in other fund reports.

## Consideration of Principal Adverse Impacts ("PAI")

Financial products that fall under Article 8 of the SFDR may pursue reduction of negative externalities caused by the underlying investee companies, such as principal adverse impacts on sustainability factors referred to in point (a) of Article 7(1) of Regulation (EU) 2019/2088 (ESA Q&A dated 17 July 2021).

Furthermore, as clarified by the ESAs (Clarifications on the ESAs' draft RTS under SFDR, dated 2 June 2022), it is possible to use the PAI Indicators for principal adverse impact to measure the environmental or social characteristics or the overall sustainable impact of the financial product (for Article 8 SFDR financial products), e.g. by showing improvements of the investments against those indicators over time. Please see below for the full list of PAI Indicators.

In this respect, the Partnership will report on these indicators to measure alignment and progress against the UN SDGs and improvements against the selected PAI indicators under the SFDR RTS, and will report on it on an annual basis.

Indeed, the Partnership considers the PAI of its investment decisions on sustainability factors within the meaning of Article 7 of the SFDR.

In relation to the above statement, the Fund is committed to consider the PAI on sustainability factors in its risk assessment process, both during the origination process, the due diligence process and the value creation process throughout the life of an investment. The adverse sustainability impacts the Partnership addresses during the origination / due diligence process and throughout the life of an investment, can change depending on the specific investment theme and market segment a given company operates in. However, the adverse sustainability impacts that are seen to be more relevant and material for the Partnership's investment strategy include, but are not limited to:

- Greenhouse gas emissions;
- Water, waste and material emissions;
- Waste generation;
- Impediment to the circular economy
- Social and Employee matter violations;
- Bribery and corruption.

During the origination / due diligence process, the Partnership applies a target screening and exclusion list of economic activities having adverse impacts on sustainability factors in which it does not invest in (e.g. including, but not limited to coal, tobacco, controversial weapons, pornography, illegal drugs). In addition to these exclusions, during the origination / due diligence process, the Partnership focuses on the identification and assessment of the adverse impacts that a potential target company may have on sustainability factors, both applying the IR Policy and other internal frameworks and with the help of consultants and industry experts. Finally, the outcome of the adverse sustainability impacts analysis is presented to Vesper Investment Committee, which governs the decision whether or not to pursue an investment opportunity.

During the holding period, the Partnership engages with the investee companies to help them reduce the adverse impacts of their business activities on sustainability factors.

Adverse sustainability impacts of Portfolio Companies are monitored on a quarterly basis, through portfolio review meetings, and annually through a comprehensive ESG survey. The progress made by the Partnership in relation to the PAI and information on the PAI Indicators (as listed in the two tables above) will be included and available as part of the annual report of the Partnership.

Please find below the full list of the PAI Indicators considered by the Partnership corresponding to the Principal Adverse Impact indicators referred to in Annex I of the SFDR RTS (indicators in table 1 and certain indicators relevant in table 3):

| | **Climate and Other Environment-related Indicators** | |
|---|---|---|
| | **1. Promote avoidance, reduction and removal of GHG emissions (GHG emissions[6] and GHG intensity of investeee companies[7])** | • GHG emissions (Scope 1&2)<br>• Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources<br>• Energy consumption intensity (Gwh per million EUR revenues)[8] |
| | **2. Carbon footprint[9]** | • Carbon footprint |
| | **3. Promote clean or climate neutral mobility (exposure to companies active in the fossil fuel sector[10])** | • Share of investments in companies active in the fossil fuel sector<br>• Efforts made towards SDG 9.4.1 (CO2 per unit value add) |
| | **4. Promote transition to a sustainable, circular economy & healthy living (emission to water[11] and share of non-renewable energy** | • Water usage and Recycling<br>• Non-recycled wate ratio<br>• Share of non-renewable energy consumption and non-renewable energy production of investee companies from non- |

[6] Cf. indicator no. 1 in Annex I table 1 of the SFDR RTS Annex.

[7] Cf. indicator no. 3 in Annex I table 1 of the SFDR RTS Annex.

[8] Cf. indicator no. 6 in Annex I table 1 of the SFDR RTS Annex.

[9] Cf. indicator no. 2 in Annex I table 1 of the SFDR RTS Annex.

[10] Cf. indicator no. 4 in Annex I table 1 of the SFDR RTS Annex.

[11] Cf. indicator no. 8 in Annex I table 1 of the SFDR RTS Annex.

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| **consumption and production[12])** | renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources]<br>• Efforts made towards SDG 9.C.1(universal access to ITC)<br>• Efforts made towards SDG 3.8.1 (coverage of health services)<br>• Efforts made towards SDG 12.3.1 (global food loss index) |
| **5. Activities negatively affecting biodiversity-sensitive areas[13]** | • Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas |
| **6. Hazardous waste and radioactive waste ratio[14]** | • Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average |

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| **Indicators for Social and Employee, Respect for Human Rights, Anti-Corruption and Anti-Bribery matters** | |
| **7. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises** | • Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises[15] |
| **8. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises** | • Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises[16] |
| **9. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)** | • Share of investments in investee companies involved in the manufacture or selling of controversial weapons[17] |
| **10. Promote diversity, inclusion and equal opportunity (social and employee matters)** | • Total employees diversity (% women)<br>• Board gender diversity (% women)[18]<br>• Unadjusted gender pay gap[19] |
| **11. Promote employee health & safety, well being and satisfaction** | • Total number of lost time injuries (LTIFR)[20]<br>• Hours of H&S training received by employees<br>• Annual employee satisfaction survey<br>• Share success through implementation of incentive programs |

[12] Cf. indicator no. 5 in Annex I table 1 of the SFDR RTS Annex.
[13] Cf. indicator no. 7 in Annex I table 1 of the SFDR RTS Annex.
[14] Cf. indicator no. 9 in Annex I table 1 of the SFDR RTS Annex.
[15] Cf. indicator no. 10 in Annex I table 1 of the SFDR RTS Annex.
[16] Cf. indicator no. 11 in Annex I table 1 of the SFDR RTS Annex.
[17] Cf. indicator no. 14 in Annex I table 1 of the SFDR RTS Annex.
[18] Cf. indicator no. 13 in Annex I table 1 of the SFDR RTS Annex.
[19] Cf. indicator no. 12 in Annex I table 1 of the SFDR RTS Annex.
[20] Cf. indicator no. 3 in Annex I table 3 of the SFDR RTS Annex.

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| **12. Promote ethics, governance and anti corruptions** | • Lack of suppliers code of conduct for unsafe and forced labor[21]<br>• Lack of implementation of conflicts of interest policy<br>• Lack of implementation of data privacy and cyber security policies<br>• Lack of implementation of whistleblower protection policy[22]<br>• Lack of implementation of anti-corruption and anti-bribery policies[23] |

[21] Cf. indicators no. 4 and 13 in Annex I table 3 of the SFDR RTS Annex.

[22] Cf. indicator no. 6 in Annex I table 3 of the SFDR RTS Annex.

[23] Cf. indicator no. 15 in Annex I table 3 of the SFDR RTS Annex.