ThomasLloyd

Responsible Investment Policy

September 2021

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Introduction

ThomasLloyd, its affiliates, subsidiaries and investee companies (“ThomasLloyd”) is a leading independent asset manager and impact investor in infrastructure companies and projects in Emerging Markets. Infrastructure investment is vital for economic and social progress, helping build resilient communities and supporting purposeful activity. ThomasLloyd’s investment strategy involves taking majority and significant minority stakes directly in companies and projects and maintaining an active ownership position throughout our investment period.

We are proud to be an Impact Investor, and we set out deliberately and intentionally to generate positive, measurable social and environmental impact alongside a market-driven financial return. We believe there need be no trade-off between financial performance and positive impact as the focus on governance and regulatory compliance in the social and environmental domains, together with the requirement to evidence the impact of an investment, are powerful tools to align the interests of all stakeholders.

ThomasLloyd holds the following Core Values which are upheld in its investment approach.

- We are committed to investing responsibly. The primary objective of our infrastructure investment is to create lasting value, both for investors and for the people and communities in which we operate.
- We are committed to realising sustainable value. This involves building long-term sustainable businesses, which provide employment and economic growth in partnership with social transformation and environmental protection.
- We are committed to the integration of material environmental, social and governance (ESG) factors into all corporate and investment decisions, so as to deliver transparency, mitigate investment risk and to enhance investment returns in the best interests of our clients, other stakeholders and investee communities.

We fully comply with all laws and regulations, at all times and in all jurisdictions, following industry standard ESG guidelines and best practices. Acting with integrity in all our operations, we avoid all forms of discrimination and embed equality and diversity in our employment policies. We respect human rights and avoid exploitation of child labour, ensure no bribery or corruption and actively manage investment projects to deliver ESG and Impact outcomes in the communities and countries in which we operate.

Through positive and direct engagement with our management teams we can create optimal long-term value for our investors and the communities we invest in. We believe it is important to use our influence and expertise to implement positive change at investee companies and guide them towards better ESG outcomes and contribution to the SDGs.

In the context of the United Nations’ 17 Sustainable Development Goals, our focus naturally is on Affordable and Clean Energy, Decent Work and Economic Growth, Reduced Inequalities, and Sustainable Cities and Communities.

ESG Policy

We believe that ESG issues impact the value and reputation of ThomasLloyd, in addition to driving systemic risks and opportunities. An ESG framework embeds our philosophy of ‘Realising Sustainable Value’ in all our processes and investments, keeping us on track to deliver the impact our investors demand.

Environmental factors

ThomasLloyd must adhere to the legal, regulatory and governance frameworks of the investment jurisdiction and to regulatory compliance in the environmental domain. We must also adhere to the IFC/World Bank performance standards and to the eligibility criteria of the LuxFlag Environment Label.

ThomasLloyd must evidence plans to prevent, mitigate and control serious environmental damage resulting from accidents and incidents related to all activities, including immediate reporting to the relevant authorities.

We work with our management teams to attain the sustainability objective which is a primary focus for our funds. Practically speaking, reporting at a company or project level is based on a range of 10 key ESG sustainability indicators, selected after analysis by internal and/or external experts and consultation with third-party assurance providers. Materiality analysis helps identify the most important issues, manage risk effectively, and agree priorities with management. Within the environmental domain, this includes carbon reduction, biodiversity & land use and water management. Realistic targets are agreed with management whilst validation is sought from external experts where required.

Social factors

ThomasLloyd must adhere to the legal, regulatory and governance frameworks of the investment jurisdiction and to regulatory compliance in the social domain. ThomasLloyd must also adhere to the IFC/World Bank performance standards.

ThomasLloyd must respect and secure labour rights, maintain safe working conditions and develop diverse human capital through training and education programmes. ThomasLloyd must avoid exploitation of child labour, reject all forms of discrimination and embed equality and diversity in our employment policies.

ThomasLloyd reports on a range of 10 key ESG metrics, selected after discussions with third-party assurance providers. Materiality analysis helps identify the most important issues, manage risk effectively, and agree priorities with management. Within the social domain, this includes equality & diversity, human rights, health & safety, healthcare and stakeholder engagement. Realistic targets are agreed with management whilst validation is sought from external experts where required.

Governance factors

ThomasLloyd must adhere to the legal, regulatory and governance frameworks of the investment jurisdiction and to regulatory compliance in the governance domain. ThomasLloyd must also adhere to the IFC/World Bank performance standards.

ThomasLloyd applies and evidences a code of conduct and a risk management system to prevent all forms of bribery, corruption and money laundering.

ThomasLloyd reports on a range of 10 key ESG metrics, selected after discussions with third-party assurance providers. Materiality analysis helps identify the most important issues, manage risk effectively, and agree priorities with management. Within the governance domain, this includes bribery & corruption and money laundering. Realistic targets are agreed with management whilst validation is sought from external experts where required.

Table 1 displays the broad set of ESG factors which we monitor. The impacts of our investment are measured through the use of Sustainability Indicators which we use to measure progress in addressing each ESG factor.

Table 1: ThomasLloyd's set of ESG opportunities

Environment	Social	Governance
Climate Change	**Human Capital**	**Values**
Energy efficiency Carbon emissions Carbon reduction	Equality & Diversity Human rights Health & safety Labour management	Ethics Pay Innovation
Natural Resources	**Community**	**Policies**
Biodiversity & land use Fuel Management Sourcing of raw materials Water management Weather events	Stakeholder engagement Social Inclusion Healthcare Education	Legal & regulatory environment Bribery & corruption Money laundering Transparency
Pollution		
Toxic emissions & waste Packaging materials & waste		

ESG Governance

Table 2 maps out our approach to ESG Governance in terms of accountability for decision-making and performance.

Table 2: ThomasLloyd's ESG Governance Model

Owner	Role
ThomasLloyd Group Board	Overall responsibility for ThomasLloyd's Responsible Investment Strategy
ThomasLloyd Fund Board	Overall responsibility for the implementation of the investment objectives of the fund, including the sustainable investment objective
ESG Monitoring and Stewardship Committee	• Reviews ESG performance • Determines implementation and stewardship strategies with management and adjudicates on disputed matters
Investee Company Board Member	Responsibility for overall ESG performance and stewardship at an investee company level
Internal specialists	• Ensure company policies are aligned with international standards and regulatory requirements • Propose methodologies to monitor ESG risks and outcomes • Perform analysis of ESG risks and opportunities • Engage with external ESG experts and consultants

Approach to Exclusions

Our investments are made to deliver economic and social progress, help build resilient communities and to support purposeful activity, whilst protecting natural resources and the environment. Investment decisions are both top-down, based on review of the macro-economic, legal and regulatory frameworks, and bottom-up on a detailed assessment of the investee company's ability to meet the selection criteria.

Exclusion criteria are used to eliminate certain investments on both a top-down and bottom-up basis. Top-down exclusions are made by screening potential investments on a country and sector basis. Countries are screened against criteria including, but not limited to:

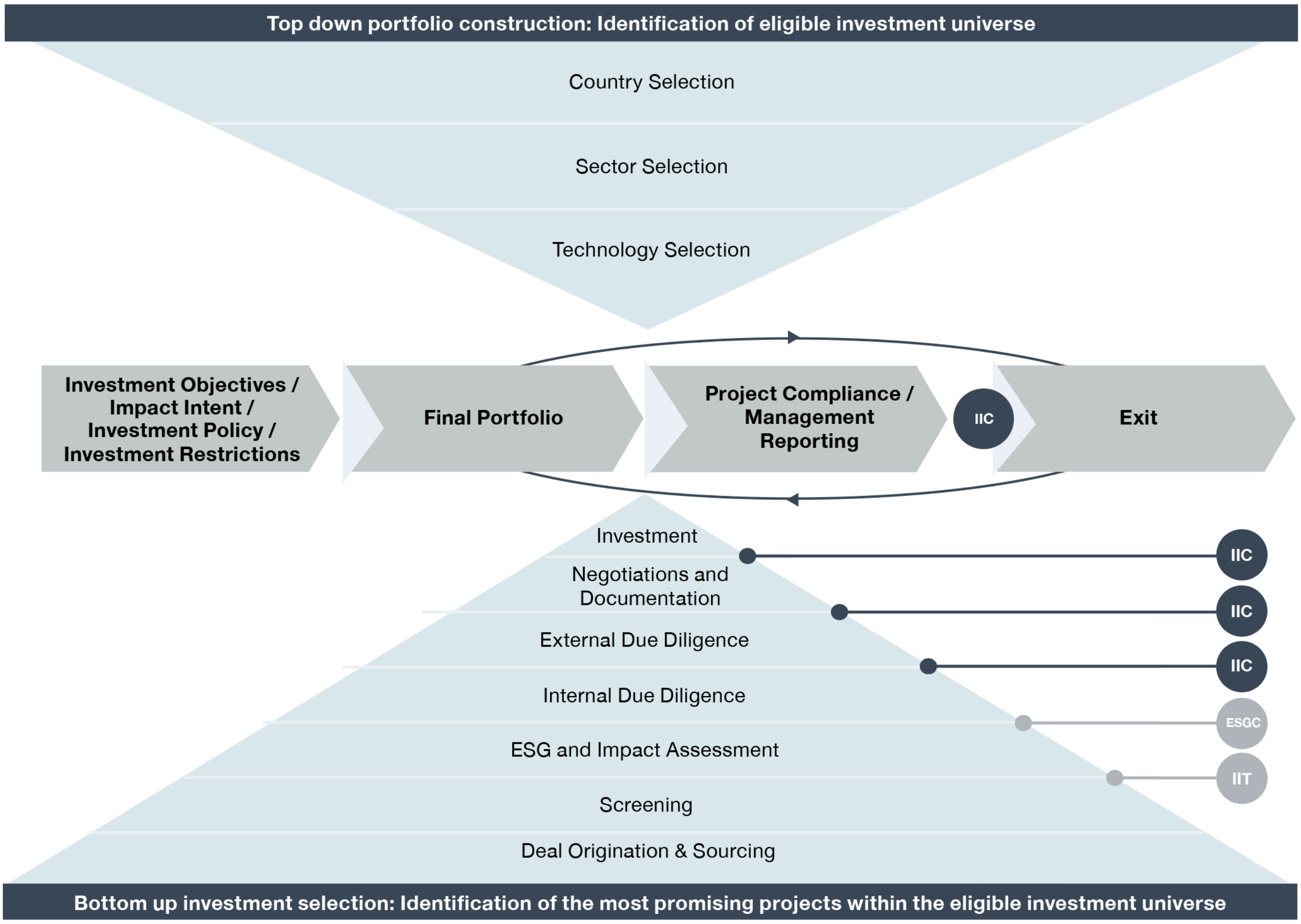
- Transparency International Corruption Perceptions Index
- World Bank Ease of Doing Business
- Bertelsmann Stiftung's Transformation Index (BTI)

Certain sectors are also excluded from investment if they are not considered consistent with a socially and environmentally responsible investment approach. These include, but are not limited to, the production and trade of armaments and weapons of war, illegal and outlawed products, and activities in gambling and pornography.

Bottom-up exclusions are made by screening at the level of the potential investment. This includes analysis of the operational activities of the company and the track record, affiliations and good-standing of the investment sponsors. The criteria include but are not limited to:

- <u>Good corporate governance including:</u>
  - Compliance with international accounting and reporting standards
  - HR policies, including non-discrimination and fair pay
  - Health and Safety standards and worker protection
  - Social impact of goods and services
  - Anti-Money Laundering and prevention of bribery and corruption policy
- <u>Environmental criteria including:</u>
  - Greenhouse gas emissions
  - Energy performance
  - Biodiversity protection
  - Water preservation
  - Waste reduction

The ThomasLloyd Investment Process (TIP)



IIC = Approval by Infrastructure Investment Committee

IIT = Approval by Head of Infrastructure Asset Management

ESGC = Approval by ESG Stewardship Committee

Alignment with international standards

ThomasLloyd must adhere to the legal, regulatory and governance frameworks of the investment jurisdiction. They must also adhere to the IFC/World Bank performance standards.

Our achievements and future commitment to Responsible Investing were recognised in July 2020 by the Board of LuxFLAG which resolved to grant the use of the LuxFLAG Environment Label to ThomasLloyd SICAV - Sustainable Infrastructure Income Fund. The LuxFLAG Environment Label is recognized for its high standards and rigorous assessment of applicant investment funds' investment strategy, ESG integration into the investment process as well as an affirmation of their transparency to investors, which are all key components of the eligibility criteria of the LuxFLAG Environment Label.

The incoming EU SFDR regulations are designed to improve and standardise ESG disclosure. SFDR requires investment managers with financial products targeting sustainable investments as part of their investment objective to disclose how the sustainable investment objective is met and provide details on the "Sustainability Indicators" used to measure this. ThomasLloyd reports under Article 9 regulation which is the most stringent in terms of pre-contractual disclosures and ongoing transparency. We have adopted the Principal Adverse Impacts framework and a set of sustainability indicators which are used to measure the ESG performance of our investee companies and the attainment of the sustainable investment objectives of our financial products. We work with management teams to analyse and monitor the risks in the framework shown in Table 3.

Table 3: ESG Risk Management Framework aligned with SFDR

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES						
Adverse sustainability indicator		**Metric**	**Impact {year n}**	**Impact {year n-1}**	**Explanation**	**Actions taken**
CLIMATE AND OTHER ENVIRONMENT RELATED INDICATORS						
Greenhouse gas emissions	1. GHG Emissions	Scope 1 GHG Emissions				
		Scope 2 GHG Emissions				
		From 1 January 2023 Scope 3 GHG Emissions				
		Total GHG Emissions				
	2. Carbon Footprint	Carbon Footprint				
	3. GHG Intensity of Investee Companies	GHG Intensity of Investee Companies				
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies in the fossil fuel sector				
	5. Share of non-renewable energy consumption and production	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				
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector				
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	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				
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average				
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average				
SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTIONAND ANTI-BRIBERY MATTERS						
Social and employee matters	10. 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				
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Guidelines for Multinational Enterprises				
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies				
	13. Board gender diversity	Average ratio of female to male board members in investee companies				
	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons				

INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS						
Adverse sustainability indicator		**Metric**	**Impact {year n}**	**Impact {year n-1}**	**Explanation**	**Actions taken**
Environmental	15. GHG Intensity	GHG intensity of investee countries				
Social	16. Investee Companies subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law				

INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS						
Adverse sustainability indicator		**Metric**	**Impact {year n}**	**Impact {year n-1}**	**Explanation**	**Actions taken**
Environmental	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels				
Social	18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets				

ThomasLloyd is a signatory to UN Principles of Responsible Investment and supporter of the Task force on Climate-related Financial Disclosures (TCFD). We map our impact outcomes against the UN's seventeen Sustainable Development Goals (SDG's) and measure our contribution to environmental improvements using internationally agreed standards. We play an active part in the transition to a low-carbon future and fully support the aims of the Intergovernmental Panel on Climate Change (IPCC).

External reporting

We produce quarterly investor reports which detail activities at all the projects within our investment set. These reports are published and are publicly available on our website, and we aim at all times to inform our investors of the outcomes of our investment practices with utmost transparency.

On an annual basis, we publish comprehensive Impact Reports which evidence the socio-economic impact of the investments we have made. As a developer of infrastructure projects, we are a large employer in the construction and operational phases of our renewable energy plants. We insist on the highest standards of health and safety, workers' rights and employment conditions. We are well-regarded in the communities in which we invest and have very good relations with civic and municipal leaders. We analyse publicly-available, but rarely viewed, official data on local tax revenues and the public works they finance. We know the transformation our investments have made because we see it with our own eyes, are told of it by local political leaders and can evidence it through robust data-reporting from official statistical agencies. Our Impact Reports tell a powerful story of economic partnership and social progress.

Stewardship Policy

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment, investors and society. We believe that through positive and direct engagement with our management teams we can create optimal long-term value for our investors and for the communities in which we invest.

This Stewardship Policy embeds our investment philosophy into a practical framework of engagement with management teams who must address and manage the environmental and social factors that affect their operations and are material for their business. Our stewardship policy reflects our view of best practice and is aligned with the UK Stewardship Code.

Objectives of ThomasLloyd's Stewardship & Engagement

- Maintain influential and supportive relationships with management teams to engage and advise on issues including company strategy, performance, risk, capital structure and corporate governance.
- Ensure early identification of and accountability for key risks to investments and use engagement to manage and mitigate those risks and enhance the reputation of ThomasLloyd.
- Adhere to the legal, regulatory and governance frameworks of the fund jurisdiction (for example, the Commission de Surveillance du Secteur Financier in Luxembourg).
- Adhere to the legal, regulatory and governance frameworks of the investment jurisdiction and to regulatory compliance in the social and environmental domains.
- Adhere to the IFC/World Bank performance standards and to the eligibility criteria of the Lux Flag Environment Label (for example the requirement to evidence the socio-economic impact of an investment).
- Create optimal long-term value for our investors and the communities we invest in through embedding international best practice at the investee company level.
- Use our influence and expertise to implement positive change and guide management teams towards better ESG outcomes and contribution to the UN Sustainable Development Goals.
- Continually assess and scrutinise management performance and alignment of their behaviours with our core values and the objectives of the organisations to which we are signatory, including PRI.
- Inform our investors of the outcome of our stewardship practices with utmost transparency.

Engagement Strategy and Stewardship Practices

Stewardship is undertaken through both formal and informal interactions between TL teams and investee company teams at various levels of seniority to keep abreast of the company's developments and performance, and to satisfy ourselves of the effectiveness of its strategy and leadership. At the highest level of seniority, active board representation at an investee company is at the heart of our investment strategy and regular engagement with the company's leadership is necessary. Our representatives on the Board of each investee company maintain overall responsibility for the effectiveness of our stewardship and engagement with that company.

Our wider stewardship activities include engaging in purposeful dialogue with our management teams and employees at all levels of the organisation and detailed reviews of company reporting including externally verified reporting and audited financial statements.

We have internal ESG and stewardship experts within the investment team. These individuals and the wider investment teams use formal frameworks during the initial investment process and for regular reviews of performance through the continual monitoring and oversight processes. Informal communication is also encouraged and valued. Our investment team is based in several jurisdictions. This adds to our local knowledge and provides a deeper understanding of the financial, legal and cultural environment in which the companies we engage with operate.

Our stewardship priorities fall into the following two distinct categories:

- Strategy and governance; with focus on company strategy, performance, risk, capital structure and corporate governance
- Optimal ESG outcomes and contribution to UN SDGs

Where beneficial to our investment and operational activities, we contract external service providers. We expect external service providers to review the sustainable operating performance of their businesses, and to ensure that their operations have been tested in terms of environmental, social and governance impact and their ability to create long-term shareholder value.

Whilst our engagement and stewardship strategies can vary depending on a number of factors, our core philosophy is consistent and clear; we are committed to using our control to influence and vote in accordance with the best long-term interests of our clients, our stakeholders and the associated local communities.

Collaboration and Escalation

ThomasLloyd works closely not only with our management teams but also endeavours to build strong relationships with other co-investors. This is particularly important where collective engagement is likely to be more successful than unilateral engagement. However, this is not the only factor when determining whether to collaborate with co-investors; confidentiality is also a determinant in deciding whether or not to engage collaboratively.

Ad-hoc meetings are typically held with management and/or co-investors to discuss specific concerns arising throughout our investment period, particularly where these are considered preferable to more formal discussions.

Our Shareholders Agreements define standards that we expect our investments to meet, which include the adherence to internally recognise guidelines. These same agreements also define methods of resolving disputes on a fair and commercially reasonable basis. Whilst we do not anticipate it will be required, the final stage of dispute resolution is professional independent arbitration which is entered into should a satisfactory and amicable resolution not be reached.

Outside Engagement

The company's board, senior directors and senior management engage either directly or through membership of trade associations to help shape policy discussions, to raise standards and to promote best practice in renewable energy.

Engagement with governments, government related agencies, or regulators can also add value to our investee company engagement. Engagement is not intended to unduly influence the political process. We believe public policy engagement aligns with our signature to the UN Principles for Responsible Investment, which recommend participation in 'the development of policy, regulation and standard setting'.

We commit not to use improper pressure or to have any inappropriate behaviour towards members of governments or organisations with whom we engage in public representation activities.

Engagement, stewardship and ESG

We place environmental, social and governance (ESG) factors and climate change at the heart of effective stewardship. This is because infrastructure investment is vital for economic and social progress; helping build resilient communities and supporting purposeful activity. We also believe that the incorporation of climate-related risks and opportunities in investment decision making is essential to create long-term attractive returns for our investors. Materiality analysis helps identify the most important issues and agree priorities. The agreement of realistic targets with management teams is managed by both internal and external experts

The energy transition already underway is a structural shift driven by a realisation that reliance on fossil fuels is wholly incompatible with the 2015 United Nations' Paris Agreement on greenhouse-gas-emissions mitigation, adaptation, and reduction. Addressing the problem of global warning and greenhouse gas emissions will require solutions for Asia's fast-growing populations and economies.

Renewable energy, whether solar or biomass, provides cost-competitive, subsidy-free electricity which avoids the environmental pollution from conventional sources of power generation. Countries are already prioritising grid access for renewable energy and the financial sector has responded by cutting back lending for coal-powered electricity production.

Dealing with Conflicts of Interest

Whilst implementing our Stewardship Policy, we accept that Conflicts of Interest may arise and where these cannot be prevented they must be dealt with on a fair and reasonable basis. Where possible conflicts of interest will be dealt with systematically, but where this is not possible we will retain the freedom to make independent decisions in the best interest of our investors. We follow company policy and the relevant legal framework to ensure that at all times we are in compliance with our legal and regulatory obligations.

We have a policy and framework in place to manage conflicts of interest and maintain and operate effective organisational and administrative arrangements and take all appropriate steps to identify, prevent and manage conflicts of interest. The Compliance Officer will assure that all relevant disclosure concerning potential conflicts of interest is included in regulatory filings, will review existing policies and procedures designed to address such conflicts and will develop and implement additional policies and procedures, as needed.

We owe our clients honesty and full disclosure. We vote and act in the best interests of our investors, with decisions documented and/or minuted.

Reporting our Engagement to stakeholders

Whilst there is regular discussion of stewardship activities and wider engagement with management privately, we believe transparency with our investors and wider stakeholders on key issues is also important. We will report on, adapt and evolve our approach to responsible investment as we identify and evaluate new risks and issues affecting our investments. Our policy, guidelines and practices will be assessed on a regular basis with changes communicated both internally and externally.

We are signatories to the UN Principles for Responsible Investing and their annual reports in which we disclose our Sustainable Investment policy are communicated across the organisation.