



Arjun Infrastructure Partners
SUSTAINABILITY REPORT 2021

CONTENTS

	Foreword	4
01	Arjun Infrastructure Partners An overview of our business	6
02	Investment approach and governance How we integrate sustainability across the investment process	9
2.1	Investment approach	11
2.2	Governance	14
03	Climate change and portfolio greenhouse gas emissions How we are decarbonising our portfolio and building long-term climate resilience	16
3.1	Climate change	17
3.2	Task Force on Climate-related Financial Disclosures	18
3.3	Greenhouse gas emissions accounting	19
3.4	Net zero	19
04	Our investment portfolio Our holdings and investment impact	21
4.1	Sustainable Development Goals	22
4.2	Renewable energy	25
4.3	Transportation	30
4.4	Utilities	33
05	Outlook and priorities for 2022 Our priorities and objectives for the year ahead	36

Date of publication: May 2022. Unless otherwise stated, all information is correct as of 31 December 2021.

Cover image: **Bigadan, Limfjordens Bioenergy**, Denmark

At the time of construction in 2009, Limfjordens was the first farmer-owned centralised biogas plant in Denmark. The plant treats 390,000 tonnes of slurry annually, producing 4.3 million m³ of biogas.

AT A GLANCE

Arjun Infrastructure Partners



27

full time employees



90+

senior team years
of experience in
operational roles



A/A+

UN Principles for
Responsible Investment
*Strategy & Governance/
Infrastructure Modules*

Our investments



€4bn^A

assets under
management



19

investments



7

countries

^A AUM includes invested and committed capital.

FOREWORD

Infrastructure assets provide essential services to society and have a critical role to play in the fair, just, and equitable transition to a net zero and sustainable economy.

We see this as an enormous responsibility and a generational opportunity. We aim to provide clients with exposure to the businesses and technology essential to delivering this transition.

Arjun's deep expertise in sustainable infrastructure has allowed us to invest in a broad range of assets – whether it's providing safe drinking water, supporting the transition to clean and renewable energy generation, or enabling the mass-uptake of electric vehicles through charging infrastructure.

Coupled with our hands-on asset management approach, Arjun delivers diverse portfolios which significantly contribute towards net zero, are resilient in the long-term, and are managed to optimise positive outcomes for employees, stakeholders, society, and the environment.

This approach is central to our goal of providing impactful investments with predictable and stable returns.



LETTER FROM FOUNDER AND MANAGING PARTNER

We are delighted to share our inaugural sustainability report and the steps we are taking to deliver resilient and purposeful returns to our clients.

An investor-led and nuanced approach to 'sustainable infrastructure'

Arjun takes a nuanced approach to sustainable infrastructure, acknowledging that a blend of

technologies, including transitional^A and enabling, will be required to achieve an orderly transition to net zero^B.

We have a significant opportunity in our capital allocation to support net zero and broader sustainability ambitions. We believe that this opportunity is positively aligned with our commercial objective, and when correctly implemented, can enhance the commercial resilience of our investment strategies.

The transition to a net zero economy will entail policy and regulatory action, technological innovation, and shifts in consumer behaviour. While there will undoubtedly be challenges to navigate, these changes will also present business growth and value creation opportunities. We are working closely with investee companies to prepare operations to succeed in a decarbonised future economy.

Preparing for extreme weather events

The realities of extreme weather events were laid bare in 2021 with the severe flooding of European countries in July, which claimed over 200 lives and resulted in a \$12 billion loss to the insurance sector^C.

A These are activities for which there are no technologically and economically feasible low-carbon alternatives, but support the transition to a net zero economy in a manner that is consistent with a pathway to net zero.

B Net zero can be defined as reducing emissions to zero, or to a residual level that is consistent with reaching net zero emissions at the global or sector level in eligible 1.5°C aligned pathways. Residual emissions should then be neutralised (carbon removal) (Science Based Targets Initiative, SBTi Corporate Net-Zero Standard, October 2021).

C Estimate provided by CRESTA, a Zurich-based insurance industry organization that provides a global standard for risk aggregation zones and catastrophe industry losses. Estimate excludes insurance losses funded by the regional governments in Belgium which amount to a total of \$1.2 billion.

Further afield, we witnessed the heatwave of the Pacific Northwest of the United States and Southwestern Canada, where temperatures hit 46°C (115°F), causing Portland City's streetcar power cables to melt, and state highways to buckle.

These extreme weather events illustrate the urgency of addressing climate change and ensuring that climate risk is considered within our strategies and asset management plans.

COP26 – finance sector commitments

While the outcomes of COP26 (the United Nations Climate Change Conference) fell short of some expectations, the impact on the finance sector should not be understated.

The Glasgow Financial Alliance for Net Zero – which represents over \$130 trillion of private capital – reiterated its commitment to allocating capital to achieve net zero by 2050, with 50% emissions reductions by 2030. This is a significant sum of capital seeking credible and sustainable investment opportunities to accelerate progress to net zero.

Of the \$125 trillion needed to transform our economy and avoid the worst physical impacts of climate change, 70% could be provided by private actors^D

Sustainable finance and transparent disclosure

Significant regulation came into force in 2021, including the Sustainable Finance Disclosure Regulation and the first delegated act under the EU Taxonomy.

Although there will be implementation challenges as the market adapts to these new requirements, Arjun welcomes these measures. We hope that they will provide a 'common language' and threshold for what constitutes sustainable investments. This will help inform capital allocations and ensure that sustainable strategies are appropriately labelled and recognised.

We have built into our investment process robust taxonomy eligibility and alignment tests, as part of our wider analysis in verifying the sustainability credentials of investments.

^D Race to Zero, Financing Roadmaps, November 2021.

ESG risks and opportunities identified during investment appraisals are carried into asset management initiatives to drive positive outcomes

Navigating the challenges of 2022

At the time of writing, it's clear that 2022 will present numerous challenges. The scale of human suffering in the Ukraine-Russia war is tragic, with the financial and political impacts being felt across Europe. Energy prices and the geopolitics of energy independence are a key challenge which have already impacted policy and strategy. We continue to monitor events, and our investment strategy and portfolio remain resilient and well-positioned to weather this risk.

Inflation is also emerging as a macroeconomic trend for 2022. Despite our portfolio benefiting from either regulated or inflation-linked cashflows, we are conscious of the squeeze on household budgets. We will need to ensure that our investment companies remain engaged with their customers and work with regulators to find solutions which support the most vulnerable.

An enormous responsibility, and a long-term opportunity

We are a trusted manager of assets for our investors, who are relied upon by millions of hard-working people for a secure retirement.

As active managers, we will continue to engage and advocate on behalf of our clients in the collective interest of optimising asset performance, maximising societal benefits, preserving value, and unlocking value creation opportunities.

We are continuously improving our approach and challenging ourselves to deliver the best possible outcomes and returns for our clients.

We hope this report helps illustrate some of the outcomes generated by the hard work of our team and investee companies, and the positive impacts of our investment and asset management approach.

Surinder Toor

Founder and Managing Partner

May 2022

01

ARJUN INFRASTRUCTURE PARTNERS

Image: **Welcome Break motorway service area, UK**
Welcome Break offers the largest network of electricity chargers on the UK motorway and is a significant enabler in the transition to low-carbon mobility.

ARJUN INFRASTRUCTURE PARTNERS

Arjun Infrastructure Partners ('Arjun') is an independent infrastructure asset management business, created in 2015.

Arjun is an infrastructure investment specialist focusing predominantly on mid-market companies or platforms with an enterprise value in the range of €100m-€1bn – which, if managed properly, provide downside protection and sustainable long-term income streams.

Our aim is to invest in core and core-plus assets, with a long-term view, to generate competitive risk-adjusted returns. Of our 19 investments, we hold control or co-control positions in 12.

Partner-owned

Arjun is a partner-owned business, fully independent and exclusively focused on infrastructure asset management, with no other business lines or service offerings. Our ownership structure provides strong alignment between Arjun's staff and our clients, to achieve successful long-term performance across the mandates we manage.

Our team

The Arjun team comprises individuals with extensive experience in European infrastructure investment and asset management.

The team comprises 27 professionals and 8 industry partners. The senior team members bring significant operational and financial experience, and professional relationships. These are leveraged to execute Arjun's investment and asset management activities successfully.

In addition, as part of Arjun's commitment to ESG integration, a Head of ESG was recruited in 2021.

Our greatest asset is our people. We are proud that our staff turnover rate is significantly better than the peer and market averages.



Paulina Coll
Head of Office
Operations

"While there are many elements of Arjun's culture that have resulted in our high staff retention rate, providing staff with a meaningful and positive shared business purpose and delivering real-world benefits through our work is key"

Arjun key figures



A growing team

Full time employees,
+5 (+23%) from end of 2020

27



Investment professionals

Providing broad infrastructure
experience

20



Experienced leadership

Senior team's years of operational
experience

90+



Average years of experience

Average years of experience of senior
management team (Partners and
Managing Directors)

25



Male/female

Arjun team gender split

65/35



Investing in our team's knowledge and expertise

Team training hours

188



Engaging with our staff

Response rate to annual staff survey

100%

Our operational impacts

Head office: 50 Pall Mall, London

As part of Arjun's operations, we are constantly considering the impact of our business.

Despite having a relatively small direct operational footprint in terms of staff numbers, suppliers, and leased premises, we are taking practical steps to reduce our impact.

Most significantly, we moved our London office in February 2022, relocating to newly refurbished premises at 50 Pall Mall. In addition to supporting our strong business growth, this provided greater influence in the design and operation of our office, including:

- Providing a high-quality, comfortable, and dynamic work environment for our team. We have taken a number of practical steps – informed through staff engagement – to ensure that our offices are places of engagement, discussion and collaboration. This has allowed us to maximise the benefits of office-working as we return to hybrid-working.
- Selection of a renewable electricity tariff. Office energy consumption is a material component of our direct business footprint. The ability to select a renewable electricity tariff is key to our journey to net zero.
- Procuring a 'zero landfill' waste management solution. Arjun will obtain a range of data, including: recycling rates, waste (kg) to anaerobic digestion, electricity generation (kWh), and tonnes of carbon (CO₂) avoided metrics. We look forward to reporting on these in future updates.



Subsidiary office: Paris, France

During 2022, Arjun opened an office in Paris, France. The Paris office supports European investment origination and helps facilitate marketing to European Union-based investors, post-Brexit.

Supporting our communities

Arjun supports its staff to participate in and contribute to charitable activities through a combination of:

- **Matched giving**, where Arjun match staff donations, or funds raised through a fundraising activity; and
- **Paid volunteering leave**, which is available to all staff.

To date, Arjun has supported a range of organisations, including the [Alexandra Wylie Tower Foundation](#), the [EHE Rare Cancer Charity](#) and the [Disasters Emergency Committee](#).

In addition, a number of our investee companies make significant charitable donations. Most notably Welcome Break raised over £100,000 in 2021, and over £5,000,000 to date, for [Children in Need](#).





02

INVESTMENT APPROACH AND GOVERNANCE

Image: **Solar platform, Skylark solar site, UK**

Skylark is a 4.94MW ground-mounted solar farm, accredited under the UK Renewable Obligation Certificate (ROC) scheme.

INVESTMENT APPROACH AND GOVERNANCE

Arjun is committed to making and managing investments in a responsible manner and incorporates ESG at all stages of the investment lifecycle.

Our sustainable investment practices represent an essential part of our asset management approach, and are central to our ability to deliver attractive risk-adjusted returns over the long-term.

We aim to maximise overall long-term value for our clients. In addition to delivering financial returns, this includes enhancing the value of common economic, social and environmental assets on which our clients' interests depend.

Infrastructure can present unique opportunities to create broad positive externalities, including job creation, improved air quality, and improved resilience of our water resources.

We aim to make quality business decisions that strengthen the commercial performance of assets and enhance these positive externalities.



Serkan Bahçeci
Partner

“With the right expertise and implementation, positive financial performance can be delivered in correlation with enhanced sustainability outcomes”



Strategy & Governance:

A

Infrastructure:

A+

- 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.

Latest UN PRI scores.

Arjun has been a signatory of UN PRI since April 2019.

2.1 INVESTMENT APPROACH

Arjun's responsible investment practices are documented in our internal ESG implementation handbook and summarised below.

A materiality-driven approach

The materiality of ESG issues will vary depending on many factors, including the asset type, age, size, geographic location, and maturity. As a result, a 'one-size-fits-all' checklist approach is not suitable, and the ESG evaluation during the investment process is tailored to each asset.

Arjun defines material ESG issues as current and future risks that can:

1. adversely impact the **financial** performance and valuation of an asset. Examples include operation interruption from flooding, or delays resulting from extended right of way negotiations
2. result in a **legal** impact, such as improper labour management, general governance risks, or legal challenges to greenfield developments
3. adversely impact the **reputation** of an investee company, Arjun, investors, or other project-related stakeholders

Climate change – both physical and transitional risks – is integrated into our risk approach. For instance, if an asset has not flooded historically, we consider the risk that flooding may occur in the future due to climate change. This risk can have broad future impacts on our assets, ranging from business interruption to higher insurance premiums and coverage risk.

Proprietary ESG deal screening

A proprietary ESG Deal Screen Tool was developed in 2021 with the assistance of external specialist consultants. Since its rollout across the business, over 40 deals have been screened. The screening outputs are integrated into investment meetings and committee presentations.

The tool is based on the Sustainability Accounting Standards Board materiality tools, which identify 26 general sustainability risks across 77 industries. The tool was refined to add material sector risks known to

Arjun, as well as climate risk considerations as set out under TCFD.

In short, the tool provides a comprehensive overview of potential material ESG issues on a sector-specific basis, drawing from a range of international standards and team experience.

Considering ESG within the deal pursuit and completion

Infrastructure assets that we evaluate as potential investment opportunities can be at significantly different levels of progress toward incorporating ESG issues within their policies and operations. When we identify that current ESG standards are unsatisfactory, or where material ESG risks are identified, we may still be prepared to invest if we have conviction that we can mitigate the risks and improve ESG outcomes during our ownership.



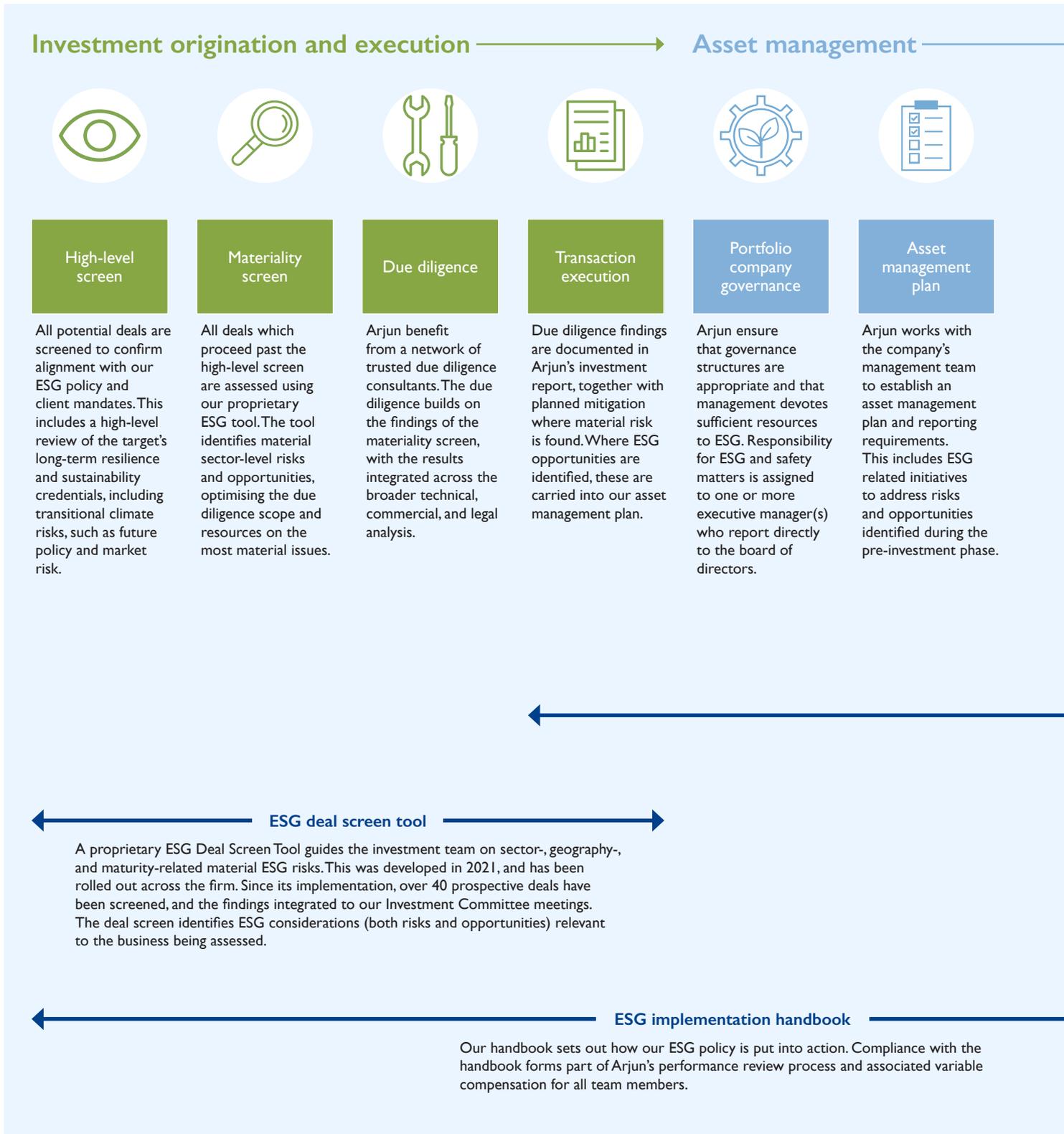
Rohini Pahwa
Managing Director

"We believe that 'ESG risk' is 'business risk'. If a material ESG risk is identified, and no satisfactory mitigants exist, then we will not pursue the investment"

Before submitting a binding offer, all material ESG risks identified via due diligence must be evaluated and documented in Arjun's final investment report. Each risk must be assigned mitigation, and each opportunity assigned a delivery plan. This can be achieved through one or more of the following:

- asset management initiatives, including the 100-day plan or longer-term asset management plan
- applying ESG considerations on revenue/cost/capex/opex assumptions
- adjusting valuation/cost of capital
- incorporating protections/requirements within the transaction documentation, e.g. covenants in the sale and purchase agreement

ESG Implementation Process



Exit



Set KPIs and targets

Asset management plans include ESG KPIs (such as emissions reduction or resource efficiency) and initiatives to deliver improvements. Management remuneration structures are linked to performance against KPIs and targets where possible.



Climate-related risks and opportunities

A climate risk assessment is included in asset management plans. This ensures that asset management teams examine climate-related risks and opportunities. Where material risks are found, mitigation initiatives are developed.



Selection and monitoring of third-party operators

Third-party operators often provide operations and maintenance services to Arjun-managed assets. When signing or renewing contracts, ESG factors are included in the evaluation process. Where possible, contracts include ESG-related reporting requirements, performance targets, and incentives.



Stakeholder engagement

Infrastructure investments we manage have a material impact on local communities, customers, and other stakeholders. Effective engagement is essential to maintaining our 'social licence to operate' and is fundamental to our asset management approach.



Construction, maintenance and upgrade projects

ESG forms an integral part of project evaluation, planning, and execution. Risks and opportunities are project-specific and can include: sensitive environmental receptors, construction material specification, and community-related concerns or expectations.



Exit

We believe that our ESG practices, and emphasis on sustainable long-term value creation, will position portfolio companies favourably to incoming acquirers. As part of the transaction, we provide our ESG policies and asset-level ESG information, as appropriate.

Asset management plan

Asset management plans are a fundamental part of Arjun's ESG implementation, and ensure that the risks and opportunities identified as part of the investment process are captured and managed. The asset management plans include '100 day' actions, which can include priority ESG items. These can include the establishment of specific policies and procedures, the completion of climate risk screening, or further assessments to augment the data made available during the investment due diligence. Asset management plans are reviewed regularly (at least annually), with ESG engagement on at least a quarterly frequency.

2.2 GOVERNANCE

Effective ESG management requires good governance. Every member of the investment and asset management team is responsible for implementation of Arjun's ESG policy, with strong governance structures in place to support this.

Arjun Management Committee

Arjun's Management Committee oversees the implementation of our sustainable investment policy, with executive responsibility delegated to Peter Antolik (board member, COO, and Head of Asset Management).

ESG matters are discussed in all Arjun committee forums (board of directors, management committee, investment committee, risk management and compliance committee) and relevant regular internal meeting forums (all staff meeting, investment, asset management, marketing, operations, valuation review).

ESG Working Group

Arjun benefits from an in-house working group, led by a Head of ESG, and comprising senior members of the team working across all company functions. The working group meets regularly to ensure that all policies, procedures and initiatives are being implemented appropriately. The working group provides regular updates to Arjun's Management Committee.

A team approach

Every member of the investment and asset management team is responsible for implementation of Arjun's sustainable investment policy during the investment evaluation, execution and asset management phases of the investment lifecycle. Team training is undertaken to ensure that team members have the appropriate knowledge to carry out their responsibilities.

ESG pillars

To understand the areas where our investments can, and do, have the greatest impact, Arjun conducted a materiality assessment process incorporating input from key stakeholders, including portfolio companies, our clients, and our team members.

Collectively, our ESG impacts and engagement priorities were agreed to centre around the following four pillars:



Climate resilience and GHG emissions

Ensuring that our assets contribute towards a just and orderly transition to net zero, and are resilient in the long term.



Diversity and inclusion

Promoting fair, equal and inclusive workplaces within Arjun and the businesses we invest in.



Community impact and engagement

Working with communities to ensure that our businesses deliver on national-scale societal needs, in a manner which is sensitive and responsive to local priorities and concerns.



Health and safety

Ensuring that health and safety is a board-level priority, and every employee returns home safe and unharmed from work.

Key committee details



Surinder Toor



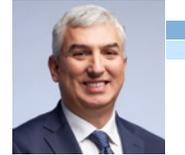
Charles Hazelwood



François Bornens



Peter Antolik



Serkan Bahçeci



Thomas Laverty



Catherine McCall



Julian Skinner



Romain Py



Nick Spencer



Rrona Humolli



Alison Edet

Board of Directors

Surinder Toor, Charles Hazelwood, François Bornens, Peter Antolik

- Ultimate responsibility for operations, including regulatory compliance
- Oversee investment performance
- Approval of investor reports and communications
- Designated Senior Managers under UK's Financial Conduct Authority (FCA) Senior Managers and Certification Regime

Management Committee

Surinder Toor, Charles Hazelwood, François Bornens, Peter Antolik, Serkan Bahçeci, Thomas Laverty

- Day-to-day decision making
- Ensure effective resourcing
- Review and approve valuations
- Oversee ESG Working Group and support implementation, including approval of ESG policies and practices, as required,
- Oversee operations (including finance, HR, IT, and compliance)

Investment Committee

Charles Hazelwood, Serkan Bahçeci, Surinder Toor, Peter Antolik
Thomas Laverty, Catherine McCall and other executives in attendance as required.

- Review investment pipeline, including deal screening to ensure that opportunities are compatible with ESG policy and investor mandates
- Oversee investment process (including appointment of advisors, review of business plan, structuring of investment, valuation and sensitivities, ESG considerations and post-investment plan)
- Investment, divestment and key asset management decisions

Risk Management and Compliance Committee

Peter Antolik, Catherine McCall, Surinder Toor, Julian Skinner

- Oversee day-to-day risk management and compliance activities, including related Sustainable Finance regulations
- Maintain corporate risk register and conflicts register
- Maintain corporate compliance policies
- Escalate issues to the Management Committee and Board as necessary

ESG Working Group

Peter Antolik, Romain Py, Nick Spencer, Rrona Humolli, Alison Edet

- Executive responsibility for ESG is delegated to Peter Antolik (Partner, Board Member and COO)
- Develop ESG strategic direction and underlying implementation policies and tools
- Deliver in-house ESG training to develop staff knowledge and effectiveness of ESG integration
- Support investment team as required, including screening and advisor selection
- Support asset management team as required, including quarterly asset-level ESG reviews and engagement

Industry Partners

Henrik Valgma (energy and renewables), Keith Harris (water), Colin Hood (energy and utilities), Abhi Naha (telecoms), Jim McPhillimy (utilities), Jeremy Cross (renewables), Nigel Tinsley (UK institutional), Stine Birk (ESG)

Industry partners are an integral part of the Arjun team, providing deep technical knowledge, extensive relationship networks and sector-specific experience of operating and managing infrastructure businesses in Europe and globally.

Arjun's industry partners have regular engagement with the investment team on strategic and organisational matters affecting investments and play an important support role in the due diligence. Our industry partners also serve as non-executive directors on existing portfolio companies within the Arjun portfolio.

03

CLIMATE CHANGE AND PORTFOLIO GREENHOUSE GAS EMISSIONS



Image: **Monegros Wind Farm**, Spain

Monegros comprises a portfolio of twelve onshore wind farms with total installed capacity of 487MW, located in Aragon, Spain.

CLIMATE CHANGE AND PORTFOLIO GREENHOUSE GAS EMISSIONS

Given the long-term nature of our clients' investment objectives; climate change presents a critical risk and opportunity within our investment strategy.

3.1 CLIMATE CHANGE

Introduction

2021 saw the publication of the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, *Climate Change 2021: The Physical Science Basis*. These reports – which are prepared every 6-7 years – provide a comprehensive update on climate change causes, potential impacts and response options.

The IPCC's Sixth Assessment report is unequivocal that human influence has warmed the atmosphere, ocean and land; and that global surface temperature will continue to increase until at least the mid-century^A.

Limiting human-induced global warming requires reducing carbon dioxide (CO₂) emissions to net zero; and strongly reducing other greenhouse gases, including rapid and sustained reductions in methane (CH₄), which is a short-lived greenhouse gas that remains in the atmosphere for less than twenty years, but is 80 times more warming than CO₂.

Physical risk

Physical risks resulting from climate change can be event-driven (acute), such as extreme weather events, or longer-term (chronic) shifts in climate patterns, such as sustained higher temperatures that may result in sea level rises.

Increased global warming will continue to manifest in increased physical risk – acute and chronic – to our assets.

The IPCC report presents – in detail – the anticipated physical impacts of climate change. Many of these impacts are already 'baked in', and even if we limit future global warming to 1.5°C (the highest level of current ambition), we can expect significant changes in hot temperature extremes and heavy precipitation within our investment geography.

A Intergovernmental Panel on Climate Change, [Sixth Assessment Report – headline Statements from the Summary for Policymakers](#), 09 August 2021.

“ Our current 1.1°C warmer world is already affecting natural and human systems in Europe (very high confidence) ”

IPCC, 2022: *Europe in Climate Change 2022: Impacts, Adaptation, and Vulnerability*.^B

Transitional risk^C

Transitioning to a lower-carbon economy may entail policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to assets.

The exposure to transitional risk varies across infrastructure sectors (with higher greenhouse gas emitting sectors at greater risk), and to some extent, geography (although the majority of our investment geography sit under European Union (EU) level policy ambition).

Responsibly navigating climate change risk

We recognise that infrastructure assets can be particularly vulnerable to climate risk; being large, long term, physically exposed, sensitive to weather in their operation and maintenance regimes, and potentially subject to regulation to drive national decarbonisation progress.



Roxane
Parfond
Principal

“Climate risk can cause direct and significant impact to the financial performance and valuation of assets. Working with our portfolio companies to anticipate and adapt to this is critical to the long-term success of our strategy, and delivering on our client's expectations”

B 2022: Europe. In: *Climate Change 2022: Impacts, Adaptation, and Vulnerability*. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge University Press.

C The Taskforce on Climate-related Financial Disclosures (TCFD) describe climate risk in terms of 'physical risk' and 'transitional risk', with the above definition provided.

To effectively manage physical risks, we must continue to work with investee companies to quantify risk and establish commercially viable and proportionate responses – such as flood protection, asset reinforcements such as improved resilience to high wind speeds, or improved heating, ventilation and air conditioning across our real estate. A key workstream for 2022 includes furthering our climate scenario analysis, examining physical risk exposure of our assets across multiple time frames and decarbonisation models (including a 2°C or lower scenario^D).

Our management of transitional risk is underpinned by our in-depth sector knowledge, and market/policy outlooks. Transitional risks can be varied, ranging from shifts in personal transportation (with our investment geography legislating the end of new combustion engine vehicles by 2035, at the latest); through to the policy support, development and future deployment of green hydrogen. Examples of sector-level transitional challenges, and case studies of how our assets are addressing transitional risk, are provided under Section 04.

Unlocking opportunity and value creation

The urgent need to decarbonise infrastructure is resulting in new technology, evolving market requirements (including consumer preferences and policy responses), and ambitious expectations from asset owners and investors.

These drivers are accelerating the rate of asset differentiation. It is anticipated that some technologies and business models will become significantly devalued over the course of the next 10-20 years.

However, for those businesses capable of adaptation, there are a range of potential benefits, including:

- reduced operating costs through energy efficiency gains;
- reduced exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon (which has been steadily increasing under the EU Emissions Trading Scheme);
- increased value of fixed assets, such as Real Estate,

which can attract a premium where rated energy efficient; and

- reputational benefits resulting in increased demand for goods/services. One such example has been the increased demand in renewable energy supply, with a rise in demand for Power Purchase Agreements by corporates, to achieve their commercial and environmental objectives.

We seek to position our clients in the sought-after businesses and technologies which can demonstrate future resilience and readiness to succeed in a decarbonised economy.

3.2 TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES



The Task Force on Climate-related Financial Disclosures (TCFD) was established to develop recommendations for more effective climate-related disclosures, and in turn, promote more informed investment decisions. In 2017, the TCFD released a set of recommendations, across four pillars as follows:

- **Governance:** organisational governance of climate-related risks and opportunities.
- **Strategy:** the actual and potential impacts of climate-related risks and opportunities on the organisations businesses, strategy and financial planning.
- **Risk management:** the processes used by the organisation to identify, assess and manage climate-related risks.
- **Metrics and targets:** the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Arjun have voluntarily adopted the TCFD recommendations and became a formal supporter of TCFD in October 2021.

We are continuing to work on alignment of our activities with the TCFD, with an objective of fully implementing scenario analysis across our investment process in 2022. This is discussed further under Section 05.

^D A 2°C scenario lays out an energy system deployment pathway and an emission trajectory consistent with limiting the global average temperature increase to 2°C above the pre-industrial average (TCFD, [Recommendations of the Task Force on Climate-related Financial Disclosures](#), 2017).

3.3 GREENHOUSE GAS EMISSIONS ACCOUNTING

TCFD requires the disclosure of climate-related metrics, including the reporting of greenhouse gas emissions.

Arjun has been carefully reviewing the boundary and materiality of our greenhouse gas (GHG) emissions – covering our own operations and those of investee companies – following the methodology and guidance set out by the [Greenhouse Gas Protocol](#)^E.

Summary of measured greenhouse gas emission boundaries/categories.

Scope 1: Direct emissions

Emissions from operations that are owned or controlled by Arjun. Includes use of refrigerants for air conditioning.

Scope 2: Indirect emissions

Emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by Arjun. Electrical consumption for power and gas consumption in central heating at our office premises.

Scope 3: Indirect emissions

All indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Category 6: Business travel

Transportation of employees for business-related activities (in vehicles not owned or operated by Arjun).

Category 7: Employee commuting

Transportation of employees between their homes and their worksites (in vehicles not owned or operated by Arjun).

Category 15: Investments

Asset managers investing clients' capital report on emissions from equity investments managed on behalf of clients. These emissions comprise the proportional Scope 1 and Scope 2 emissions of the investee company.

Measurement and data verification commenced during 2021, with reporting scheduled for our 2022 sustainability report.

As investment managers, the majority of our GHG emissions fall under 'Scope 3, Category 15 (investments)'^F. Many of our mid-market investments involve businesses that do not fall under a regulatory obligation to report GHG emissions. In many cases, we have been working directly with investee companies to support them in calculating and reporting GHG emissions; in some instances, for the first time.

At present, we have been prioritising our engagement and GHG reporting on portfolio companies where Arjun holds a majority interest. As at the end of 2021, we have achieved greenhouse gas emission coverage equivalent to 62% of portfolio AUM. We will continue to expand GHG coverage across our portfolio.

3.4 NET ZERO

All of our investment geography is covered by a legislated commitment to net zero by 2050 (at the latest).

Summary of legislated net zero commitments across portfolio geography

Investment country	Net zero target	Interim target
 United Kingdom	2050	2035: 78% reduction compared to 1990 levels
 Denmark	2050	2030: 70% by 2030 compared to 1990 levels
 Canada	2050	2030: 40-45% reduction compared to 2005 levels
 Spain	2050	2030: 23% reduction compared to 1990 levels
 Sweden	2045	2030: 63% reduction compared to 1990 levels
 Ireland	2050	2030: 51% reduction compared to 2018 levels
 Italy	2050	2030: 60% compared to 1990 levels

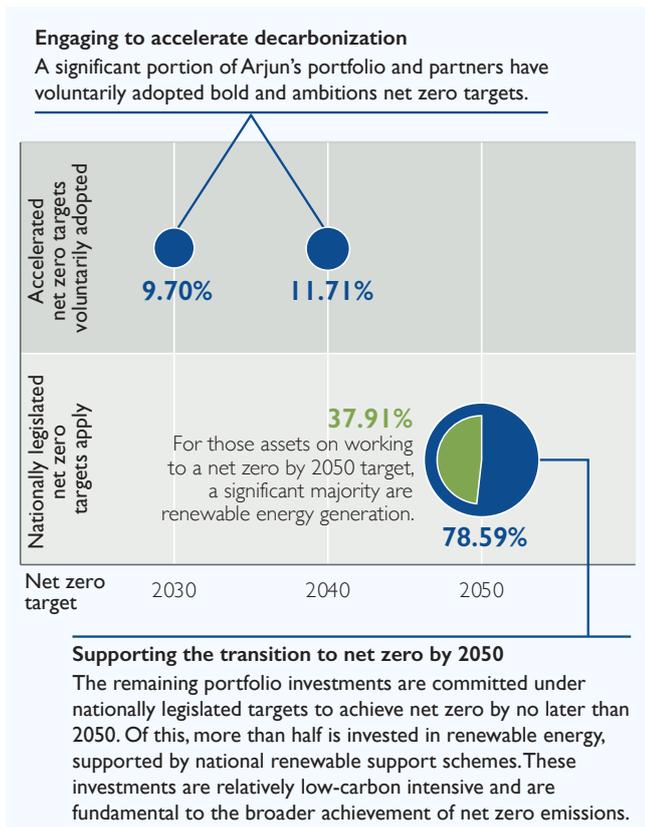
E The Greenhouse Gas Protocol provides the world's most widely used greenhouse gas accounting standards for companies.

F The Greenhouse Gas Protocol, [Corporate Value Chain \(Scope 3\) Accounting and Reporting Standards](#), sets out guidance for "managed investments and client services", including "investment and asset management". Asset Managers account for emissions from managed investments in Scope 3, Category 15 (investments).

Our investee companies are working to reduce emissions in line with national net zero strategies. It will remain essential that they engage with regulators to shape and anticipate the policies which will be required, particularly related to interim decarbonisation targets.

A significant proportion of our portfolio has aligned to more ambitious net zero targets. This includes our UK regulated water utilities, which have committed to net zero by 2030^G, and third-party managed assets where operators have committed to net zero by 2040.

Overview of portfolio AUM net zero targets



Arjun is continuing to develop our strategy to accelerate the transition to net zero. This will involve continued engagement with investee companies to develop robust decarbonisation plans. This includes the development of interim targets, capital planning, and board-level oversight.

This work is a priority for 2022 and we look forward to sharing the findings in future updates.

^G Net zero operational emissions by 2030. For further information, see the [Water UK Association](#).



04

OUR INVESTMENT PORTFOLIO

Image: **Osprey hunting**, UK

With a capacity of 18 billion litres, **Blithfield Reservoir** provides around 40% of raw water to South Staffordshire Water. The reservoir supports approximately 261 different species of birds, more than any other site in Staffordshire, and is considered one of the best places in the West Midlands to see ospreys.

INVESTMENT PORTFOLIO

Our investment approach considers portfolio impacts across a broad development context. This includes the **UN Sustainable Development Goals^A**, **European Green Deal^B**, **UK Net Zero Strategy^C**, and long-term policy direction.

4.1 SUSTAINABLE DEVELOPMENT GOALS

Portfolio alignment with SDGs



AFFORDABLE AND CLEAN ENERGY

Our solar and wind generation assets provide enough clean electricity to supply over 300,000 households, whilst our biogas facilities offer innovative alternatives to fossil gas. Our high-efficiency combined heat and power plants are fuelled with certified biofuels, supporting energy security and an orderly transition to fossil-free power.

Wind power

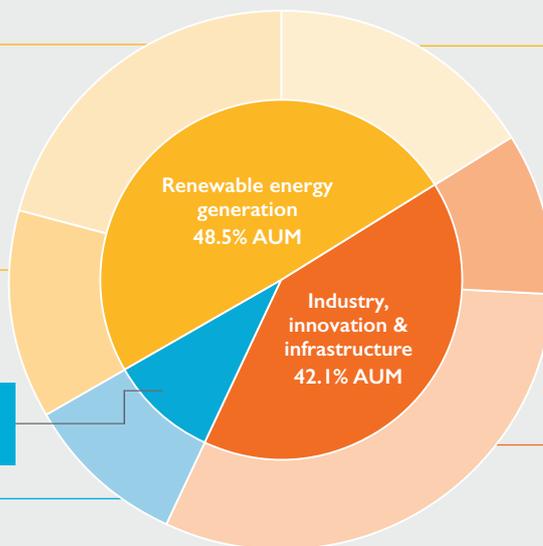
- 1,053MW offshore wind platform, UK
- 73MW onshore wind, Ireland
- Monegros, 487MW onshore wind, Spain

Solar power

- 200MW solar platform, UK
- Enviromena, solar developer, EMENA
- NextEnergy, >800MW solar, UK

Water utilities

- South Staffordshire Water Plc, UK
- Southern Water, UK



Biomass

- Bio-energy platform, UK
- Bigadan, biogas platform, Denmark
- SBS Kliplev, biogas, Denmark
- Falcon, biogas platform, Italy

Energy utilities

- Indigo, gas and electricity distribution, UK
- Energia, vertically integrated power utility, Ireland
- Vartan Gas, Sweden

Sustainable transport

- Welcome Break, motorway services area, UK
- ONroute, motorway services area, Canada
- Freehold, motorway services area, UK
- Red Funnel, ferry services, UK



CLEAN WATER AND SANITATION

Our investments deliver clean, affordable water every day, to millions of customers. As managers of these assets and public services, we are actively improving the resilience of water supplies against the potential risks of future climate change impacts – such as increased temperature, increased drought-risk, and greater variability in precipitation patterns.



INDUSTRY, INNOVATION AND INFRASTRUCTURE

Energy utilities are critical infrastructure, with our investment in energy utilities providing reliable delivery of gas and electricity to over a million residential and commercial properties.

Transport represents almost a quarter of Europe's greenhouse gas emissions, and is the main cause of air pollution in cities. Our investments in motorway service areas are key to supporting the broader adoption of electric vehicles, and are actively supporting the development of the necessary charging infrastructure. Meanwhile, our investment in Red Funnel helps provide low-carbon transport and connectivity between the Isle of Wight and mainland England.



A The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. For more information on the SDGs, please see sdgs.un.org/goals.

B The European Green Deal is the European Union's growth strategy to transition the EU to a low-carbon and sustainable economy. The Green Deal includes a broad package of sustainability pledges and policy, including no net emissions of greenhouse gases by 2050; reduction of net greenhouse gas emissions by at least 55% by 2030; and wider targets including air quality; building energy efficiency, and 'green job' creation. For further information, see European Commission, [A European Green Deal](#).

C The UK's Net Zero Strategy sets out policies and proposals for decarbonizing all sectors of the UK economy to meet net zero by 2050. The Net Zero Strategy sets out a 10 point plan for a "green industrial revolution". For further information, see UK [Net Zero Strategy](#).

OUR INVESTMENT IMPACTS

Purposeful returns, contributing to a decarbonized and sustainable future.

6 CLEAN WATER
AND SANITATION



2,700,000

connected premises provided with safe, reliable drinking water by our water utilities.

7 AFFORDABLE AND
CLEAN ENERGY



3GW

Arjun have investments in wind and solar assets representing over 2.5GW of installed capacity, and a further 500MW of development pipeline.

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



1,000,000

customers supplied with energy by our utility investments, Indigo and Energia.

Arjun's portfolio includes investments in 1,626MW of offshore wind in the UK



Charles Hazelwood
Partner

“Our investments directly support over 10,000 jobs, providing regular income and security for thousands of households across our investment geography”

10,000+
direct jobs supported
across our portfolio



4.2 RENEWABLE ENERGY

With renewable capacity expected to account for almost 95% of all new global power capacity through to 2026, there is significant opportunity for private capital seeking direct decarbonisation impact.

The renewables sector includes a **spectrum of technologies**, including wind power, solar power, hydroelectric power, ocean energy, geothermal energy, biomass, and biofuels^A.

We view renewables as a **core part** of our investment strategy and have added significant resource to identify, acquire and manage investments in this sector.

Our current renewables approach can be sub-divided into: **wind and solar**, and **biomass**.

Wind and solar

For many, wind and solar assets remain an archetypal renewable technology. These technologies are a source of electricity, and form the core of our clean energy holdings.

Renewable electricity will play a pivotal role in the transition to a net-zero future. Whilst the carbon intensity of electricity in Europe has more than halved since 1990^B, further deployment of renewables and decarbonisation of electricity will be required in order to meet 2030 emission targets.

Decarbonisation of electricity will have a significant impact in the decarbonisation of other sectors – ranging from transport with the adoption of electric vehicles at scale, through to the heating of homes via electric boilers and heat pumps. Renewable electricity can also be used to decarbonise elements of industrial heat, and provide a near-term solution to reducing industrial emissions.

As intermittent wind and solar generation increases, the importance of battery storage technology will also increase. In particular, long-duration storage (energy supply over four hours) is essential to supporting the growth of renewable energy systems.

A Definitions of 'renewable energy' are provided under Article 2(1) of the EU [Renewable Energy Directive](#) ((EU) 2018/2001).

B "...generating 1 kilowatt hour in 2020 emitted, on average, half as much CO₂ as in 1990"; European Environment Agency.

AT A GLANCE



55%

reduction target in EU GHGs, compared to 1990 levels^C



40%

increased target for share of renewable energy in EU by 2030, announced under the Renewable Energy Directive revision^D



35-40GW

projected UK solar capacity by 2050, estimated by leading power price forecasts^E



290GW^F

growth in global renewable electricity capacity in 2021 – of which solar accounts for 160GW

C As part of the EU's goal of net zero by 2050, it has committed to an interim target of 55% emissions reduction by 2030. For further information, see [EU Fit for 55](#).

D [European Commission](#), July 2021.

E Aurora Energy Research, *GB Renewables Forecast*, October 2021; and Baringa, *GB Wholesale Power Market Report, Q4 2021*.

F International Energy Agency (IAE), *Renewables 2021: Analysis and Forecast to 2026*, December 2021.

The mismatch of intermittent renewable generation and demand will increase the need to balance generation and demand. Decarbonisation targets and the desire to be less dependent on imported fossil fuels will mean that fossil fuel back-up generation will struggle to compete with batteries for balancing services.



Julian Skinner
Managing Director

“Proactive asset management enables us to identify opportunities that deliver significant value to our investors”

Summary of solar and wind investments

Asset	Technology	Location	Total capacity (MW)	Description	Investment date
UK solar platform	Solar	United Kingdom	226	Portfolio of 43 ground mounted photovoltaic solar farms.	January 2017 - July 2019
Enviromena	Solar	Europe	>500 ^G	Leading clean energy project developer active in Europe and the MENA region.	November 2017
NextEnergy	Solar	United Kingdom ^H	865	Preferred equity investment in a UK solar company.	November 2018
UK wind platform	Offshore wind	United Kingdom	1,053	Minority investment in three UK offshore wind projects in partnership with Orsted.	December 2018 - December 2021
Irish wind platform	Onshore wind	Ireland	73	Acquisitions of operational onshore wind farms in Republic of Ireland, with a total capacity of 73MW.	November 2020 - March 2021
Monegros	Onshore wind	Spain	487	Co-control investment in a portfolio of 12 onshore wind farms with an installed capacity of 487MW.	May 2021

Solar and wind investment impacts, 2021 summary



1,250,000 MWh exported electricity

Based on electricity exported from our wind and solar assets, and taking into account Arjun's equity holdings (attribution). This is enough to supply over 300,000 households^I.



350,151 tonnes CO₂ avoided

Our renewable assets can displace the production of electricity from higher carbon-intense, fossil-fuelled, generation assets. The beneficial impact in these avoided emissions has been attributed to Arjun based on the ownership position of each asset.

Calculations take into account the national emission factors of our assets, and the above number represents the aggregated avoided emissions from our solar and wind portfolio.

^G Development pipeline of over 500MW capacity.

^H 99 solar assets across UK (91 assets) and Italy (8 assets).

^I Based on a mean domestic electricity consumption of 3.748MWh (per meter) in 2020. UK Department for Business, Energy & Industrial Strategy, [Subnational Electricity and Gas Consumption Statistics](#), 23 December 2021.

Biomass

Biomass is a collective term for renewable energy sources which include a broad range of technologies, feedstocks, and sustainability impacts. Arjun's investment strategy includes biomethane and biomass combined heat and power, as part of delivering a diversified set of renewable technologies across its portfolio.



Arjun's renewable energy portfolio includes a number of biomass assets. These benefit from various national renewable energy support schemes, all of which impose stringent requirements regarding feedstock, performance and environmental compliance. The final result is the beneficial utilisation of essentially end-of-life materials in the generation of low-carbon energy.

Biomethane

When biogenic wastes¹ are landfilled or otherwise discarded, they enter a natural decomposition process which generates methane (CH₄). Methane is a greenhouse gas more powerful than carbon dioxide, and is a significant contributor to climate change. Urgent and rapid reduction in emissions of methane are fundamental to reducing climate change impacts, and achieving net zero.

Anaerobic digestion (AD) is a way of controlling the decomposition of biogenic waste, and harnessing the methane generated to provide an energy fuel, for purposeful application. One such application is the production of biomethane (a methane-rich biogas), which can replace the use of fossil fuel gas when injected into the grid.

When biomethane is combusted – such as in a combined heat and power plant, or in boilers – it releases carbon dioxide and water. However, the initial capture of the methane avoids the otherwise unabated release into the atmosphere, and the application of biomethane also avoids the reliance on fossil natural gas.

There are a number of additional aspects of biomethane which make it a key tool in the pursuit of net zero. These include:

- **Energy storage:** the ability to 'store' energy as biomethane, which can be used when required, complementing the intermittency of solar, wind, and other renewable technologies.
- **Organic fertilisers:** the use of the resulting digestate (the AD waste product/residue), providing organically-bound nitrogen and other nutrients, which can be applied as a fertilizer. This has the ability to displace industrial manufactured fertilisers, providing additional emission savings, as well as agricultural cost-savings and improved price stability.
- **Carbon dioxide concentrate:** the biomethane production process generates carbon dioxide, which can be captured and applied across a number of processes, including industry and manufacturing.
- **Transportation:** biomethane, in the form of compressed biogas, can directly replace liquid petroleum gas for use in diesel engines (heavy goods vehicles, buses, shipping and maritime), and whilst electric vehicles and hydrogen are being rolled out for cars and light goods vehicles, the heavy-haulage sector is likely to require diesel to gas conversion as an interim step prior to alternative low-carbon solutions being developed.

Whilst biomethane offers numerous opportunities, we are also actively managing the potential risks and impacts associated with these projects. In particular, as the development of further biogas plants are expected, the competition for feedstock will increase. Sourcing feedstock close to the plant will imply the lowest cost, as well as lower carbon emissions caused by transportation. Continuing active engagement with local suppliers and communities will remain key to the successful delivery of existing and new capacity.

Biomass combined heat and power

The minimisation of waste disposal to landfill is fundamental to achieving a circular economy, and the commercial generation of energy from end-of-life, or materials which would otherwise be left to decay naturally potentially releasing methane, is a key tool in achieving this.

¹ Biogenic wastes are materials which come from biological sources and/or were recently growing. Examples include agricultural by-products (such as cattle slurry and manure), food waste, garden waste and forestry by-products.

Arjun's biomass combined heat and power (CHP) achieve the UK Government's status of Good Quality Combined Heat and Power and use, as feedstock, a mixture of certified end-of-life bio-liquids (such as tallow), as well as whisky distillery draff (distilling industry waste residues), saw mill residues, and non-commercial forestry arisings.

Arjun's biomass facilities use state-of-the-art technology, with high availability and low operational energy consumption. Our biomethane assets are significantly contributing to policy ambitions to increase biogas production (Denmark has targeted 40 petajoules by 2030). The sustainability credentials of our CHP assets are recognised under the UK's Renewable Obligations Certification (ROC) scheme.

Summary of biomass investments

Asset	Technology	Location	Description	Investment date
Bigadan		Denmark	Leading Danish biogas platform company with nine operational biogas plants, providing an energy production capacity of 1.32 TWh, together with four compressed biogas truck refuelling stations.	July 2021
Sustainable Bio Solutions (SBS) Kliplev	Anaerobic digestion (biomethane production)	Denmark	A greenfield development project, scheduled for commercial operation in Q2 2022. Once built, Kliplev will be the largest biogas plant of its type, with 41 million m ³ /yr biogas output capacity.	November 2020
Falcon		Italy	A development portfolio, comprising an initial six greenfield subsidy-backed biogas projects in Italy. Two plants, <i>Calimera Bio</i> and <i>Eeasy Energia Ambiente</i> were commissioned in 2021, with the remaining four plants scheduled for commissioning in 2022.	November 2021
Combined heat and power platform	Biomass-fuelled combined heat and power	United Kingdom	Two operational renewable combined heat and power plants. Both benefit under the UK's Renewable Obligation Certificate (ROC) scheme.	February 2019

Biomass investment impacts, 2021 summary



1.32 TWh installed biogas capacity
Renewable generation capacity of Arjun's operational biogas facilities.



160,000,000 m³ biomethane capacity
Indicative biomethane capacity across all operational biogas facilities in 2021.



16,779 MWh electricity produced from biomass CHP
Electricity exported, from Arjun's biomass-fired combined heat and power (CHP) assets.



3,400,000 tonnes of biogenic waste processed
Our biomethane facilities provide a purposeful end-use for a significant volume of biogenic waste. For context, that is equivalent to the weight of more than 560,000 African bush elephants.

CASE STUDY

Sustainable Bio Solutions Kliplev, Denmark

Sustainable Bio Solutions (“SBS”) Kliplev is building one of the world’s largest biogas plants, due to become operational in 2022. Once operational, the biogas production at the plant will reduce CO₂ emissions by around 90,000 tonnes every year^K.

Governance and sustainable solutions

When Arjun invested in SBS, a governance structure was established to ensure board and management focus on ESG and sustainability. Today, ESG is a standing board agenda item and a mandatory consideration in corporate strategy and business development.

Arjun has ensured the design of the plant is both carbon capture and storage ready (including the potential to produce food-grade carbon dioxide), as well as being prepared to incorporate power-to-x^L solutions as they become commercially available.

A sustainability initiative currently being implemented is the establishment of a water lagoon to collect rainwater at the site. This water will be recycled and used for operational tasks at the site, thus reducing the use of mains water and delivering long term cost savings.

Health and safety and a partnership approach

Recognising an elevated health and safety risk in greenfield investments, Arjun undertook specific engagement post-transaction to promote best practice management. Collaborative discussion with the EPC contractor resulted in measurable improvements in health and safety culture, including training for all staff involved in the Kliplev project.

Community impact and engagement

When operational, the plant will reduce CO₂ emissions by around 90,000 tonnes annually^O, supporting the Danish government’s goal of becoming net zero.

SBS has formed close relationships with the local farmers that are delivering manure to the plant. In turn, the farmers will receive back high quality digestate for use as an upgraded fertilizer on their farm land. SBS thereby contributes to reducing CO₂ emissions as well as improving production for the farmers.

COMMERCIAL OPERATION DATE

Q2 2022 (under construction)

CAPACITY

41 million m³ biomethane, annually

INVESTMENT DATE

2020



Stine Birk
Chair of the SBS
Board of Directors,
and Arjun Industry
Partner

“Focus and active engagement at board and management level, initiated by Arjun, has made ESG and sustainability a natural part of strategy and business development, as well as every day work – delivering solutions that benefit ESG and sustainability as well as commercial performance”

Other company highlights

AT A GLANCE



Once constructed, Kliplev will be 3-4 times the size of a typical biogas plant, capable of exporting 41 million m³ of biomethane, annually



Once operational, Kliplev will have capacity to process 980,000 tonnes of biomass, per year

K Compared to natural gas.

L ‘Power-to-x’ is an umbrella term, covering a range of processes that convert electricity into heat, hydrogen, or synthetic fuels. This energy can then be utilised across a range of sectors.

4.3 TRANSPORTATION

Well-planned and coordinated transport infrastructure is fundamental to the economic and social wellbeing of a community, and is a crucial part of net zero carbon strategies emerging internationally.

Beyond carbon emissions, transportation is the main source of air pollution within urban areas, with rising concern over the impacts of transport-related pollution on public health.

Arjun has made a number of targeted investments across the transport sector, focusing on infrastructure which will enable and support the transition to low-carbon mobility. To date, Arjun's transport investments are focused in **MSAs** and **ferry operators**.

Motorway service areas (MSA)

A commitment towards a net zero future has started an unprecedented revolution for the mobility sector. Electric vehicles (EVs) feature heavily in EU and UK net zero strategies, and represent one of the largest potential contributors to global emissions reductions.

The availability of public EV charging infrastructure is widely cited as a major barrier to uptake, and MSAs have a vital role in enabling this transition. The availability of an ultra-rapid (150KW+) charging network will significantly extend the journey capabilities for EVs, with MSA's uniquely positioned on major highway networks to provide convenient charge locations. The importance of this infrastructure has been recognised by significant public funding support, such as the UK's [Rapid Charging Fund](#)^A and [Build Back Better](#) package^B.

Looking ahead, we are working with our MSAs to anticipate and adapt to a low-carbon mobility future. This includes anticipating a decline in fossil fuel revenues as EV penetration increases, and ensuring that our assets have the charging infrastructure and facilities to maintain an attractive turn-in rate from passing traffic.

A The UK's Rapid Charging Fund is a £950 million fund to future-proof electrical capacity at motorway and major A road service areas to prepare the network for 100% zero emissions vehicle uptake.
B The UK's Build Back Better plan sets out the government plans to support growth through significant investment in infrastructure, skills and innovation. This includes initial (to 2030) funding of £620 million for targeted electric vehicle grants and infrastructure.

AT A GLANCE

▶ **25%**

Transport represents almost a quarter of the EU's greenhouse gas emissions and is the main cause of air pollution in cities^C

▶ **12%**

Passenger cars are responsible for around 12% of the EU emissions of carbon dioxide^D

▶ **-60%**

By 2050, European transport emissions will need to be at least 60% lower than in 1990, and firmly on the path towards zero^C

▶ **2035**

From 2035 (at the latest), the sale of new diesel and petrol vehicles will be effectively banned across the EU and UK^E

C European Commission, Transport Emissions – [A European Strategy for low-emission mobility](#).
D European Commission, [CO2 emission performance standards for cars and vans](#).
E As part of the EU's 'Fit for 55' package, the European Commission propose to introduce a carbon dioxide emissions reduction target of 100% for cars and vans by 2035, meaning it will no longer be possible to place cars or vans with an internal combustion engine on the market in the EU from 2035, see [EU Fit for 55](#). The UK has introduced similar regulation, also adopting a 2035 deadline.



Romain Py
Managing Director

“On-route charging will present opportunities for increased customer dwell time. We are considering future customer expectations, and potential service models to capture this upside”

Aside from charging locations, MSAs provide rest and convenience locations for millions of passengers every day. The availability of well equipped and inviting MSAs play a significant role in ensuring drivers take regular breaks from the road and, as a result, promote highway safety.

Ferry operators

Ports, harbours and ferry transportation are critical components of the wider transportation network, and have a key role to play in achieving a system of low-carbon mobility. Whilst ferry transportation is already

a relatively low-carbon intensive form of transport, further efforts must be made if net zero targets are to be achieved.

A key opportunity and priority for ferry operators is in the transition to lower carbon vessels, both vehicle-vessels and passenger-vessels. It is anticipated that – similar to the phase out of petrol and diesel cars – that the UK government will phase out the sale of new, non-zero emission domestic vessels^f. Also, the UK’s [Decarbonising Transport](#)^f plan confirms that indicative interim net zero targets will be developed for 2030, and that modelling produced by the UK’s Department for Transport suggest that the UK maritime sector could achieve an earlier net zero target in the 2040s.

Our ferry operator asset is also working on a broad range of sustainability initiatives, ranging from waste minimisation, replacement of refrigerants with lower greenhouse warming alternatives, and discount incentivisation for electric vehicle passengers.

Summary of transport investments

Asset	Asset type	Location	Description	Investment date
Welcome Break	Motorway service area (MSA)	United Kingdom	A leading operator with 52 MSAs and 31 hotels across the UK major road and motorway network.	August 2017 - October 2018
ONroute		Canada	An Ontario-focused MSA operator with 23 sites located along Highways 400 and 401.	May 2019
Freehold	MSA freeholds	United Kingdom	A property portfolio of eight MSA freeholds, currently let to Welcome Break.	November 2021
Red Funnel	Ferry operator	United Kingdom	A ferry operator sailing between Southampton (UK mainland) and East and West Cowes, on the Isle of Wight. The fleet comprises modern purpose built Ro-Pax vehicle ferries and Red jet Hi-Speed passenger catamarans.	June 2017

Transport investment impacts, 2021 summary



3,400,000 passengers
860,000 vehicles

Our ferry operator carries 3.4 million passengers and 860,000 vehicles, every year.



75 motorway service areas

Our portfolio includes 75 motorway services areas, providing well equipped and convenient rest stops for millions of travelers.

^f UK Department for Transport, Decarbonising Transport, 2021.

CASE STUDY

Welcome Break, UK

Welcome Break is a leading UK motorway service area operator. The sites offer retail, catering, hotels and parking for over 85 million motorists a year. In addition to supporting health and safety on UK roads, Welcome Break contributes to climate change mitigation through its roll out of electric vehicle charging points.

Supporting the growth of electric vehicles

There are a number of mega-trend ESG factors potentially affecting the long-term operation and success of the motorway service area sector. One of the most significant relates to the roll-out of electric vehicles, and the impact of route planning and driving habits that may affect customer visits.

'Range anxiety' – the worry of electric vehicle drivers that the vehicle's battery will run out before the destination or a suitable charging point – remains a key barrier to widespread adoption of electric vehicles. UK motorway service areas represent the most convenient and cost-effective way of establishing a national network of ultra-rapid electric vehicle chargers and so can play a critical role in supporting the transition to electric vehicles by addressing the issue of range anxiety on longer distance journeys.

Future-proofing the MSA business

Today Welcome Break, with its partners, offers the largest network of electric vehicle chargers on the UK motorway. In addition, Welcome Break is now actively investing in the roll-out of its own electric vehicles charging infrastructure, ahead of increasing visitor demand. With the rollout of electric vehicles charging infrastructure, Welcome Break readies its sites for the future, while benefiting from higher vehicle turn-in rates and longer motorist dwell times associated with electric vehicles.

Arjun's value add

Arjun, together with its joint co-shareholders, has been working closely with Welcome Break management to develop the company's electric vehicles strategy, and ambitious plans for future expansion of charging infrastructure.

Visitors at Welcome Break sites now have the option to charge their electric vehicles with chargers from Tesla, Ecotricity, or InstaVolt. The rollout of charging infrastructure across all Welcome Break's sites will support the UK's energy transition and increase climate resilience, reduce transportation greenhouse gases, and support visitors in the switch to electric vehicles.

OPERATION DATE

1959

COVERAGE

52 service areas with 31 hotels across the UK major road and motorway network.

INITIAL INVESTMENT DATE

2017



John Diviney
Chief Executive
Officer,
Welcome Break

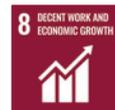
"We are delighted to play our part in the deployment and operation of MSA-based electric vehicle charging infrastructure in the UK, as the country transitions away from fossil fuel powered vehicles. We see that it will contribute greatly to the decarbonization of the transportation sector, while offering essential services to UK road users. This, coupled with our excellent food and beverage options, will help position Welcome Break as the 'go to' on the UK motorways"

Other company highlights

AT A GLANCE



Welcome Break offer the largest network of electric chargers, enabling the transition to zero carbon mobility



Welcome Break directly employ 5,000 staff (FTE)

4.4 UTILITIES

Our utilities sector investments include the supply of water, electricity and gas services to residential and commercial consumers. The essential nature of these services means that utility companies are often heavily regulated by governments.

The Arjun portfolio contains several regulated utilities which supply water, electricity and gas to businesses and homes across the United Kingdom and Ireland. These assets provide the opportunity to contribute to the energy transition and resilience of these essential services.

Regulated water sector

As with other infrastructure subsectors, the regulated water sector is challenged with achieving net zero emissions, whilst maintaining the resilience of their operations. In 2019, water companies in England – including Arjun portfolio companies South Staffordshire Water, Cambridge Water and Southern Water – committed to reaching net zero by 2030; twenty years sooner than required under the obligations of the [UK Climate Act^A](#).

To achieve this, water companies will need to pursue multiple interventions, ranging from 100% renewable energy consumption, on-site biomethane generation using sewerage wastes, energy efficiency improvements across assets, and zero carbon vehicle fleets. Being an investor across multiple infrastructure technologies, including renewable generation, Arjun is working closely with our water sector investee companies to explore potential synergies and transfer of expertise across our portfolio.

Electricity utilities

Electricity utilities are also positioned to play a critical role in the decarbonisation of the energy sector, across their entire value chain. This includes the generation of renewable electricity, through self-owned solar and wind farms; the distribution of this renewable electricity, to both homes and businesses; and the provision of a range of retail services, including smart energy solutions (such as smart meters).

A The Climate Change Act commits the UK government by law to reducing greenhouse gas emissions by at least 100% of 1990 levels (net zero) by 2015.

AT A GLANCE

▶ **28,000,000^B**

Number of properties in England and Wales that receive water, sanitation and drainage services

▶ **142 litres^B**

Average daily water consumption per person

▶ **2030^B**

Net zero target date adopted by UK water companies under the Water UK initiative

▶ **10GW^C**

UK's target for hydrogen production capacity by 2030. Depending on the specific end use, this will require a significant repurposing of the UK gas transmission and distribution system

B Water UK, [Net Zero 2030 Routemap](#).

C UK Government, [UK Hydrogen Strategy](#), August 2021.

Where conventional thermal (non-renewable) power is used to guarantee a secure energy supply, our investee companies have ambitious development pipelines to scale up renewable generation and pursue energy storage solutions.



Rrona Humolli
Analyst

“We are working with our portfolio companies to support an orderly energy transition, based on a planned and phased departure from non-renewable energy”

Gas utilities

Whilst the future unabated use of fossil natural gas is unlikely, it will remain a key component in an orderly transition to net zero. Furthermore, depending on the future role of hydrogen, the existing pipelines present a significant opportunity to be repurposed into a hydrogen network, as well as other renewable gases such as biomethane.

Despite supporting a resilient energy system today, we recognise that there is a potential risk in the future role of gas. For instance, it is possible that future gas use will be limited to industrial end users, with domestic gas connections largely becoming unnecessary should buildings be electrified. In response to this risk, we have worked with our gas utility company, Indigo Networks, to secure an electricity distribution license. This has ensured that Indigo will have an important role to play in the energy transition, whatever the energy strategy.

Summary of utility investments

Asset	Utility type	Location	Description	Investment date
South Staffordshire plc	Regulated water-only companies, and non-regulated water-sector companies	United Kingdom	Majority investment in integrated utility business, comprising of two regulated water companies, South Staffordshire Water and Cambridgeshire Water; and various non-regulated businesses.	July 2018
Southern Water	Regulated water and wastewater company	United Kingdom	Minority investment in a water and wastewater company, operating along the southern coast of the UK from Hampshire to Kent.	May 2016
Energia	Regulated vertically integrated electricity utility	Republic of Ireland and Northern Ireland	A modern, renewables-focused, customer-centric utility operating across Ireland. Assets include 309MW of wind generation, two gas-fired power plants, and a 3GW development pipeline of renewables.	April 2017
Indigo Networks	Regulated last-mile gas and electricity distribution	United Kingdom	Acquisition of a regulated last-mile natural gas and electricity utility that maintains residential and commercial connections.	February 2019
Vartan Gas	Regulated gas distribution utility	Sweden	Gas distribution utility serving the Stockholm area, where more than 70% of the distributed gas is locally sourced biogas.	October 2020

Utility investment impacts, 2021 summary



7.3TWh electricity sales

Energia electricity sales in the financial year 2020/21, of which over 50% was generated from renewables. Energia supply over 800,000 customer sites.



49,279 customers supported

South Staffordshire has provided financial support to 49,279 customers, ensuring continued supply of water through financial difficulties.



193,000 connections

Indigo Networks is an independent carrier of energy to over 193,000 domestic and commercial premises across the UK.



13,973km pipeline

Water mains pipeline length maintained by Southern Water, more than enough to connect London, UK, with Jakarta, Indonesia (11,711km).

CASE STUDY

South Staffordshire Water, UK: Supporting our Communities

South Staffordshire Plc ("South Staffs") consists of two regulated water companies and a range of non-regulated businesses, providing specialist services throughout the UK. The two water companies are based in the South Staffordshire and Cambridge regions, serving a total of over 1.6 million customers.

Supporting customers and communities

South Staffs has received national recognition for its innovative customer outreach programme, including the "Community Hub". The Community Hub was opened in 2018 and was the first of its kind in the UK water sector. The hub focuses on face-to-face engagement with customers, in a welcoming environment, in one of the most socially deprived areas of the South Staffordshire region.

The hub provides customers with advice, help and support; and provides opportunities for partnership arrangements with local charities and community organisations. Since opening, over 45,000 customers have used the hub to receive advice on water meters, as well as support with their bills when they fall into debt. In turn, this has promoted improved payment behaviour.

South Staffs has received multiple awards for the Community Hub's positive contribution, including from Sandwell Citizens Advice, the Institute of Customer Service, and won the Community Initiative of the Year at the Utility Week awards.

Arjun's value add

With support from Arjun, South Staffs plans to open a second community hub to continue to reach vulnerable customers who prefer to engage face-to-face rather than through digital channels and to reinforce the positive presence in the communities served.

Supporting our portfolio companies to deliver initiatives such as the Community Hub is part of Arjun's wider ESG strategy to incorporate best practice approaches, and ensure that we're supporting the communities that depend on our assets.

SECTOR

Utilities

CAPACITY

Water service provider, supplying over 700,000 properties

INVESTMENT DATE

2018



Peter Antolik
Partner, Arjun

"The Community Hub exemplifies our ambition to promote positive community engagement and support vulnerable customers of our portfolio companies"

Other company highlights

AT A GLANCE^A



Over 9,500 pupils engaged through South Staff's education programme, working with schools about the need to use water wisely



8,622km of pipeline, connecting 704,013 residential properties, and 42,670 businesses



South Staffordshire Plc employs over 2,700 employees (FTE)

A South Staffordshire PLC 2020/21 Financial Year

05

OUTLOOK AND PRIORITIES FOR 2022

Image: **SBS Klipleve Biogas Plant**, Denmark

Klipleve is currently under construction, scheduled for completion in 2022. Once operational, Klipleve will have a biomethane production capacity of 41 million m³ annually.

OUTLOOK AND PRIORITIES FOR 2022

Policy momentum, stakeholder awareness, and demand for robust and clear reporting are set to continue through 2022.

We are working hard to ensure that our strategy approaches and impacts are reported clearly to help clients understand the impacts of their investments.

5.1 TAXONOMY AND SFDR

The need for clear, systematic and reliable sustainability disclosures is fundamental to ensuring that capital flows find the 'sustainable investments' intended by asset owners.

In our view there are two key regulatory tools which will drive improvements throughout 2022 in this regard: EU Taxonomy; and the Sustainable Finance Disclosure Regulation^A (SFDR).

EU Taxonomy

The EU Taxonomy is a European classification system of sustainable economic activities, drawn from prioritised carbon-intensive sectors, where substantial contributions to climate change mitigation, adaptation – and in time, other EU environmental and social objectives – can be made.

Through 2022, we will continue to integrate taxonomy-eligibility and -alignment considerations within our investment process. Where proposed investments are not yet covered under EU Taxonomy, we will consider whether the investment: (a) provides significant environmental and/or social benefits (e.g. energy efficiency advantages compared to alternative technologies), (b) meets the Do No Significant Harm test set out under the EU Taxonomy, and (c) satisfies the Minimum Social Safeguards (which are also integrated under Arjun's Exclusion Policy).

Whilst we will strive for Taxonomy-alignment in our portfolio, we also recognise that, at present, the Taxonomy only captures a fraction of the potential sustainable investments that will be needed in a fair and just transition.

In many cases, assets will be eligible under the EU Taxonomy, but not yet aligned with the substantial contribution criteria. In these cases, there is a clear opportunity for Arjun to work with investee companies to identify initiatives to improve performance towards alignment. We will consider integrating taxonomy-related KPIs and performance objectives as part of our asset management plan and engagement.

We will work with our clients to clearly set out the sustainability opportunities of non-Taxonomy eligible investments, and look forward to inclusion of the remaining environmental objectives, and potential Social Taxonomy, in due course.

SFDR

SFDR is an EU disclosure regulation, which promotes a consistent product labelling of 'sustainable financial products', and links to EU Taxonomy in mandating taxonomy-eligibility and -alignment reporting for in-scope products, under pre-contractual disclosures and regular reporting.

We anticipate that future financial products will fall within scope of SFDR and are laying the groundwork to ensure that robust disclosures can be made as necessary.

5.2 TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Arjun have voluntarily adopted the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and became a formal supporter of TCFD in October 2021.

Many of the TCFD recommendations, particularly relating to governance, strategy and risk management are aligned with current Arjun practices.

In relation to scenario analysis, we intend to augment our current processes to ensure that our strategic planning and risk management approach is aligned with best practice, utilising best available data.

^A Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ('SFDR'); which came into effect on 10 March 2021.

5.3 NET ZERO

Climate change and net zero were firmly in the spotlight during 2021, and now that the world is emerging from the impacts of Covid, thought is turning on how to align investment to a fair, just and equitable transition which addresses the societal inequalities accelerated through Covid-19.

Net zero policy ambition is central to Arjun's investment strategies, with all of our investment geographies having legislated 2050 deadlines (at the latest), and a majority of our investments eligible under the EU Taxonomy. We recognise also that many of our clients have net zero targets in place, and reflect this in our investment strategies and asset engagement.

Many of our investments are pursuing even greater ambition in transitioning to net zero; particularly our UK water sector investments which are targeting net zero by 2030.

We recognise the urgency of the task and will be challenging our team and investee companies to deliver accelerated decarbonisation where possible.

Through 2022, we will be further developing our greenhouse gas reporting – both in terms of data quality and portfolio coverage, using commercial best efforts to obtain data where we are not a majority owner. This data will help us quantify our decarbonisation progress, and facilitate targeted engagement,

We will continue to monitor developments in net zero target setting methodology, and look forward to sharing further detail on our net zero pathway, and greenhouse gas reporting, in due course.



Rhyadd Keaney-Watkins
Head of ESG

Rhyadd joined Arjun Infrastructure on 1st January 2022 and is tasked with overseeing the strategic direction and integration of ESG at Arjun.

“The integration of ESG provides an enormous opportunity to deliver long-term value and impact for our clients.

As well as incorporating ESG into our investment processes, we will be working hard to future-proof our assets. This involves making them resilient, environmentally sustainable, and aligned with a fair and just transition.

Delivering on this will take collaboration across Arjun, our investee companies, and clients. I look forward to updating you as we progress on this journey”

IMPORTANT NOTICE

This report ("Report") is for information and discussion purposes only and may not be relied on in any manner as legal, tax, investment, accounting or other advice or as an offer to sell or a solicitation of an offer to purchase any securities.

The information contained in this Report may not be reproduced (in whole or in part) or redistributed in any format without the express written approval of Arjun. Arjun does not make any representation or warranty, explicit or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein should be relied upon as a promise or representation as to past or future performance of Arjun, any Mandate or any other entity. Participation in a Mandate or participation in an associated transaction entails a high degree of risk and no assurance can be given that the relevant investment objectives will be achieved or that the recipient will receive a return of its capital.

The information contained herein will be superseded by and is qualified in its entirety by reference to any eventual investment mandate and/or other definitive documentation entered into between the recipient and Arjun. The delivery of this Report at any time shall not imply that the information contained herein is correct at any time after the date of this Report.

Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of terms such as "may", "will", "should", "expect", "anticipate", "project", "estimate", "intend", "continue", "target" or "believe" (or the negatives thereof) or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or actual performance of any investment may differ materially from those reflected or contemplated in such forward-looking statements. As a result, the recipient should not rely on such forward-looking statements in making any decisions. No representation or warranty is made as to future performance or such forward-looking statements.

Certain information contained herein including targets, forward-looking statements, economic and market information has been obtained from published sources and/or prepared by third parties and in certain cases has not been updated through the date hereof. While such sources are believed to be reliable, Arjun does not assume any responsibility for the accuracy or completeness of such information.

This report is only directed at professional clients and eligible counterparties and the services or investments referred to in this report are only available to professional clients and eligible counterparties. Retail clients should not rely on the information herein. Arjun Infrastructure Partners Limited is authorised and regulated by the UK Financial Conduct Authority.

Opinions expressed herein are subject to change without notice.

A photograph of two mushrooms with light-colored caps and stems growing on a mossy log in a forest. The background is a blurred forest with sunlight filtering through the trees.

Image: **Forest in East Devon, UK**

This report has been printed using Forest Stewardship Council® certified paper. Through responsible management of forests, and verifying the use of recycled materials, the FSC® system helps promote responsible forestry and secure a long-term and sustainable source of paper.



Arjun Infrastructure Partners Limited

50 Pall Mall
London SW1Y 5JH

contact@arjuninfrastructure.com

ARJUNINFRASTRUCTURE.COM

Authorised and Regulated by the UK Financial Conduct Authority