

INFRARED'S EXCLUSION POLICY

This exclusion policy sets out the investment exclusions applied by InfraRed Capital Partners ("InfraRed"). This policy shall apply to **all new transactions considered for investment** in order to ensure that our investment decisions fully align with our sustainability commitments. InfraRed's exclusion policy outlines business activities and investments that InfraRed shall not support or facilitate, with a materiality threshold or altogether, depending on the nature of the business. The policy was created on the recognition that InfraRed as a responsible investor has an obligation to support investments that contribute to the UN SDGs¹ and make an overall beneficial impact on the communities and environment in which our assets are located. InfraRed's sustainability investment and management framework ensures that sustainability opportunities and risk factors are considered throughout the entire investment process, as illustrated in *figure 1*. In the first instance, this involves negative screening against this exclusion policy.

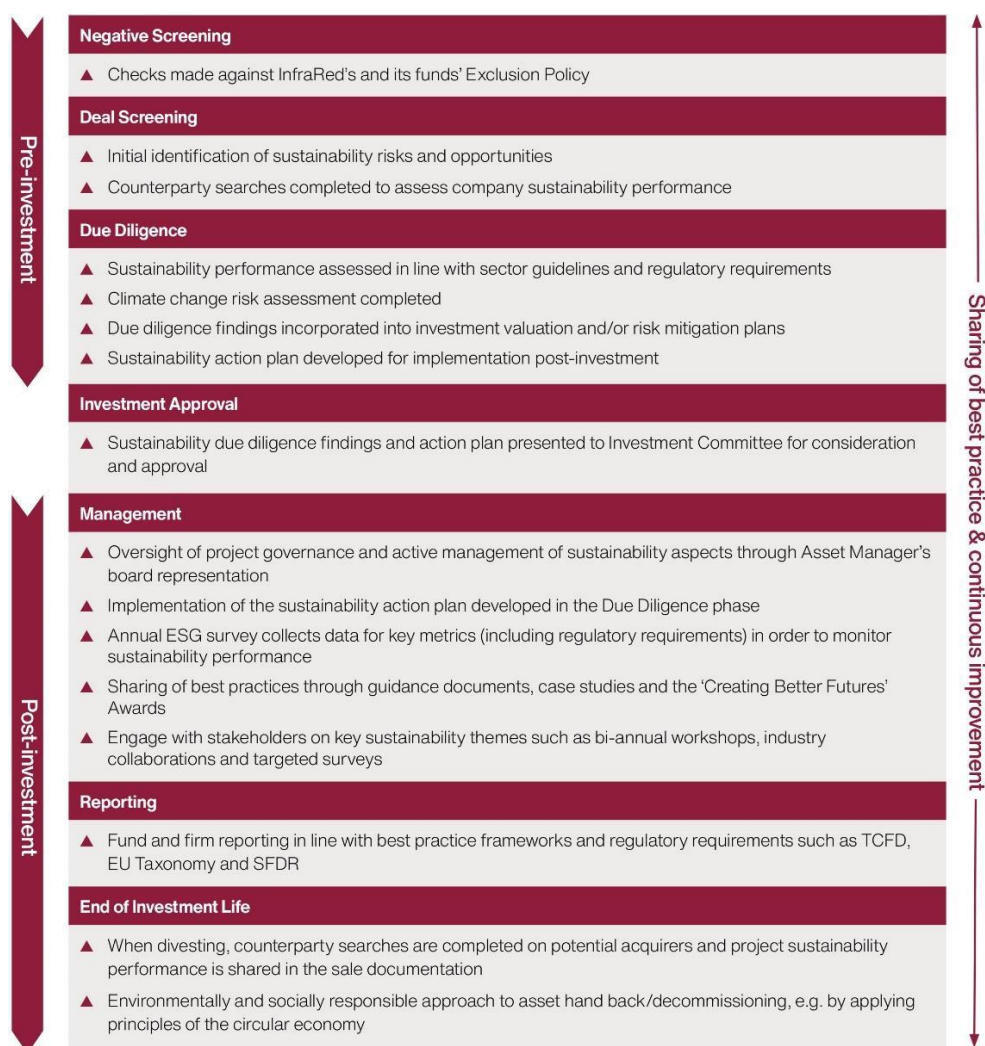


Figure 1: Sustainability is built into the entire investment process, starting from this Exclusion Policy

As a signatory of Net Zero Asset Managers initiative, InfraRed has committed to achieving net zero GHG emissions across its portfolio by 2050. Exclusion policies are vital to drive this transition, to favour projects that are net positively contributing to an environmentally and socially sustainable world.

¹ [United Nations Sustainable Development Goals](#)

Overview of InfraRed exclusion policy

	Product-level exclusion	Conduct-based exclusion
Environmental	<ul style="list-style-type: none"> ▪ Coal ▪ Oil ▪ Gas if unaligned with net zero trajectory ▪ Supporting infrastructure which directly facilitates the above activities 	<ul style="list-style-type: none"> ▪ Biodiversity and habitat loss
Social	<ul style="list-style-type: none"> ▪ Weapons ▪ Combat-related contracts ▪ Alcoholic beverages ▪ Tobacco 	<ul style="list-style-type: none"> ▪ Breaches of fundamental human rights² ▪ Resettlement ▪ Pornography and adult entertainment ▪ Gambling
Governance		<ul style="list-style-type: none"> ▪ Failure to uphold business ethics and compliance

In order to uphold exclusions at both a product and particularly conduct level, InfraRed carries out an extensive due diligence on each investment under consideration. The due diligence process is led by the InfraRed's Investments team and is supported by the Asset Management, Portfolio Management, Compliance and Sustainability teams. InfraRed's Sustainability and other due diligence processes allows the team to ascertain whether activities entailed in the prospective investment fall into the scope of this exclusion policy. This is done by, for example, carrying out public data searches on sustainability track record, scrutinising the underlying activities of the target company, its policies, and the operationalisation of such policies, as well as requesting further information from management teams, subcontractors, or other stakeholders. InfraRed makes an assessment on whether activities fall into scope based on the totality of the circumstances of the investment and the information that is reasonably available to InfraRed at the time. If InfraRed believes that an investment will support or facilitate any activities captured by this policy - altogether or beyond a materiality threshold - the investment opportunity will not be progressed.

EXCLUSIONS ON ENVIRONMENTAL GROUNDS

Fossil Fuels

Having committed to net zero portfolio by 2050 or sooner and given the extended lives of infrastructure assets, it is critical that we avoid investments that risk countries and assets locking-in high carbon pathways that are inconsistent with a net zero future.

Our fossil fuel exclusion policy refers to:

- **Upstream activities** i.e., the exploration, drilling and extraction of fossil fuels.
- **Midstream activities** i.e., the transportation and storage of raw fossil fuels.
- **Downstream** i.e., the refining and distribution of refined fossil fuels.
- **Power generation** - defined as grid-connected rather than in a captive capacity.

(1) Coal

Thermal coal is a highly toxic, carbon-intensive and energy inefficient fuel. It has significant effects on the environment (air pollution, water pollution, contribution to global warming) and the typical use of

²Definition laid out by the United Nations' Universal Declaration of Human Rights
<https://www.un.org/sites/un2.un.org/files/udhr.pdf>

chemicals and explosives poses significant health and safety risks for mine workers. There is consensus among scientists that, in order to limit global warming to 1.5°C (above pre-industrial levels), a drastic phase-out of thermal coal is required from today. Countries in both developed and developing regions have already put in place regulations to limit the amount of coal used in power stations, and this restriction is expected to rise appreciably in the near term. To this end, InfraRed has a zero threshold for investing in:

- Coal prospection, exploration, mining, processing, and trading
- Coal-fired power plants, including dual-power plants

An exemption to this is the refurbishment, retrofitting and rehabilitation of existing coal power facilities, where after thorough investigation InfraRed is satisfied that the facility can be repurposed and decarbonised by, for example, adding carbon capture, replacing coal boilers with new low-carbon energy sources or by switching to or co-firing with biomass. Whether coal power facilities can be successfully decarbonised relies on specific characteristics relating to that facility, i.e., its location, installed capacity, resources allocation and logistic transportation. As such, InfraRed will only proceed with an investment of this nature if we have assurance that the investment will align with ours and global net zero commitments.

(2) Oil

InfraRed understands that achieving the 1.5°C (above pre-industrial levels) goal of the Paris Agreement requires a radical reallocation of capital from oil to low-carbon solutions. To support the global transition, it shall exclude from its investments the following:

- Upstream oil exploration and production
- Midstream oil, including pipelines
- Downstream oil, including refineries, single use plastic production and petrol stations
- Heavy fuel oil (HFO) or diesel-only, dual-fuel HFO or diesel/gas and HFO
- Diesel-only mini grids
- Fleets of vehicles with fossil fuel-based internal combustion engines

InfraRed may invest in the above if it is satisfied that the refurbishment, retrofitting and rehabilitation of existing HFO or diesel-only, dual-fuel HFO or diesel/gas and HFO plants will lead to a decrease of absolute GHG emissions, or where the lifetime of an asset that would be otherwise retired would instead be substantially increased and operating on a low carbon intensity. InfraRed may invoke this exemption if an oil-based facility can be decarbonised by, for example, retrofitting internal combustion engines or diesel mini grids to support new low-carbon energy sources such as biofuels, as soon as it is technologically and financially feasible to do so. This exemption is aligned with Principle 3 of Net Zero Asset Managers initiative which is to prioritise the achievement of *real economy emissions reductions* within the sectors and companies in which we invest.

(3) Gas

InfraRed will not pursue investments in gas-fired power stations and gas transport, storage and distribution infrastructure unless the investment is viewed as a legitimate bridge to, or an enabler of, a net zero future. Gas in many regions complements the transition to a lower carbon economy in that it is a lower carbon alternative to energy sources which may otherwise be used, such as coal and oil. In particular, flexible and baseload gas will play an important role in increasing renewable energy penetration, insofar as it can also provide a relatively low carbon backup at peak energy usage times or in times of intermittency.

Ultimately, the rationale of an InfraRed-led gas investment would be to ensure that it helps – rather than delays or diminishes – the global transition to low-carbon energy generation sources. As such, the risk of the investment becoming a stranded asset due to climate change transition risk should remain reasonably low.

Supporting Infrastructure

InfraRed shall not invest in any infrastructure asset that primarily supports or facilitates coal, oil and gas activities described above. Examples of such types of exclusions include:

- InfraRed will not invest in transport infrastructure (road/rail/port) where the primary use is to facilitate fossil fuel transport or operations (>50% of traffic).
- InfraRed shall not invest in electricity (power) or heat (hot air or water) transmission and distribution networks which directly supports the development or operation of fossil fuels activities.

This exclusion is subject to exception if networks are managed by an entity which in InfraRed's view demonstrates a credible climate transition plan. An example in this instance might be a natural gas-based network that is accompanied by a compelling and viable business plan to be structurally changed to support low/no carbon energy sources such as hydrogen, or infrastructure which captures and/or stores GHG emissions. In these circumstances, an InfraRed investment would be supporting the energy transition and a net zero pathway.

Biodiversity and habitat loss

While our assets promote UN SDGs such as 13 - Climate Action through renewables investment, we are aware that changes in land use and the creation of man-made structures can lead to adverse biodiversity impacts. InfraRed shall not support or facilitate any investments / assets which contribute to the destruction³ of critical habitats, cause irreparable damage or clear cutting and/or major degradation of tropical natural forests or high nature value.

InfraRed shall only proceed with investment causing adverse biodiversity impacts if there is an objectively obvious positive impact to the wider community which, in InfraRed's and other stakeholders' view, materially outweighs the impact to the immediate ecosystem. In this exceptional instance, InfraRed will endeavour to quantify and subsequently mitigate the adverse impact its investment has on biodiversity by, for example, carrying out regenerating activities elsewhere, as well as by ensuring any adverse impact is proportionate and necessary given the benefits created for the communities served by the asset.

EXCLUSIONS ON SOCIAL GROUNDS

Weapons

Weapons are considered controversial due to their disproportionate and indiscriminate impact on civilians, even years after a conflict has ended. InfraRed will not invest in assets which support or facilitate controversial weapons, which include:

- Cluster munitions
- Landmines
- Depleted uranium weapons
- Biological/chemical weapons (incl. white phosphorous)
- Binding lasers
- Non detectable fragments
- Incendiary weapons⁴

³ Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

⁴MSCI Global ex Controversial Weapons Indexes Methodology

https://www.msci.com/eqb/methodology/meth_docs/MSCI_Global_ex_Controversial_Weapons_Indexes_Methodology_No_v2019.pdf

This exclusion is aligned with the stipulations of local government legislation as well as to international treaties governing the use and production of these weapons, such as the Oslo Convention and Ottawa Treaty.

Combat-related activities

InfraRed shall not directly support or facilitate combat-related activities. This exclusion does not encompass investments in assets whose primary function is the provision of defence-related accommodation and education and training facilities.

Fundamental human rights

When investing in or in partnership with companies, InfraRed uses the guidance of frameworks such as the United Nations Global Compact (UNGC) to ensure that high standards of fundamental human rights are upheld. The UNGC's [ten principles](#) cover human rights, labour rights, environmental protection and the fight against corruption. These principles take their inspiration from several sources, including the [Universal Declaration of Human Rights](#), the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on the Environment and Development, the United Nations Convention Against Corruption and the Organisation for Economic Co-operation and Development's (OECD) Anti-Bribery Convention. The use of these standards to inform InfraRed's approach to human rights ensures that InfraRed avoids any harmful or exploitative forms of forced labour or harmful child labour. A particular focus for InfraRed, given the nature of its investments, is the protection of human rights within the supply chain. To this end, InfraRed endeavours to ensure and encourage its subcontractors to be aligned with the following frameworks:

- [UN Guiding Principles on Business and Human Rights](#)
- [IFC Performance Standards on Environmental and Social Sustainability](#)

We expect our portfolio companies to integrate internationally recognised human rights principles into their policies, strategy, risk management and reporting.

Resettlement

InfraRed will not participate in an investment which involves the anticipated resettlement of people unless:

- The explicit consent of people directly affected has been granted; or
- There is an objectively obvious positive impact to the wider community which, in InfraRed's and other stakeholders' view, materially outweighs the impact to the immediate population

Alcohol, tobacco, gambling, pornography/adult entertainment

InfraRed does not invest directly in companies which produce or facilitate the sale of alcohol and tobacco, or products and services related to gambling⁵ and pornography/adult entertainment⁶. However, InfraRed may indirectly facilitate these activities through investments in utility supply companies or networks providing heat, electricity, water, recycling systems, connectivity, or efficiency services to these companies.

InfraRed shall not invest in an asset wherein any producer and/or vendor of alcohol, tobacco, gambling, and pornography/adult entertainment constitutes a direct and exclusive off taker. InfraRed may support or facilitate these vendors if they are one of several off-takers. This is justified on the basis that infrastructure

⁵ For the purposes of this policy, gambling refers to gambling establishments (e.g., casinos, racetracks, online gambling), manufacturing specialised equipment used exclusively for gambling (e.g., slot machines, roulette wheels), and/or supporting products and services supplied to gambling operations.

⁶ For the purposes of this policy, adult entertainment/pornography refers the production (e.g., print, online, TV), operation, and/or distribution (e.g., pay-per-view adult channels) of adult entertainment/pornography

such as a utility or telecommunication service is delivering a decarbonised energy solution or an overall positive environmental or social contribution to the wider community. Therefore, the effect of a non-exclusive off-taker engaging in these activities is offset by the broader positive impact of serving wider populations.

EXCLUSIONS ON GOVERNANCE GROUNDS

InfraRed has a Compliance team whose role inter alia is to assess Counterparty Due Diligence to ensure that all material counterparties to an investment opportunity do not pose a reputational threat to InfraRed and our many other stakeholders such as our end users and communities, our delivery partners, our clients, our investors, and our staff. This is a mandatory part of assessing each new investment opportunity or new counterparties to an existing investment project. Counterparty Due Diligence includes considerations of the following risks:

- Involvement in money laundering
- Being subject to sanctions and/or linked to or controlled by sanctioned persons/entities
- Financing crime or terrorism
- Corruption
- Extortion, bribery, or other financial crimes
- Counterparty domiciled in a high-risk jurisdiction
- Counterparty exposed as a politically exposed person

Dealings with a counterparty historically involved in one of the above activities will not necessarily be prohibited but will trigger further and enhanced due diligences. Ultimately, a fund's Investment Committee has the discretion to proceed with transactions associated with the above based on the unique facts of the deal. Considerations will regard the corrective actions taken by the counterparty, the time that has elapsed since any allegations, and the conclusiveness of the evidence of such allegations.

GUIDANCE NOTES

- All exclusions are monitored on a best-efforts basis given the information available at the time
- InfraRed will comply with applicable international conventions as well as national and local laws on the environment, health and safety
- It is not possible to apply a percentage threshold to revenues in respect of conduct-based categories such as human and labour rights as accurate data is infrequently disclosed and consequently precludes any meaningful analysis or definitive assessments.
- We use external agencies for data provision for sustainability and compliance due diligence
- The restrictions, criteria and thresholds set out in this document form part of a dynamic approach to ESG screening and are therefore subject to change at any time without notice.

POLICY REVIEWS

- The Exclusions Policy is reviewed on an annual basis to ensure it remains current and fit for purpose.

Jack Paris

Chief Executive

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