

ESG Policy

01 January 2023

Purpose

Basalt Infrastructure Partners LLP (Basalt) is a dedicated mid-market infrastructure investment firm with a transatlantic focus.

ESG is a key consideration when it comes to making investment decisions at Basalt and we recognise that investing responsibly is not only the right thing to do but can help manage risks and create value across the portfolio.

Basalt seeks to recognise ESG at all stages of the investment lifecycle (acquisition / management / disposal) and understands the impact that ESG has on the long-term performance of portfolio investments. Basalt believes that effective research, analysis and evaluation of ESG issues are fundamental factors in driving the value and performance of investments over the medium and longer term.

Over recent years, we have improved our ESG-related structure and processes in order to ensure that ESG is integrated in a consistent manner into every stage of the investment process. This policy outlines the detailed processes we have introduced to incorporate more data into our analysis, which we also believe will assist with compliance with requirements under SFDR and the TCFD recommendations as they are implemented.

We are supporters of The Paris Agreement, which sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C compared to pre-industrial levels. We feel it is important to have the necessary data on GHG emissions before making any firm commitments so are working hard to achieve this. We are therefore planning to look at our decarbonisation strategy across the portfolio in 2023 and hope to be able to set a net zero target as part of the process.

Scope

This policy applies to Basalt's own operations as well as to portfolio companies owned by funds advised by Basalt, irrespective of sector or geography.

Responsibilities

Basalt's Executive Board is ultimately responsible for ensuring that policies and processes are fit for purpose and that they are appropriately implemented and enforced. ESG is a standing agenda item for Basalt's Executive Board meetings.

Our ESG Manager focuses on driving Basalt's ESG strategy, policies, procedures and reporting across investment companies and our own operations. She works closely with the management teams at each portfolio company on their ESG strategy and quarterly reporting to Basalt.

The implementation of ESG factors at the portfolio company level is directed through the board representation that Basalt has on each of its portfolio companies.

Investment team members are required to address ESG issues and drive improvement at their allocated portfolio companies and the success of these measures is reviewed as part of their annual performance review.

Our four pillars

Basalt is committed to considering ESG factors throughout every facet of its operations and expects ESG matters to be a key part of the governance and operation of its portfolio companies. We have developed four key ESG pillars as follows:



Climate Resilience

Work to reduce greenhouse gas (GHG) emissions and to mitigate the effects of climate change on our business operations.



Protecting the Environment

Protect the environment by reducing raw material consumption, minimising waste and protecting against pollution.



People: Valuing Human Capital

Respect human rights, develop human capital, and value the health, safety and wellbeing of staff and communities.



Good Governance

Work to ensure superior business ethics and good governance within Basalt and all its portfolio companies.

Following our initial investment in portfolio companies, Basalt focuses on ensuring that minimum ESG standards are met early on by educating the management team on our ESG-focused processes and expectations, with a particular focus on how the four ESG pillars are fundamental to what we and our portfolio companies do.

Legal and regulatory factors

Climate change is a key challenge for business and society. As one of its four ESG pillars, Basalt recognises the criticality of measuring and reducing carbon emissions. As its portfolio investments may provide essential services to thousands of people, Basalt recognises the importance of legal and regulatory factors, and assessing climate related risks in-line with the TFCF. Information on SFDR can be found on the investor portal.

Integrating ESG into the investment decisions

Basalt seeks to address ESG compliance at each stage of its investment in a portfolio company, from pre-acquisition to disposal:

Diligence – Basalt has developed an interactive ESG Due Diligence Tool, which provides an indicative risk score and material topics based on Sustainability Accounting Standards Board (SASB) and on the experience of the advisors supporting the transaction. Additionally, material ESG risks and opportunities are mapped against the relevant Sustainable Development Goals.

Approval Stage – Details of findings from ESG due diligence are provided in the investment committee recommendation. Those findings are considered by the Investment Committee, together with recommendations on ways they will be addressed through the implementation of the investment case.

Post-acquisition – Basalt holds an ESG workshop alongside specialist ESG advisor Anthesis. This helps to clarify any material risks or value creation opportunities identified during the due diligence process and to consider how to enhance sustainable performance of the business. The output is a roadmap and set of proposed ESG KPIs for the management team to report on quarterly and for Basalt to monitor.

Ongoing Monitoring – As part of the ongoing asset management and continued monitoring of the performance of the investment, the Investment Team will continue to review the portfolio company's exposure to and management of ESG compliance. As part of its quarterly external reporting exercise and its half-yearly internal review exercise for each portfolio investment, Basalt will include details of ESG initiatives at the underlying portfolio companies.

Exit – ESG is a critical factor to a successful exit. Ahead of exiting investments, work is undertaken with the portfolio company to ensure that ESG performance improvements, associated value creation, and plans and further opportunities for value enhancement are demonstrated in the process.

Basalt believes that having this long-term, responsible, and sustainable approach to investment and ownership will enable it to continue to deliver value for investors, as well as for the portfolio companies and the communities which they serve.

Sub-sectors

Selecting material ESG topics will often vary depending on the sub-sector, whether it be communications, utilities, energy, or transport. Within renewable energy, for example, the portfolio company may be unable to report on some of Basalt's standard ESG KPIs if it has no employees. We would therefore choose to report on other more meaningful measurements such as installed capacity, power generated, and CO² avoided. Priority areas within an ESG strategy will also vary depending not just on sector, but also on geography, size of organisation, maturity, and business priorities.

Stewardship

Basalt has been a signatory of the Principles of Responsible Investment (the UN PRI) since May 2013 and became a member of Initiative Climat International (iCI) in 2021.

There are four Sustainable Development Goals (UN SDGs) which we have chosen to prioritise on the basis that these are the UN SDGs in relation to which we believe we can have the greatest impact. These are - 7: Affordable and clean energy, 8: Decent work and economic growth, 9: Industry, innovation, and infrastructure, and 13: Climate action. These are in-line with our four ESG pillars as well as the subsectors we invest in.

Through active Board participation, as well as strong relationships between portfolio company management teams and Basalt's ESG Manager, we ensure that ESG is an integral factor throughout a portfolio company's investment lifecycle and is progressed through continuous dialogue and data assessment.

We recognise that active and ongoing engagement with portfolio company management teams can enhance financial performance, bring higher financial returns, and reduce downside risk. To monitor and review progress across the Basalt portfolio, ESG KPIs are to Basalt quarterly, with targets and action plans put in place, and monitored, where required.

Typical environmental KPIs for Basalt and its portfolio companies include - GHG emissions, renewable electricity generated, energy consumption, waste management, water management, material sourcing and protecting biodiversity.

Typical social KPIs for Basalt and its portfolio companies include - jobs created, training provided, volunteering opportunities, equity, diversity, and inclusion initiatives, community impact and gender diversity.

Typical governance KPIs for Basalt its portfolio companies include - policies in place, data protection, employee turnover, board positions, anti-bribery and corruption, modern day slavery and cyber security.

Furthermore, Basalt looks to create opportunities to share knowledge across the portfolio companies and bring together ESG contacts from each of the assets, to help make improvements and increase learning around best practice within ESG.

Reporting

Basalt produces an Annual ESG Report, which is issued to investors at the end of March each year. We are happy to respond to investor requests for information on our ESG practices and welcome feedback on how we compare to our peers and areas where we may be able to make improvements. ESG is discussed at Basalt's monthly asset management meetings where required, as well as being a standing item on the board agenda for all of Basalt's portfolio companies, and portfolio companies report to Basalt on ESG KPIs on a quarterly basis. An ESG review is also included at the annual investor meeting which is held in person each September.

Review

This policy will be reviewed on an annual basis to help ensure we continue to meet investor expectations concerning our ESG-related investment processes and reporting, as well as any new or amended regulatory requirements.