
AMBER

INFRASTRUCTURE GROUP

31st March 2020

ESG INTEGRATION FRAMEWORK



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1 INTRODUCTION

1.1 ABOUT THIS DOCUMENT

Responsible investment is an essential part of the strategic positioning and management of Amber funds. Since its creation in 2010, Amber has sought to responsibly invest in infrastructure that provides robust returns for its investors, and benefits for the communities they influence. This document outlines how Amber integrates ESG criteria into its investment and asset management process.

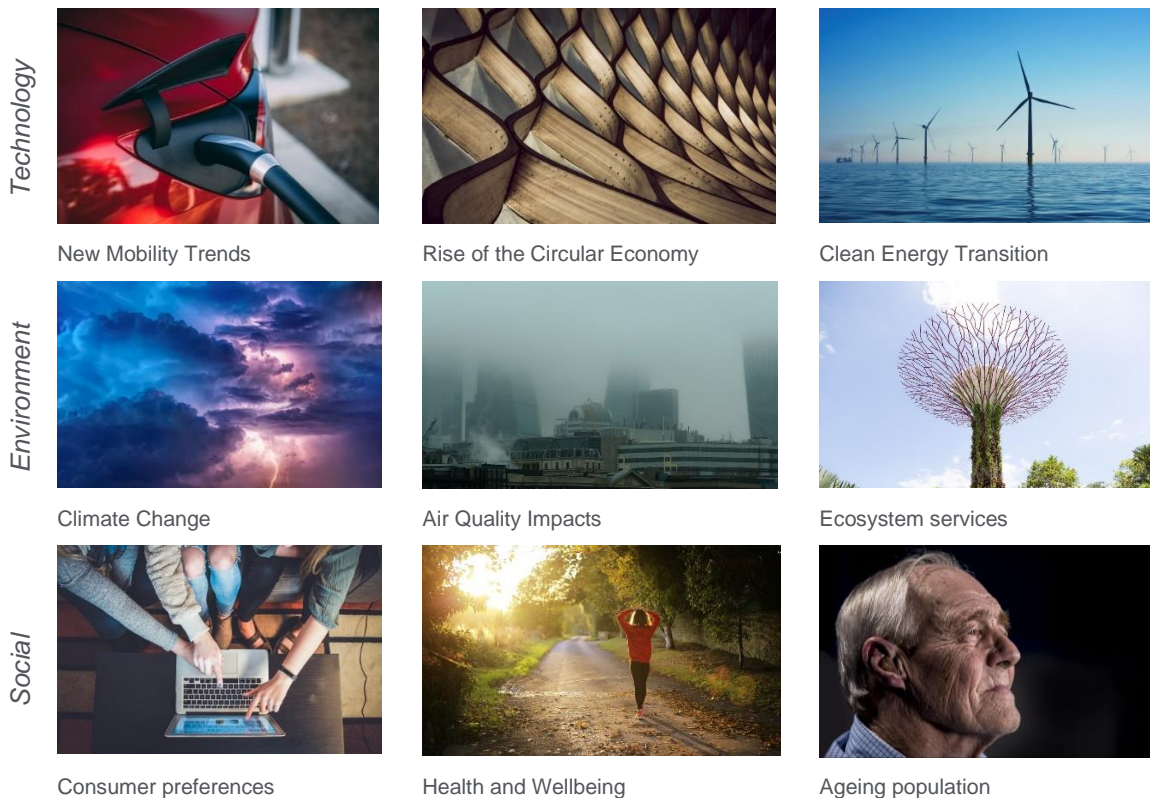
ESG integration is an integral part of Amber's broader approach to sustainability, which is delivered through its flagship sustainability programme, *Amber Horizons*.

1.2 AMBER HORIZONS

The world we know is changing rapidly. As long-term investors, Amber recognises the need to have a clear view of how this could impact on its core business activities and long-term operations. *Amber Horizons* is Amber's flagship sustainability program to ensure we are well informed of current and emerging trends and have a clear pathway to integrating them into business decision making. In doing so, Amber aims to make better investment decisions for the long term, drive innovation and engage its workforce.

Using the best sources of information, Amber regularly undertakes in-house horizon scanning to keep an informed view of emerging trends that have the potential to positively or negatively impact the performance of its investments and business operations. These insights are used to target new areas for investment, set stewardship objectives for asset management and progressively manage the business. In doing so, Amber aims to provide superior returns, positively impact society, enhance the environment and give investors peace of mind.

Through *Amber Horizons*, Amber tracks key trends in climate change, society, technology and resources, including the following;



2 ESG APPROACH

2.1 PHILOSOPHY

As a global investor, consideration of ESG drivers is an integral part of how Amber assesses the long-term viability of the investments it makes. ESG drivers are non-financial factors that can influence and be influenced by Amber's activities. These include issues such as climate change, demography, resources, technology and social values. Consideration of ESG is important to Amber for the following key reasons:

Consideration of ESG is important to Amber for the following key reasons:

1. **ESG drivers present an opportunity for new markets and investments.** In response to evolving environmental and social challenges, there are increasing numbers of businesses, regulatory regimes and technologies being developed to help solve significant environmental and social challenges. For example, climate change has led the U.K. to be a leader in offshore wind production, which in turn led to the OFTO regulatory regime. Recognising this emerging trend, Amber was able to position itself strategically to capitalise on this opportunity and is now a leader in this market.
2. **Incorporating ESG into Amber's management processes supports its high standards of financial rigour and requirements for long-term financial performance.** Amber firmly believes that a foundation of sound governance combined with positive management of environmental and social factors will improve the whole-life performance of the investments it develops and manages.
3. **By investing in infrastructure and associated businesses, Amber can meaningfully support sustainable development.** The infrastructure that Amber and its managed funds invest in determines how healthy and productive communities can be, both now and in the future. For example, by investing in "green" public transport systems, local communities can choose to use a healthy, clean way of commuting to work or for leisure.

For these reasons, Amber incorporates ESG across the investment lifecycle, both before and after investment. This includes undertaking ESG screening and due diligence before investing, and the integration of ESG requirements for stewardship and monitoring of investments.

2.2 OBJECTIVES

Amber Infrastructure Group is a specialist international infrastructure investment manager, drawing on ESG in three key areas;

1. **Drive sustainable growth.** Amber will use ESG drivers as an opportunity to grow new markets and commercial opportunities.
2. **Integrate ESG considerations into all aspects of our business.** Amber will identify and integrate ESG factors into all aspects of investment, development and management decision making and analysis to protect and enhance value.
3. **Advance environmental and social progress.** Amber will actively work towards improving the environmental and social performance of its funds, investments and business operations by focusing on material ESG issues and sustainable development goals.

2.3 PRINCIPLES FOR RESPONSIBLE INVESTMENT

Amber has been a signatory of the United Nations-backed Principles for Responsible Investment¹ (UN PRI) since August 2019. All investment-related activities by Amber are in line with commitments to the Principles, which includes all activities relating to the funds it manages.

¹ <https://www.unpri.org/>

In addition to integrating ESG into core investment practices across the company, Amber participates in various PRI-led initiatives and working groups such as the UN Sustainable Development Goal Infrastructure Working Group.

The UN PRI has six key principles its signatories are required to align with.

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

2.4 UN SUSTAINABLE DEVELOPMENT GOALS

In September 2015, more than 190 countries adopted the United Nations' (UN's) 2030 Agenda for Sustainable Development, including 17 Sustainable Development Goals². These objectives aim to increase global economic growth and reduce inequality while protecting the environment for future generations.

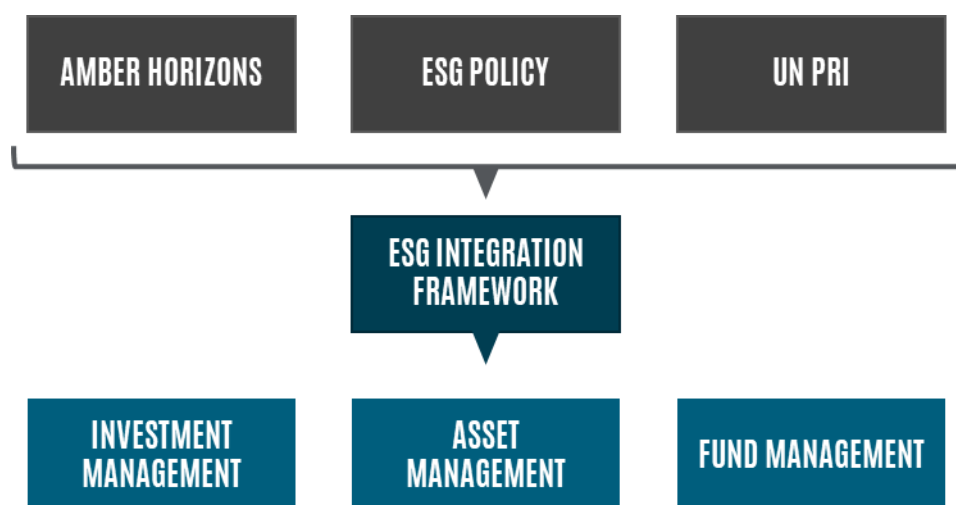
Although not legally binding, the UN SDGs are increasingly relevant as they are a step towards international collective impact efforts, focusing and guiding the interventions of humanitarian efforts around the globe.

Infrastructure appears both as an explicit goal and as an implicit means to implement and achieve other SDGs. Amber has aligned with the UN SDGs and committed to advancing the objectives. It will do this by both making investments that directly support the delivery of specific UN SDGs³, but also by using them as a guide to delivering all investments more sustainably.

Alongside using the UN SDGs as a guide to help drive environmental and social progress, Amber will also use them as a framework to help quantify its contribution to sustainable development.

2.5 RESPONSIBLE INVESTMENT FRAMEWORK

Amber's responsible investment philosophy and objectives, as encapsulated in its ESG Policy, underpin its approach to ESG integration. This integration framework distils key aspects of the *Amber Horizons* Programme, ESG Policy and UN Principles for Responsible Investment to ensure they are clearly integrated into core business functions.



² <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

³ Where the investment firstly meets all other objectives outlined in the relevant investment prospectus and the primary function of providing investor returns.

2.6 PRIORITY AREAS

Amber invests in a wide range of infrastructure assets and businesses. Amber's priority is to ensure it focuses on material issues for each sector it invests. For example, school investments have distinctly different environmental risks and opportunities to battery storage investments we are developing. As such, we focus on the key issues, using sector-based ESG objectives.

Alongside material ESG risks, Amber draws on the UN SDGs to help develop sector-based ESG objectives. These objectives aim to increase global economic growth and reduce inequality while protecting the environment for future generations.

Although ESG objectives vary depending on the sector, all can be summarised into four priority areas for Amber; *Governance, Environment, Society and Prosperity*.

Governance	Environment	Society	Prosperity
<p>Strong governance is critical to long-term sustainable economic growth. The principles of accountability and stewardship are vital for high performing investments.</p> <p>Amber aims for its investments to operate under efficient and robust governance.</p>	<p>A healthy planet is vital to ensure the long-term viability of the global economy.</p> <p>Amber aims for its investments to help society transition towards a thriving, stable environment.</p>	<p>An inclusive and healthy society will lead to greater political and economic stability, providing more investment growth opportunities.</p> <p>Amber aims for its investments to help individuals thrive, and communities flourish.</p>	<p>Superior investor returns are of paramount importance for the success of our business.</p> <p>Amber aims for investments to provide expected returns to investors and to improve prosperity of users and the wider community.</p>

2.7 ROLES AND RESPONSIBILITIES

Amber's Chief Operating Office holds ultimate responsibility for ESG within Amber, but all members of the Executive Committee have a responsibility for ensuring ESG is integrated across the business.

Amber has a dedicated Head of ESG who is responsible for integrating ESG across all Amber's business activities. The Head of ESG actively works with Amber's asset management, investment management, investor relations and business operations teams. This ensures that ESG is integrated across all business activities in line with the UN Principles for Responsible Investment.

Amber has an established ESG Steering Committee which is led by the Head of ESG and several individuals from across the business. The Chief Operating Officer, a member of the Executive Committee, sits on the committee, underlining the integrated approach and support from senior management and has ultimate responsibility for ESG.

The committee's primary role is to integrate and strengthen Amber's ESG considerations within investment and asset management activities and at a corporate level. With representation from the Fund Management Team, the key functions of the committee include;

1. Strategically defining and continuously developing ESG ambition for Amber Infrastructure;
2. Guiding the Amber ESG approach and approving annual ESG work-plan;
3. Identifying and prioritising ESG topics for Amber;
4. Regularly informing the Amber's Executive Committee on ESG topics and activities;
5. Reviewing and recommending ESG-related policy proposals for consideration by the Executive Committee;
6. Engaging on ESG topics with relevant stakeholders, (e.g. peers, business partners and NGOs); and

-
7. Ensuring compliance with UN PRI.

2.8 TRAINING

Amber is committed to integrating ESG principals in all our business dealings and relationships. To this end, training on key aspects of our ESG strategy is provided across the Amber platform, tailored to each employee's role within the business.

The business actively provides knowledge sharing updates to relevant staff through bespoke programmes, sector-focused research, asset management and transaction-focused learning. All global Amber staff are required to complete annual online courses regarding modern slavery and human rights. Concerning Amber's team, all line managers are trained on mental health awareness and a number of employees in the head office are trained mental health first aiders.

2.9 THIRD PARTIES

Amber engages many third parties to deliver the vital services required on the infrastructure assets it manages.

Amber ensures that each of the contracts it enters with such third parties contains robust obligations which require third party suppliers to adhere to relevant applicable legislation and laws when performing the services. This obligation includes compliance with all legislation and regulations relating to ESG, such as Environment, Health and Safety.

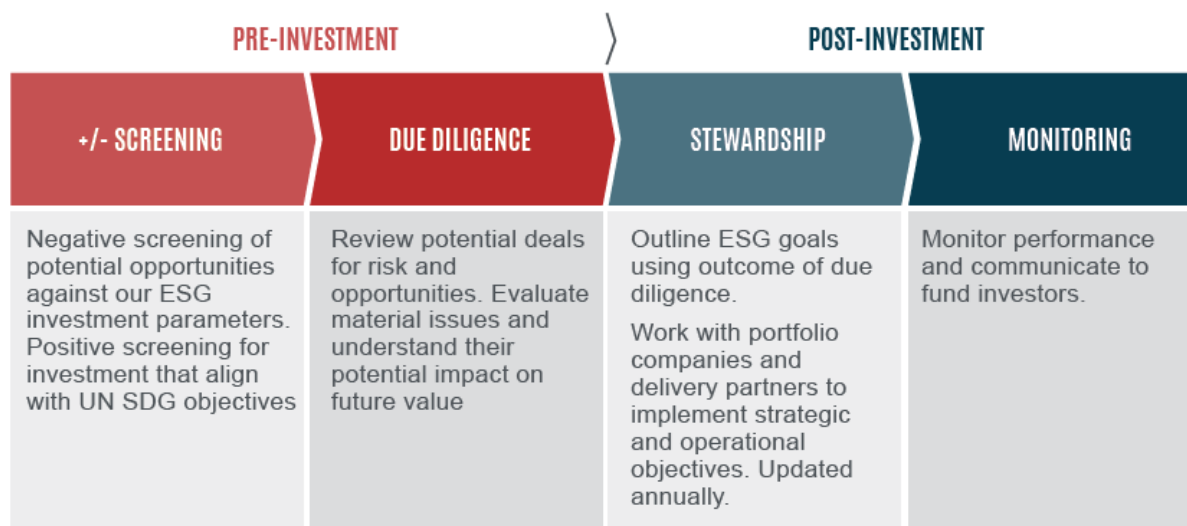
For any new contracts and reappointments, Amber require all third-party suppliers to comply with certain standards to ensure they go beyond what is only strictly legally required and support Amber's policy on driving environmental and social progress. Where relevant to the appointment and jurisdiction, suppliers will need to;

1. Outline how the supplier will meet the relevant principles and objectives of the Amber ESG Policy and this ESG Integration Framework.
2. Monitor and record relevant ESG metrics as required.
3. Agree to adhere with Amber Equality Diversity and Inclusion policy.
4. Operate under a robust Environment Management System.
5. Demonstrate they have implemented an effective health, safety and wellbeing policy.
6. Demonstrate they have implemented an effective modern slavery policy.
7. Develop and deliver local procurement strategy for each asset, and promotion of vacancies to local communities.

3 INVESTMENT INTEGRATION

3.1 APPROACH

In accordance with the UN PRI, Amber has developed a clear process for incorporating relevant UN SDGs and material ESG aspects into the investment process. This is summarised in the diagram below.



3.2 SCREENING

ESG screening takes place as part of Amber's initial opportunity evaluation. It involves the following key activities.

3.2.1 EXCLUSIONS

Amber will not invest in infrastructure projects or associated businesses that do not demonstrate the ability or willingness to manage current and future ESG risks effectively, unless through its involvement, Amber will be able to significantly improve the situation. This means Amber will not invest in Coal, Arms, Tobacco, Pornography, Gambling, Alcohol or any other sectors that have the potential to lead to Human Rights abuses.


Equally Amber will not invest in infrastructure or associated businesses that have an extended track record of;

- corrupt practices;
- poor governance and ethics practices; or
- poor safety or environmental management.


Except for the exclusions stated above, Amber does not typically exclude infrastructure companies, sectors or asset types based on any particular activity or ESG exposure. Instead, Amber prefers to engage with the investments in its portfolio and use its position to influence positive change.

3.2.2 ESG SCREENING


For each potential investment, Amber screens for material ESG risks using the GRESB Infrastructure materiality tool to help objectively identify material issues. This means that all prospective investments will be screened against the following ESG aspects.



ENVIRONMENTAL ISSUES				
AIR POLLUTANTS	CONTAMINATION	GREENHOUSE GAS EMISSION	NOISE	WASTE POLLUTION
BIODIVERSITY SOURCING & RESOURCE EFFICIENCY	ENERGY	LIGHT POLLUTION	WASTE	WATER USE
MATERIAL SOURCING RESOURCE EFFICIENCY		RESILIENCE TO CATASTROPHE / DISASTER		RESILIENCE (ADOPTION) TO CLIMATE CHANGE



SOCIAL ISSUES			
CHILD LABOUR	DISCRIMINATION	HEALTH AND SAFETY	FREEDOM OF ASSOCIATION
COMMUNITY DEVELOPMENT	GENDER DIVERSITY	STAKEHOLDER RELATIONS	SOCIAL ENTERPRISE PARTNERING
CUSTOMER SATISFACTION	EMPLOYEE ENGAGEMENT	FORCED OR COMPULSORY LABOUR	LABOUR STANDARDS AND WORKING CONDITIONS



GOVERNANCE AND BOARD-LEVEL ISSUES			
AUDIT COMMITTEE	EXECUTIVE COMPENSATION	LOBBYING ACTIVITIES	BRIBERY AND CORRUPTION
BOARD COMPOSITION	INDEPENDENCE OF BOARD CHAIR	ONE SHARE / ONE VOTE	FIDUCIARY DUTY
AUDIT COMMITTEE STRUCTURE / INDEPENDENCE	COMPENSATION COMMITTEE STRUCTURE / INDEPENDENCE	DATA PROTECTION AND PRIVACY (INC CYBERSECURITY)	WHISTLE-BLOWER PROTECTION

The findings from ESG screening directly inform investment decision making, and in some instances may halt an investment. The decision to pursue a potential investment is based on an assessment of ESG issues and risks, and whether Amber can effectively manage ESG issues. Amber will not invest in infrastructure projects or associated businesses that do not demonstrate an ability or willingness to manage current and future ESG risks effectively. Unless through its involvement, Amber will be able to improve the situation significantly.

3.2.3 POSITIVE SCREENING

Amber positively screens each investment to identify those that are directly contributing towards the UN Sustainable Development Goals, or through Amber's involvement, could transition to become an environmentally or socially positive investment. At the screening stage, the origination team will assess whether the investment directly supports any of the UN SDGs listed below.



These UN SDGs have been identified as those Amber is most likely to significantly contribute towards in terms of overall positive 'impact'. The positive impact of an investment is considered by the Investment Committee and may influence the decision – although this will be dependent on the mandate of the relevant fund.

3.3 DUE DILIGENCE

The objective of due diligence is to assess the ESG risks and opportunities identified during screening to allow the Investment Committee to make an informed investment decision. This is specifically focused on whether the potential opportunity can address risks and capitalise on opportunities.

Amber's due diligence process draws on the outcome of ESG screening to guide activities, and the level of research required before investment. ESG due diligence includes the following key activities;

1. **Perform a "desk-top" review.** For each investment, Amber collects and reviews documentation, including publicly available information and documents requested from the investment. This enables Amber to start to identify how well key risks and impacts are being managed, whether there are any concerns or value creation opportunities. This review builds upon the work started at the screening stage and draws on relevant trends that are being tracked through our Amber Horizons programme.
2. **Assess the investments ESG capacity and track record.** Using the outputs of the desk-based assessment, Amber will then engage with the investment to establish how it can meaningfully address any ESG risks.
3. **Assess the need for external ESG expertise.** Amber will assess the need for external experts. This will generally be in instances where screening identifies highly material ESG risks (as per GRESB materiality scores), or it falls outside the scope of our investment managers skill set.

Criteria for assessment will depend on the nature of an investment (e.g. sector). We draw on a variety of sources to guide due diligence (e.g. IFC Sector Guidelines⁴). Examples of possible criteria for assessment include;

Topic	Examples of criteria for due diligence
ESG CAPACITY	Client's ESG policy and procedures
GOVERNANCE	Legal Compliance Board composition and diversity Ethic's policies and practices
ENVIRONMENT	Impacts on nature protection areas and biodiversity Impacts on fauna, flora and habitats

⁴ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines

CLIMATE CHANGE	Vulnerability to climate change
ENERGY AND GREENHOUSE GASES	Transition risks Contribution to zero-carbon transition
SOCIAL	Free from child labour Free from forced or compulsory labour practices Good working conditions, in terms of health/safety and equality

The outputs of ESG due diligence are then used to inform negotiations and outline opportunities to optimise the project and its positive impact.

3.4 STEWARDSHIP

3.4.1 ESG OBJECTIVES

Post investment, Amber actively manages all its assets to ensure that they not only comply with applicable laws and regulations but that they proactively manage ESG issues that will position investments for long term success.





For every new investment, Amber requires several minimum requirements for the overall governance framework to ensure robust management of ESG. To the extent the investment does not have robust equivalent policies already in place, Amber endeavours to implement relevant key ESG policies as part of a post-investment action plan. Examples of such key policies include:

- ESG/sustainability policy.
- Health & safety policy.
- Environmental policy.
- Equality, diversity and inclusion policy.
- Modern slavery/human rights policy.
- Confirmation of appropriate resourcing for management of environmental, health and safety and broader social issues.
- Allocated responsibility for ESG/sustainability at the Board level.

In addition to these minimum requirements, a discrete set of ESG stewardship objectives are produced for each fund. These are developed at a sector level, considering;

1. **Typical ESG risks.** These are identified using a range of sources, including but not limited to the GRESB materiality tool and IFC Industry Sector Guidelines. Where there are material risks to an investment sector, stewardship objectives are set to manage those risks.
2. **Relevant UN Sustainable Development Goals.** Each sector is reviewed against the targets for the UN Sustainable Development Goals. Where applicable, stewardship objectives are set to support the delivery of those goals.
3. **Emerging environmental, social and technology trends.** Amber regularly undertakes horizon scanning to keep an informed view of emerging trends that have the potential to positively or negatively impact the performance of prospective investments. Where there are relevant megatrends, stewardship objectives are set to ensure the investments can adapt to change.

Examples of environmental and social objectives and assessment criteria are listed below.

Topic	Objective	UN SDG	Examples of criteria to analyse the performance of assets
ENVIRONMENTAL PERFORMANCE	Achieve compliance with applicable environmental legislation, regulations and standards.	Multiple	Environmental Management System Number of environmental incidents (Significant and Minor)
CLIMATE CHANGE	Enhance resilience to the physical risks of climate change.		Unavailability due to extreme weather
BIODIVERSITY	Improve outdoor spaces to deliver an overall gain in biodiversity.		Number of biodiversity initiatives
ENERGY AND GREENHOUSE GASES	Reduce carbon emissions and work towards alignment with the goals of the Paris agreement to limit global warming to well below 2°C and, ideally to 1.5°C.	 	Energy Monitoring and consumption Direct (Scope 1) GHG emissions
NATURAL RESOURCES	Reduce consumption of materials, eliminate waste to landfill and move towards a circular economy.	 	Water consumption Waste by type and disposal method
COMMUNITY IMPACT	Contributing to local societal and development goals such as equality and inclusion, poverty reduction, health, security and wellbeing.	 	Job creation Diversity Community service hours contributed
HEALTH & SAFETY	Zero harm to all employees, contractors and end-users.		Safety procedures and programmes Results in terms of safety for workers and users

3.4.2 HANDOVER

Post investment, Amber actively manages all assets. Amber aims to ensure that portfolio investments not only comply with applicable laws and regulations on all relevant ESG issues but that it also acts on ESG issues that will position Amber's investments for long term success.

Following the investment, there is a handover from the origination team to the asset management team. During this handover, an ESG Action Plan is developed, which sets out the specific actions that the assets should undertake for improving ESG performance during the initial phases of ownership. This ESG Action Plan is produced using the outcomes of ESG Due Diligence and fund-specific ESG Stewardship Objectives.

3.4.3 ACTIVE MANAGEMENT

In line with the requirements outlined in sector-based ESG stewardship objectives, and relevant ESG Action Plan, each investment is actively managed to drive ESG performance. Each Infrastructure investment is assigned a dedicated asset manager, whose responsibilities include ESG.

The way Amber manages the investment varies according to investment type, summarised below;

- **Public-private partnerships.** Amber actively manages material ESG factors through its specialist asset management team and oversight of third-party contractors. This applies to both construction and operational assets.
- **Operating businesses and regulated investments.** Amber actively engages through board director positions and ensure material ESG issues are being dealt with appropriately by management.
- **Senior debt.** Engagement on material ESG risks is typically concentrated in the screening and due diligence phase.

3.5 MONITORING AND REPORTING

3.5.1 MONITORING

ESG issues are monitored throughout the life of an asset on a quarterly and annual basis. Monitoring and reporting for each asset will be in line with the requirements outlined in sector-specific ESG stewardship objectives or inline with any specific client requirements. Amber's full-time Head of ESG leads on these activities, with asset managers leading on engagement on a day to day basis.

Every half-year, investments are required to respond to a data request on key metrics for monitoring purposes. This is to ensure compliance on key issues (e.g. modern slavery), but also to monitor progress against environmental and social objectives (e.g. energy management).

3.5.2 REPORTING

Amber issues several reports to inform investors of ESG activity and progress. These are summarised below.

- As part of *Principle 6*, Amber will publish the PRI Transparency Report on an annual basis. The report will describe in detail how Amber is integrating ESG and responsible investment in its processes.
- Amber has committed to producing an annual sustainability report, which will include a presentation of Amber's approach and policy on ESG and an analysis of selected qualitative and quantitative indicators with monitoring of performance over time.
- Other ESG monitoring reports are prepared according to the requirements of investors and for specific funds. For example, this includes specific ESG sections in annual reporting.