



## **Environmental, Social and Governance Policy**

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## ***I. Recognition, Commitment, and Purpose***

ArcLight Capital Partners, LLC (“Arclight,” the “Firm”, “we,” or “our”) believes that the generation of long-term sustainable returns is related to the stable, well-functioning management of material environmental, social and governance (“ESG”) issues within the investment funds managed by ArcLight (the “ArcLight Funds”). We therefore seek to consider the full spectrum of material ESG risks and opportunities facing our investments, in a manner consistent with our agreements with our investors and our obligation to create maximum value for the limited partners in the ArcLight Funds.

We believe effective diligence, analysis, planning and ongoing evaluation of progress in ESG related matters are important to long-term value creation. In line with this belief, we have developed and committed to a formal set of ESG procedures covering the lifecycle of our private market investments to identify, evaluate, manage, and track material ESG factors. Responsibility and accountability for these procedures ultimately touches all areas of the Firm, an explicit acknowledgment that driving ESG outcomes requires broad-based engagement and support.

While the primary focus of this ESG Policy (this “Policy”) is the application and integration of ESG principles and procedures to our investment processes, we are also committed to parallel principles in the management of ESG-related issues at ArcLight, as outlined in the Corporate Social Responsibility section below.

ArcLight has taken a continuous improvement approach to its ESG program. Beginning in 2011 with a set of primary Investment Guidelines for Environmental, Social and Governance issues, we have consistently adapted to the growing ESG sophistication, capabilities, and focus of our investors, portfolio companies, and colleagues. As such, we expect that this ESG Policy will continue to be a “living document” warranting periodic review.

## ***II. Corporate Social Responsibility***

ArcLight believes that a foundational element of sound ESG practice is internal alignment, which encompasses engagement by ArcLight in ESG matters relating to our own colleagues, activities, and community.

### *Colleagues*

ArcLight is committed to fostering, cultivating, and preserving a culture of Diversity, Equity and Inclusion (“DEI”). We have always held that our employees are the most valuable asset we have, and that we value their unique talents and abilities. To strengthen our commitment to DEI, we adopted an ArcLight DEI policy and joined the NCSA Diversity Project North America (“DPNA”), which aims to accelerate DEI across all dimensions through collaboration and resource pooling around DEI challenges by executive business leaders in the asset management industry. Together with internal initiatives, we intend to leverage the resources and opportunities available through DPNA to further expand internal capabilities and support our ongoing commitment to DEI efforts.

### *Activities*

Beginning in 2022, ArcLight will develop an inventory of material greenhouse gas emissions for its investment operations. We expect a variety of learnings from our initial inventory analyses, which will provide the basis for evaluation of further action and continued improvement of the environmental profile of our investment operations.

### *Community*

ArcLight and its professionals have a track record of support for a range of local and national charitable institutions, engaging with charities both through monetary contributions and personal time in the community. ArcLight regularly seeks to encourage community support and participation, including through existing ArcLight charitable relationships, as well as through relationships employees establish on their own.

### **III. Governance, Roles, and Responsibilities**

While ESG at ArCLight involves a broad cross-section of the organization, the relevant deal team retains the majority of the responsibility for integrating material ESG considerations into each investment's due diligence process and subsequent management of closed investments. Once the initial due diligence process has been completed, the ESG findings are presented to the relevant investment committee (each, an "Investment Committee"), which then integrates such material ESG considerations into its investment and management decisions, consistent with our ESG procedures and this Policy. During the ownership period, the relevant deal team drives execution of key ESG issues through management teams and partners, with input from the ESG Committee as well as portfolio management via monthly priority reviews and bi-annual portfolio ESG reviews.

As noted above, ArCLight has formed an ESG Committee, which is comprised, from time to time, of certain investment professionals and certain members of our portfolio management, risk management, investor relations, and legal and compliance departments. Our Head of ESG, Jake Erhard, is a Partner of the Firm with 20 years of investing experience with ArCLight and Chairman of our ESG Committee. The ESG Committee supports the deal teams throughout the investment lifecycle on an as needed, where needed basis. In addition, the ESG Committee retains overall responsibility for ArCLight's ESG programs and policies, in coordination with the Firm.

### **IV. Scope**

Notwithstanding ArCLight's commitment to ESG across the Firm, this Policy and the related ESG procedures apply to investments made after the date hereof by ArCLight Energy Partners Fund VII, L.P. ("Fund VII") and all ArCLight Funds closed after the date hereof (each, a "Future Fund"); provided, that this Policy shall not apply to any continuation vehicle of an ArCLight Fund, any co-investment vehicle formed to invest alongside an ArCLight Fund, any separately managed account or special purpose acquisition vehicle.

ArCLight seeks to exert its maximum possible influence on all investments, whether it holds a majority or minority shareholder position, to ensure material ESG factors are thoroughly evaluated and managed. There are numerous potential opportunities to implement positive ESG-related improvements in the infrastructure and energy sectors, including: GHG emissions, water use, waste minimization, efficiency, community concerns, transparency and safety, among others. Where Fund VII or a Future Fund is a majority shareholder in a portfolio company, we will pursue those opportunities we find to be material to investment performance. Where Fund VII or a Future Fund is a minority shareholder, our ability to directly influence ESG integration may be less than in situations where we are a majority stakeholder. In these situations, we seek to encourage the consideration of material ESG factors, consistent with the framework set forth herein, to the extent possible. However, in all situations, we conduct ESG due diligence on our portfolio companies and use carefully defined key performance indicators (KPIs), as practicably

available, to monitor ESG performance throughout the lifecycle of our investments and to identify opportunities to increase value.

ArLight also aims to ensure that all of its portfolio companies follow ‘good governance’ practices, and this forms a key part of ESG due diligence and monitoring of our portfolio companies.<sup>1</sup> In respect of funds that are classified as Article 8 or Article 9 under the EU Sustainable Finance Disclosure Regulation, it is a pre-requisite for any ArLight investment that portfolio companies follow good governance practices.

## **V. Implementation**

ArLight will seek to integrate ESG considerations in every step of the investment process. Once a potential investment is identified, we will leverage the financial, industry and regulatory expertise of our team, as well as outside consultants, as appropriate, to assess the investment’s ESG profile. Informed by a SASB-based approach and tailored to the investment’s sub-industry, the deal team will, to the extent applicable, evaluate material, deal-specific ESG risks and opportunities that may include, but are not limited to, the following:

- **Environmental:** GHG emissions, air, water, and waste compliance programs; spill and remediation historical data; prevention and response plans; risk and liabilities (enforcement) history; expansion projects; and upcoming regulatory compliance requirements.
- **Social:** Safety program and culture; safety performance; workforce diversity and expertise; community engagement; and environmental justice areas.
- **Governance:** Integrity; labor compliance; employee relations; staff remuneration; information technology/security; regulatory and tax compliance; and sound management structures (including board structure and oversight).

ESG opportunities may encompass straight-forward, returns-enhancing improvements to an existing operating environment, or they may encompass material incremental investment within a given deal. With respect to material ESG-driven incremental investment, ArLight will actively seek to leverage its energy transition expertise to identify value-enhancing transition projects, especially within legacy energy asset investments as applicable.

Once the relevant deal team completes the initial due diligence process for a potential investment, the team will include material ESG issues into final Investment Committee memos for consideration by the relevant Investment Committee, including, where applicable and available:

- ESG risks and opportunity identification;

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<sup>1</sup> ArLight considers ‘good governance’ to be a standard of governance which is broadly reflective of industry-established norms and practices, including with respect to sound management structures and decision-making, corporate culture and employee relations, remuneration of staff and compliance with applicable laws, rules and regulations (including with regards to tax compliance and anti-money laundering).

- Estimated GHG emissions profile of the business;
- Data on diversity;
- ESG credit indicators, where available;
- Good governance practices; and
- ESG action plan recommendations for post-investment.

In instances where appropriate and practicable, we will also analyze the exposure of portfolio companies to climate change risks including both physical and transition risks. ArLight is exploring a more systematic approach to climate change scenario analysis in its diligence, investment committee memos, and ongoing portfolio monitoring practices.

After we close on an investment, the deal team will seek to work with portfolio company management to address material ESG-related considerations to reduce risk and drive value creation. Where appropriate, we will also rely on external consultants to provide ESG support and management services for select investments.

ArLight will also monitor its portfolio companies on an ongoing basis focusing on deal-team defined KPIs. We will collect KPI data and information on good governance via questionnaires issued to our portfolio companies, at a minimum on an annual basis. Through this monitoring, we aim to promote transparency and communication, seek to further tailor strategies for generating ESG value-add, and enable sharing of ESG best practices across the organization. Additionally, where ArLight has a seat on the board of directors of a portfolio company, ArLight will seek to develop an ESG Action Plan with the independent board to address material ESG-related considerations at least annually.

## ***VI. Principles and Reporting***

ArLight is committed to ensuring that stakeholders have a clear understanding of our investment principles. We are a signatory to the United Nations Principles for Responsible Investment, a member of the International Financial Reporting Standards Sustainability Alliance, and a member of the NICSA Diversity Project North America. These guidelines and platforms help to focus our responsible investment efforts and provide a common set of expectations for our investment partners, our portfolio company management teams, and other stakeholders.

We seek to be transparent in our approach to incorporating ESG considerations into our investment process by publishing an ESG Annual Report detailing our progress and outcomes. Where appropriate, throughout the investment cycle, we will seek to actively engage relevant investors in an effort to make informed decisions that may materially affect these investors.

THIS POLICY REPLACES ARCLIGHT'S INVESTMENT GUIDELINES FOR ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES, AND IS IN EFFECT AS OF MARCH 2022.

REVISED SEPTEMBER 27, 2022.

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