ANCALA

ESG Report

2022

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SUPPORTING A MORE SUSTAINABLE FUTURE

2022 was an important year in which we demonstrated the resilience of our approach in changing market conditions. In the face of unprecedented uncertainty, we remained agile and flexible to work closely with our portfolio companies and create value for all stakeholders.

Spence Clunie
Managing Partner

After a short-lived recovery from the pandemic, economic pressures have been increasing across the globe. The Ukraine situation has disrupted energy security in Europe causing energy prices to surge. Global supply chains are under threat, particularly as the regulatory environment continues to shift and tighten. Companies and households are facing up to the sharp pinch of the cost-of-living crisis.

Alongside the economic challenges, the state of our natural environment continues to change. In Europe, we've seen record-level temperatures; flash flooding and water stress across the continent. In response, Europe has committed to nuclear and gas as transition activities. It is also accelerating investment into renewable energy and heat sources, along with expanding the carbon market.

THE YEAR AT ANCALA

At Ancala, we have continued to deploy our hands-on active asset management approach to help mitigate these challenges. We draw on the expertise of our team members, including our industry partners, to help our portfolio companies continue to adapt to the changing backdrop. I'm pleased to report that the performance of our portfolio reflects the high quality of the companies and the people behind them. They continue to deliver strong returns and generate above-target cash yield to our investors. We're especially grateful for the continued commitment and drive of the management teams leading these portfolio firms, who we work with on a day-to-day basis.

As a responsible employer, we have been working tirelessly to provide secure employment and continued growth. On average, since we first invested, we have helped our portfolio companies to grow revenues by more than 40%[1] and increase headcount by more than 60%[1]. We have also helped them to grow organically and through acquisition by providing over €625m[2] in additional equity funding since we first invested.

Climate-related risks and opportunities are key considerations in our investment approach and act as an important part of our ESG reporting, engagement, strategy and risk management activities. In this report, we will be making our first TCFD aligned disclosures, sharing the work that we and our portfolio companies have been delivering to explore and address, where relevant, climate-related risks and opportunities. It is our goal to continue to incentivise and develop initiatives that will support climate change mitigation and adaptation, which will also add value to our investments.

1 Data as of end of 2022.
2 Data as of August 2023.

SUPPORTING A MORE SUSTAINABLE FUTURE

In 2022, we launched our third co-mingled fund and agreed terms on its first investment in Babcock International's aerial emergency service businesses in Iberia, Italy and the Nordics, now named Avincis. We have since invested in two more companies that will be supporting the energy transition. Noventa, a wastewater energy transfer business, which provides renewable heating and cooling solutions to buildings, facilitating their decarbonisation; and Fjord Base, a supply base that is expanding its services to on and offshore renewable technologies operators.

ENHANCING OUR APPROACH TO ESG

As part of our commitment to support a more sustainable future, we have expanded our ESG team by hiring a new ESG analyst. We have also adopted new software tools to further enhance our climate reporting going forwards.

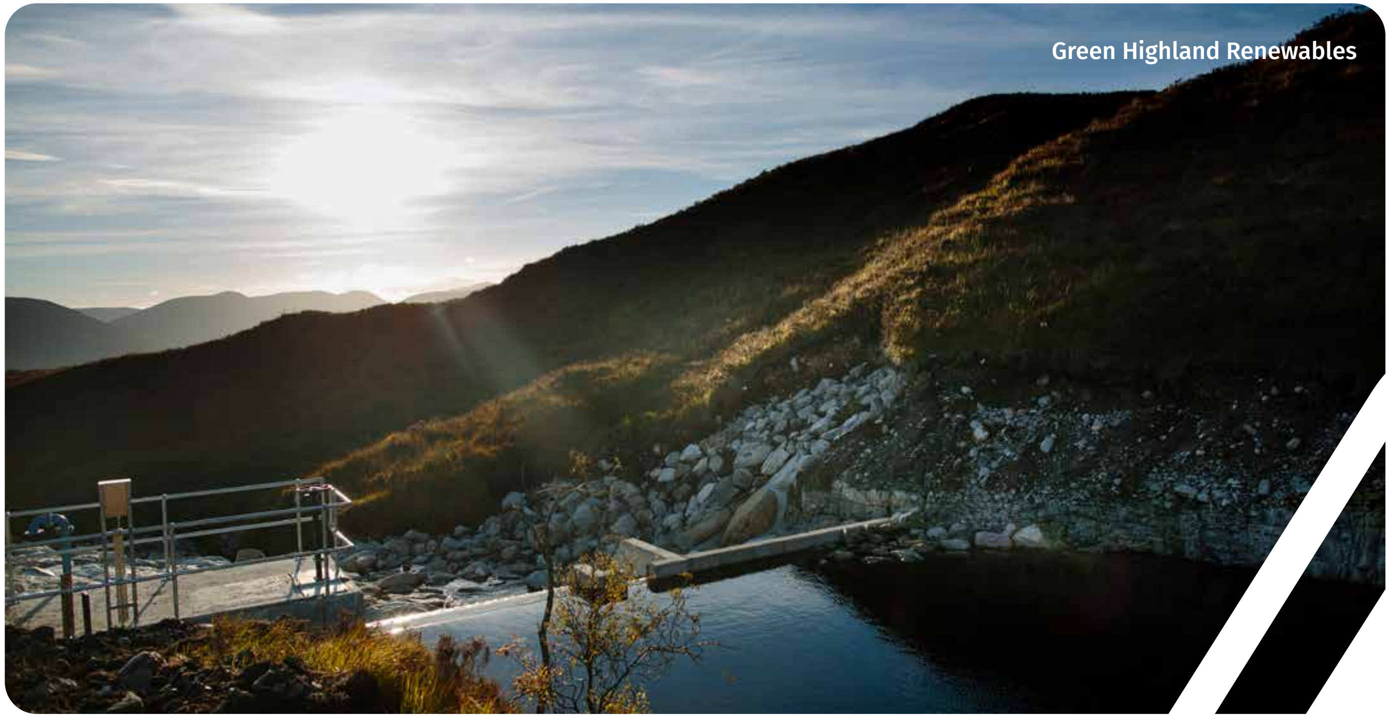
In July 2023, we completed fundraising for our second Sustainable Finance Disclosure Regulations (SFDR) Article 8 fund: Ancala's Essential Growth Fund. This is supporting the expansion plans of our existing portfolio businesses – Portsmouth Water, Biogen and Leep Utilities specifically. It's exciting to witness how these companies are resolving some of the UK's most pressing challenges, including accelerating the energy transition and ensuring the UK has a clean, secure and resilient water supply.

In particular, the fund will provide Portsmouth Water with £120m to help finance the construction of the UK's first major new reservoir since the 1980s, the Havant Thicket Reservoir.

In the coming year, we will further build our understanding of climate related risks and opportunities within our portfolio companies level. We are focused on implementing the Article 8 commitments within the portfolio companies we are investing in.

The energy transition and climate adaptation offer significant investment opportunities which Ancala is committed to pursuing with new and existing portfolio companies. We are proud to be helping critical infrastructure assets improve the communities and environments in which they operate.

Spence Clunie
Managing Partner



Green Highland Renewables

ANCALA AT A GLANCE

Ancala Partners is an experienced and entrepreneurial investment manager focused on investing in critical mid-market infrastructure assets. We source differentiated opportunities which we proactively manage to create value for all stakeholders.

ANCALA[3]

2010
Year Ancala was founded

2
offices in UK and Luxembourg

18
portfolio companies

€4bn
of AUM

39
professionals

ESG AT ANCALA[4]

100%
Companies screened for ESG at pre-investment stage

100%
of AUM engaged on climate change mitigation and adaptation

>1,000GWh
renewable electricity exported by portfolio companies

>88,000
million litres of potable water supplied to clients

SUPPORTING GROWTH AT ANCALA[3]

13
bolt on acquisitions to existing portfolio companies, achieving synergies and scale benefits

>40%
average revenue growth across the portfolio since Ancala invested

>€625m
follow-on equity funding provided to portfolio companies

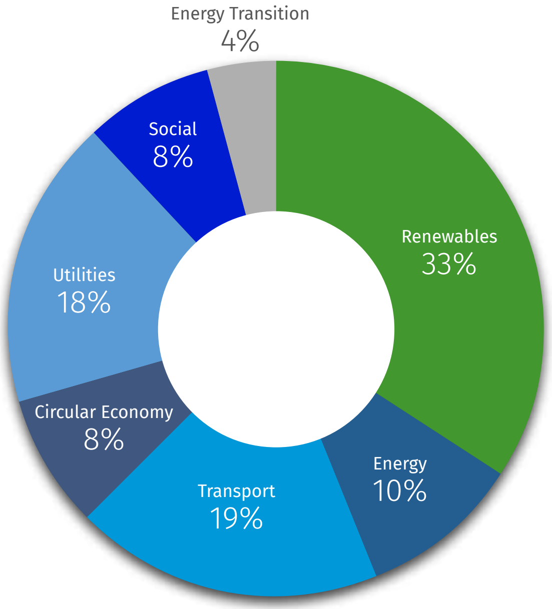
>4,500
jobs provided by Ancala's portfolio companies

3 Data for August 2023.
4 Data for August 2022.

PORTFOLIO COMPANIES AT A GLANCE

GEOGRAPHIC FOOTPRINT[5]

INDUSTRY SECTORS[6]



RECENT INVESTMENT ACTIVITY

*Increased geographic footprint into **six new countries***

*Added **three new investments** to our portfolio*

*Expanded the Ancala team with **seven new members** (an 18% increase)*

***Grew AuM to €4bn** in 2023*

5 Data as of August 2023

6 By value of investments.

ESG AT ANCALA

ESG AT ANCALA

RESPONSIBLE INVESTMENT APPROACH

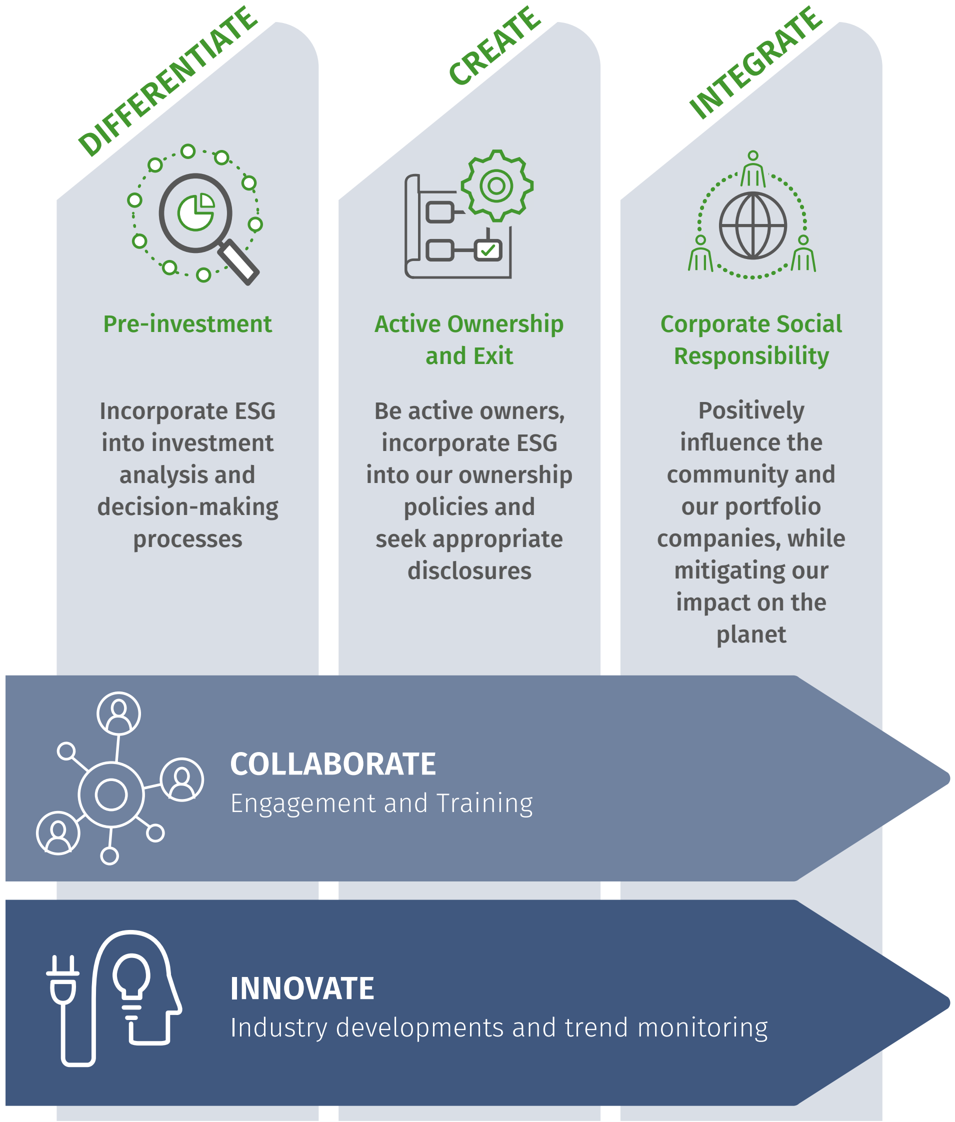
Ancala believes that by taking a proactive approach and applying sound practices to environmental, social and governance ("ESG") matters throughout the investment cycle, in line with our fiduciary duty, value can be created for all stakeholders.

Ancala actively incorporates ESG matters at every phase of the investment cycle. We take a consistent approach to assessing ESG risks and opportunities. We develop ESG targets and value creation initiatives of relevance for each potential opportunity or portfolio company. To do so, Ancala seeks to deliver on a set of clear ESG objectives based on the principle that effective ESG management begins with ensuring robust governance.

Our ESG framework is implemented across **three pillars** and **two cross sectional areas** which aim to deliver our ESG Policy[7] objectives and goals.

Since the regulation came into effect, Ancala has launched subsequent SFDR Article 8 Funds (Fund III and the Growth Fund), where we have committed to greenhouse gas (GHG) emissions reduction, the safety and wellbeing of staff, adaptation to climate change, adequate oversight of sustainability, amongst others.

ANCALA'S ESG FRAMEWORK



7 https://ancala.s3.eu-west-2.amazonaws.com/ancala-esg-policy.pdf

GOVERNANCE

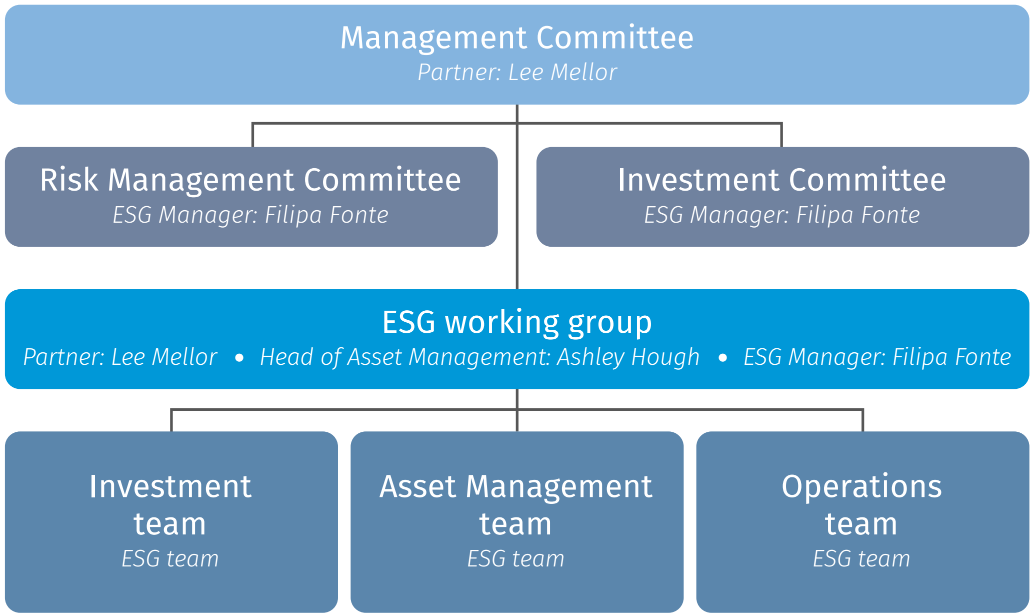
The Ancala team is firmly committed to promoting and encouraging responsible investment practices.

Overall oversight of Ancala's responsible investment approach and the management of ESG matters is conducted by Ancala's Management Committee. Ancala's Investment Committee approves investments based on risks and mitigants identified in due diligence, including ESG factors, and these are incorporated into business plans, both financial and operational factors. Ancala's Risk Committee is tasked by the Management Committee with managing any ESG risks, among others, which Ancala, the funds it manages, or specific investments are exposed to or may become exposed to.

Lee Mellor, a partner at Ancala and member of the Management Committee takes overall responsibility for the implementation of, and compliance with, Ancala's ESG Policy and ensures that it is reviewed at least annually.

At Ancala, all members of the team are jointly responsible for the integration of ESG considerations throughout the investment cycle, with ESG included in the performance review process.

In addition, and as a testament of Ancala's commitment to promoting and encouraging responsible investment practices, in 2023, we hired an additional member to the ESG team. They will support the development and implementation of ESG within Ancala and our portfolio companies. We have also formed an ESG working group, which helps define and assess the ESG policy, strategy and progress.



MEMBERS/SIGNATORIES OF

Global Infrastructure Investor Association

PRI Principles for Responsible Investment

GUIDED BY

SUSTAINABLE DEVELOPMENT GOALS

PARIS2015 COP21·CMP11

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

UNPRI 2021 SCORE

Infrastructure ★★★★

Investment & Stewardship ★★★★★

SOCIAL VALUE

Companies exist because of and for society, therefore everyone that these companies impact should be considered.

Ancala and our portfolio companies are committed to giving back to the communities in which they operate. In 2022, our portfolio companies donated more than €1.7 million and gave their time to charity, natural and community events, talent programmes to support career progression of women, STEM fairs and related initiatives, apprenticeships and internships.

MAGGIE'S
Everyone's home of cancer care

Ancala continues to support Maggie's.

Maggie's is a charity providing free cancer support and information in centres across the UK and online. They offer the best possible support to anyone with cancer and their families who walk through their doors. The services range from support on: managing emotions; managing money, wills, travel, exercise, nutrition, and others; managing socially; and advising people and entities supporting someone who has cancer.

Ancala Water Services

A team of Ancala Water Services (AWS) volunteers planted over 1,400 trees across multiple sites maintained by AWS, including an area of woodland close to its head office in Barnsley. The aim of the initiative is to increase biodiversity and enable carbon off-setting and carbon capture.

Liverpool Airport

Liverpool Airport has partnered with the Alder Hey Children's Charity since 2017. The charity supports the Alder Hey hospital that cares for over 330,000 children, young people and their families every year. Liverpool Airport has organised and promoted several fundraising activities such as a Family Fun Day, Santa Dash, Festive Tea Party, car washes and car boot sales.

Ancala Midstream

Ancala Midstream partnered with its operations and maintenance contractor to help Rotary Hub of Opportunities and KidsOut which supports survivors of domestic abuse. The donation allowed the a number of gifts including toyboxes to be provided to children in refuge fleeing domestic abuse in Scotland.

Dawn Chalmers, KidsOut Ambassador North Scotland, said: *"Refuge life can be difficult, especially for families, with the added pressure for parents to ensure their children have presents to open on Christmas morning. However, these donations mean we can provide families with the opportunity to have a lovely Christmas Day. We very much appreciate the support and extend a big thanks to Ancala Midstream."*

Magnon

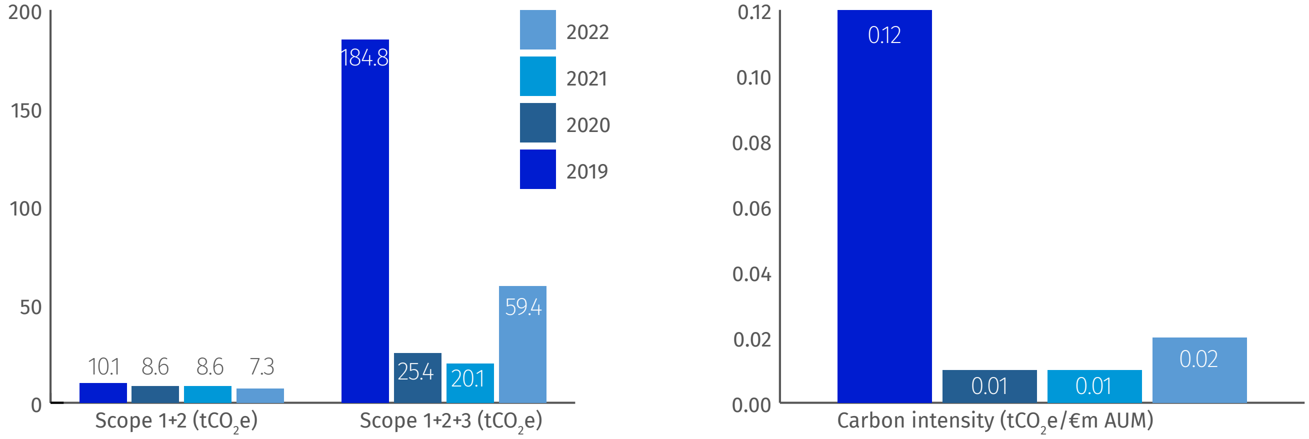
Magnon supported the "Let's Light up Christmas" programme which is operated by the local Red Cross. Alongside other companies, Magnon helped with the collection and donation of toys for families with few resources in Huelva. Five hundred toys were distributed by the campaign.

CARBON FOOTPRINT

Ancala reduced energy consumption at its headquarters by 7% as a result of an ongoing awareness raising initiative.

In 2022, Ancala's carbon footprint[8] increased due to the return of business travel, which had been reduced during the Covid-19 lockdown. As a result of a continuous awareness campaign[9] where we have frequently provided examples and reminders to the team on actions that can be implemented, we have reduced the electricity we consume at our headquarters in London by 7%.

GHG ABSOLUTE EMISSIONS AND INTENSITY



CARBON NEUTRAL

For the last three years, we have been supporting The Peatland Code and The Woodland Trust on the expansion of new native woodland coverage in the UK.

In 2022, we continued to acquire carbon credits from The Hawkshaw Project, in the Scottish borders. This has helped Ancala be carbon neutral[8]. The creation of native woodland area is achieved by restoring rough grazing land allowing the integration of trees with existing peatlands, including an area of blanket bog. Around 44,500 trees have been planted which are expected to provide habitats for a variety of insects, birds and mammals.


The Hawkshaw Project

8 Scope 1 and 2 emissions and Scope 3 emissions for the following three categories: business related travel (excluding employee commuting), electricity transmission and distribution and electricity consumed in communal areas controlled by building management company.

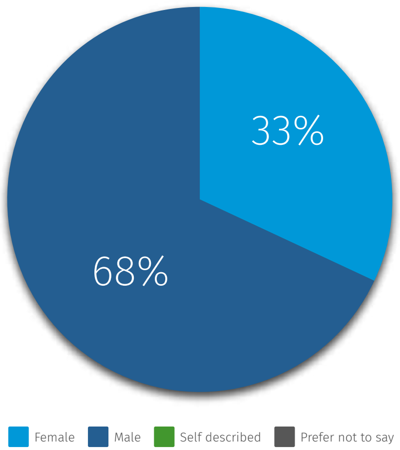
9 Ancala has been constantly communicating to its employees the need to save energy. We have developed an awareness raising campaign entitled "Lights, Screens, Action" to provide tips and reminders on what can be done to save energy when using the office.

DIVERSITY AND INCLUSION

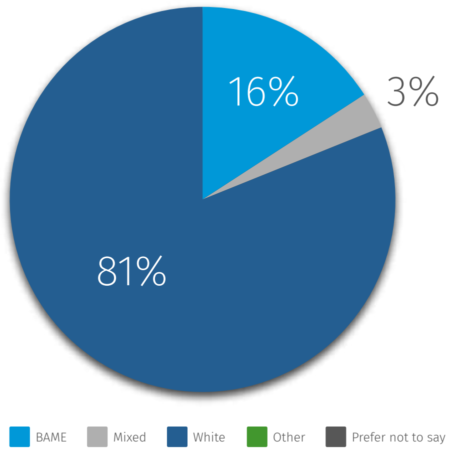
The end of 2022 marks the second year for which we have undertaken our annual employee diversity survey

The results[10] are presented opposite. Last year, we increased our gender diversity among employees by 9%, compared to 2021. Our Executive Management team was still evenly split in terms of gender and ethnic minority representation.

GENDER DIVERSITY



ETHNIC DIVERSITY




Ancala team

Executive Management
50/50
gender diversity

more than
30%
gender diversity in employees
9% increase from previous year

20 different languages

54% of staff speak 2 or more languages at native/proficient level

19 nationalities across all employees
46% increase from 2021

10 Diversity data correct at the end of 2022.

CLIMATE CHANGE AT ANCALA

CLIMATE CHANGE AT ANCALA

In 2021, Ancala introduced a commitment to be guided by the TCFD framework to our ESG policy.

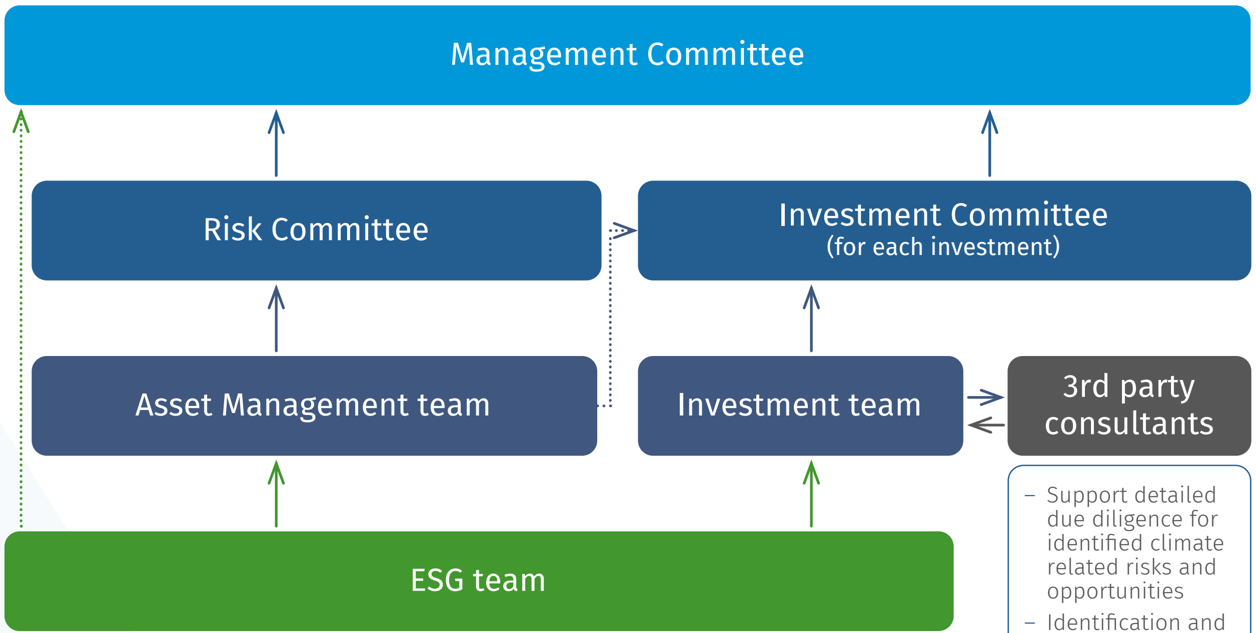
This year, we are proud to be publishing our inaugural TCFD aligned disclosures, focusing on governance, strategy, risk management and metrics and targets. Going forward, we will continue to explore and enhance climate-related analysis at both an Ancala and portfolio company level.

GOVERNANCE

a) Describe the board's oversight of climate-related risks and opportunities.

b) Describe management's role in assessing and managing climate-related risks and opportunities.

Climate-related risk analysis is communicated for each prospective investment in all Investment Committee papers, which informs investment decisions. Once we have invested, climate-related information is collected by the asset management team on at least an annual basis and is communicated to the Risk Committee.



Risk Committee:
- Meets quarterly
- Responsible for reviewing the analysis, strategy and approach to be considered
- Ensure that risk management processes are in place across the organisation
- Address challenges
- Identify key decisions that require approval

Asset Management team:
- Review identified risks and opportunities
- Raise findings with companies' boards
- Assess companies' information and solutions
- Enable and analyse portfolio companies' corporate climate change strategy and solutions

ESG team:
- Collect, process data and complete analytics from portfolio companies
- Review main risks and opportunities for detailed due diligence
- Revise and implement standards and best practice
- Perform horizon scanning
- Complete ESG reports
- Develop and integrate climate related processes and procedures (all investment stages)
- Develop ESG strategyDeliver ESG training
- Climate related engagement with portfolio companies

3rd party consultants:
- Support detailed due diligence for identified climate related risks and opportunities
- Identification and quantification of solutions

Management Committee:
- Meets at least quarterly
- Oversight of climate related risks and opportunities
- Key decisions and strategy approval
- Management delegation responsibilities to different committees and leadership team members
- Climate related reporting approval

Investment Committee:
- Approval of budget and scope of detailed due diligence, including climate related analysis
- Scrutinise and consider climate related risks and opportunities in investment decision
- Implement climate related exclusions in decisions
- Consider climate risks and opportunities in the investment process
- Commission detailed climate related due diligence for areas of relevant risk
- Include climate related findings in IC paper
- Address challenges and incorporate solutions where appropriate

STRATEGY

a) *Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.*

b) *Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.*

c) *Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.*

Ancala has identified climate-related risks and opportunities as important parts of its ESG-related initiatives and strategy. Our overarching strategy is to invest in a diversified portfolio with downside protection and strong earnings visibility, whilst also supporting companies that are helping the energy transition and contributing towards climate change adaptation. Some of our flagship investments have included companies operating in renewable energy production, low carbon transport, in a diverse range of locations.

These companies specialise in solar, wind, geothermal, biomass, hydro power, anaerobic digestion, wastewater heat recovery, rail freight, emergency response, amongst others.

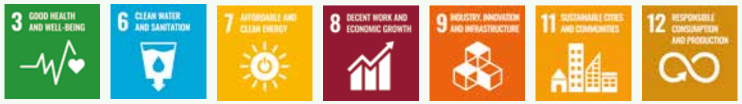
Our strategy is influenced by climate-related risks and opportunities, which have been translated into our ESG policy and commitments as shown below.

Ancala has undertaken a high-level climate scenario analysis across the portfolio companies we manage. The team started by delivering a climate-related risks and opportunities webinar to all portfolio companies. This was followed by engagement with portfolio companies, where senior management teams were challenged to consider the relevance of all TCFD listed climate-related risks and opportunities to their business with the aim to:

- Generate an internal discussion and raise awareness of potential climate-related risks and opportunities associated with each company
- Identify potential risks that the companies may not have considered and that they should start to manage as part of their risk management processes

ESG Policy

SDGs



SFDR
(Article 8 strategy)

Committments

2015 Paris Agreement goals

TCFD

Renewable energy generation and energy efficiency

Exclusions

Companies directly extracting fossil fuels

Companies principally reliant on coal without a robust transition plan in place

STRATEGY

Separately, from the exercise undertaken with the portfolio companies, Ancala has also used the ClimateWise framework[11] to assess in more detail the transition risks and opportunities associated with each fund and portfolio company, where possible. The ClimateWise Transition Risk Framework was designed to help investors to:

1. Assess the breadth of asset types exposed to transition risk and opportunities across an investor's portfolio (across different subsectors, regions and time frames)
2. Define the potential financial impact from the low carbon transition down to an asset level
3. Incorporate transition impacts into their asset financial models

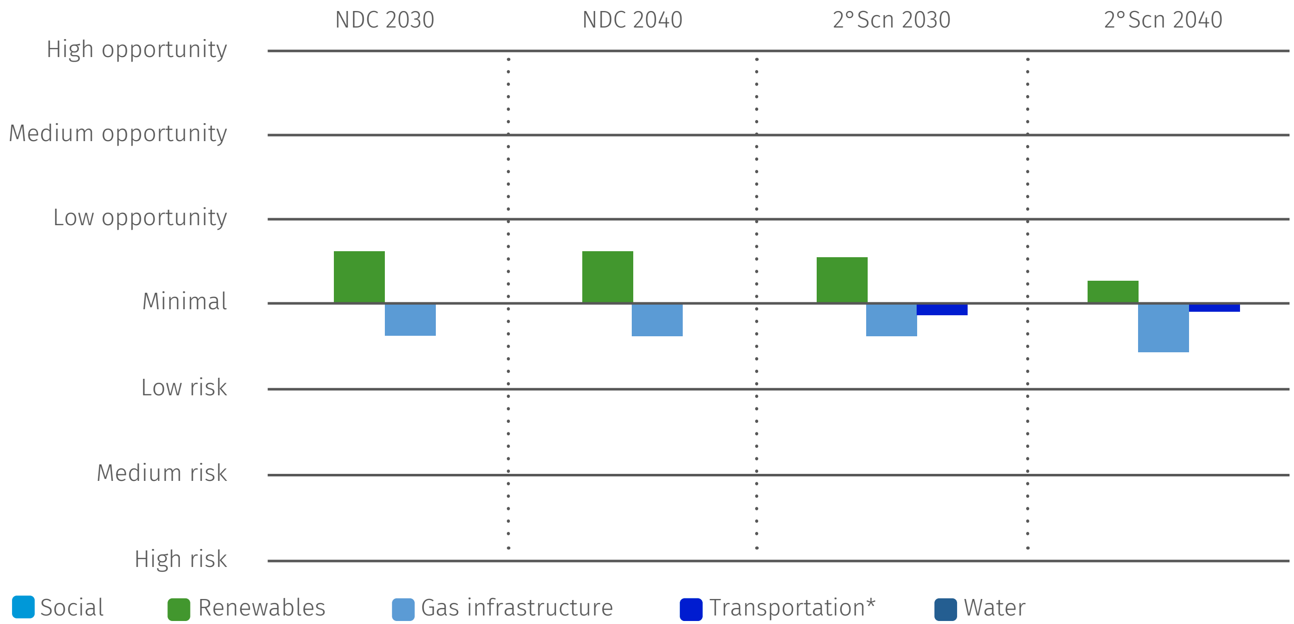
The graph opposite summarises the transition risk results when applying the framework to Ancala's portfolio, according to the sectors/industries in which they operate[12]. The results were weighted in accordance with each companies' current value of investment against the value of all investments.

Two timeframes (2030 and 2040) and two scenarios were used for the analysis:

- NDC Scenario[13] – where all Paris Agreement signatory countries would implement the commitments they made, which would limit global warming to 2.7°, and the
- 2°Scenario[14] – which assumes that global warming will be limited to 2° (with a 50% chance), meaning that, from a transition risk perspective, for example, regulatory change will be more pronounced and higher risk is likely for high emitting sectors.

From the graph, it is possible to conclude that, on a weighted basis, Ancala's portfolio has a low exposure to transition risk as the companies which are exposed to higher transition risk, have a low weight across our portfolio and, in addition, some are even expected to be decommissioned within the next decade or so. Gas based assets are the asset type with higher exposure from all the asset classes. Their transition risks increase in a scenario to limit global warming to 2° in comparison with the 2.7° expected if the NDCs are implemented.

TRANSITION RISK WEIGHTED ACROSS ANCALA'S PORTFOLIO, ACCORDING TO SECTOR/INDUSTRY



* includes rail and airport

11 ClimateWise is a voluntary initiative, driven directly by a group of insurers, reinsurers, brokers and industry service providers and facilitated by the University of Cambridge Institute for Sustainability Leadership (CISL). The ClimateWise Transition Risk Framework helps investors and regulators manage risks and capture emerging opportunities from the low carbon transition for infrastructure assets. This unique framework was developed through the ClimateWise Insurance Advisory Council and builds on the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).

12 The analysis excludes waste management, as the sector was not covered by the Climatewise framework.

13 NDC – "Paris Agreement (NDCs, National Determined Contributions)" scenario sets out an energy pathway consistent with the nationally determined contributions from signatory countries, which could limit global warming to 2.7oC; it is based on the IEA WEO 'New Policies' scenario (and the ETP 'Reference Technology' scenario for transport).

14 2°Scn – scenario constrains within a 50% chance global warming to 2°C by limiting concentration of GHG in the atmosphere to around 450 ppm of CO_2, and is based on the WEO '450' scenario (and the ETP '2DS' scenario for transport).

STRATEGY

For transport, transition risk for airports also increases from the NDC to the 2° scenario. However, that is partially offset by the increase in transition opportunities associated with rail, with an expected increase in the transport of passengers and freight away from other transport types, as rail has lower associated GHG emissions.

With the intensification of the energy transition in the 2° scenario in comparison to the 2.7° NDC scenario, an increase in opportunities associated with renewable sources are expected. However, a couple of the companies have a portion of their operations that is gas based and that has slightly reduced the opportunities for the 2° scenario, as gas has higher risk in this scenario.

Ancala's social and water utilities assets are exposed to minimal transition risks or opportunities regardless of scenario or timeframes. These companies are expected to have more exposure to physical risk.

The results presented are an initial analysis. From this analysis, it is possible to conclude that Ancala's diversified portfolio investment strategy is highly conducive to minimising risk. More than 75% of assets under management are at minimal risk or can capitalise on opportunities.

From the senior management team's workshops, where physical risk was also explored, it is possible to conclude that the most common risks identified relevant to the portfolio companies are:

- Heavy precipitation
- Water stress/drought
- Heat waves

In terms of future risks, **Ancala has identified regulatory and physical risks as two of the most important for infrastructure assets** in general. We have committed to not invest in infrastructure assets that are directly extracting fossil fuels or whose activities are principally reliant on coal, unless there is a plan to transition the business away from coal. At the physical risk level, we always consider and embed physical risk analysis in our pre-investment process and will be exploring the subject further for assets under management.

Before the end of 2023, Ancala will be undertaking a more detailed climate scenario analysis, using a new software as service platform, with more recent and updated scenarios, as well as additional timeframes. Findings from this analysis will be published in next year's report.

Ancala's diversified portfolio investment strategy is highly conducive to minimising risk. ***More than 75% of assets under management are at minimal risk*** *or can capitalise on opportunities.*

RISK MANAGEMENT

a) *Describe the organisation's processes for identifying and assessing climate-related risks.*

b) *Describe the organisation's processes for managing climate-related risks.*

c) *Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.*

Ancala has identified climate change as an area of material importance to infrastructure. We have committed to be guided by the TCFD framework when assessing climate risk and mitigation.

We have embedded climate risk analysis as one of the areas of focus by the Risk Management Committee (please refer to the governance section for additional information). As a result, we have updated our processes and procedures at both pre-investment and active ownership stages, as summarised below.

- Physical, transition and regulatory climate-related risks embedded into our ESG screening tool.
- Specialist services of third-party consultants where risks and opportunities require more in-depth analysis.
- Energy transition and climate analysis are included within Ancala's ESG onboarding process.
- Teams will continue to work with its portfolio companies to drive the energy transition and climate adaptation agenda.
- Climate webinars and workshops with senior management teams exploring the relevance of TCFD risks and opportunities.
- Exploring and delivering a range of initiatives where higher transition risk has been identified.

RISK MANAGEMENT

At pre-investment stage, **Ancala has embedded both physical, transition and regulatory climate-related risks into our ESG screening tool.** The tool prompts the team to consider a wide range of ESG subjects within the context of different investment opportunities. It provides resources and information that are used by the team to identify potential risks to be explored during detailed due diligence.

These can be risks and/or opportunities associated with, for example:

- Water availability, sea level rise, risk of flooding or wildfires
- Changes to the regulatory environment arising from EU's Green Deal, UK's policy and strategies, carbon pricing and the overall energy transition
- Eligibility and alignment under the EU Taxonomy

Where risks and opportunities that require more in-depth analysis are identified, the team will commission the **specialist services of third-party consultants**. These will help inform our investment decision and asset management strategy.

The **energy transition and climate analysis are included within Ancala's ESG onboarding process**. This includes regular reporting and preparation of ESG roadmaps for the companies.

As an active ownership manager, **Ancala's asset management and ESG teams will continue to work with portfolio companies to drive the energy transition and climate adaptation agenda**. These issues will be raised at board meetings for every portfolio company.

We are continuously challenging the companies to reduce their GHG emissions, either through the creation of decarbonisation plans, the installation of renewables, the optimisation of existing renewable production capacity or the implementation of energy efficiency measures.

We have delivered climate webinars and workshops with senior management teams explore the relevance of TCFD risks and opportunities to each company. Some of companies have undertaken physical risks analysis and started to implement adaptation plans. Others have started to embed the risks identified in the workshops into their risk management processes.

Where higher transition risk has been identified, mostly within the gas-based companies, **these have started to explore and deliver a range of initiatives**. These include installing renewables on site to mitigate GHG emissions and exploring collaborations with neighbouring companies for the implementation of carbon capture schemes. Schemes like these will further help to decarbonise the mains gas grid. In addition, one company has started to develop a business plan to diversify away from a gas supply company into an energy company.


Dragon LNG

ANCALA

METRICS AND TARGETS

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

b) Disclose Scope 1, Scope 2, and, where material, Scope 3 GHG emissions, and the related risks.

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

2022 GHG EMISSIONS REPORTING

Ancala's corporate GHG emissions

59.4 tCO_2e*

Ancala's financed GHG emissions

311,946.53 tCO_2e**

* Scope 1 and 2, Scope 3 reported categories: business related travel (excluding employee commuting), electricity transmission and distribution and electricity consumed in communal areas controlled by building management company.

** Scope 1 and 2 financed GHG emissions were calculated using data collected directly from the portfolio companies in accordance with the GHG Protocol. The EVIC method (as identified by the PCAF and SFDR methodologies) was applied and the data is reported on a market-based approach.

With climate change forming an important part of our ESG operations, we have committed to the following objectives:

Guided by:

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

PARIS2015 UN CLIMATE CHANGE CONFERENCE COP21·CMP11

- 100% engagement with portfolio companies on climate-related issues.
- 100% of portfolio companies reporting GHG emissions Scope 1 and 2.
- 100% of portfolio companies reporting GHG emissions Scope 3 (from 2024).
- All prospective investments screened and, where relevant, analysed on climate-related risks and opportunities.

We are also exploring the possibility of committing to net zero targets.

Ancala can report GHG emissions for all our portfolio companies. The information is collected directly from portfolio companies and is based on the most feasible options to quantify emissions with high levels of quality. However, the ability of portfolio companies to produce data is still a challenge. We continue to work closely with them on data collection and quality. The companies are expected to start reporting Scope 3 emissions in the next reporting period (2023).

Climate-related information relating to both physical and transition risk, which we collect, is summarised below:

- Companies' exposure to fossil fuel related activities.
- GHG emissions.
- Water not being sourced from areas of high-water stress.
- Energy consumption and production from renewable sources.
- EU Taxonomy eligibility (at pre-investment stage).

CLIMATE CHANGE MITIGATION AND ADAPTATION IN ACTION

CASE STUDY: CLIMATE CHANGE MITIGATION ACROSS THE PORTFOLIO

The energy transition is a key area of focus when we develop business plans with our portfolio companies.

We have committed to be guided by the goals of the 2015 Paris Agreement on Climate. Whilst this is still a complex pathway, where possible we are working with our portfolio companies to help increase alignment with these goals.

INVESTMENT IN RENEWABLE ENERGY

Ancala believes that companies that are actively supporting the energy transition provide attractive investment opportunities. Out of the 18 portfolio companies currently under management, six produce energy from renewable sources. The current portfolio includes a variety of renewable energy types, including geothermal (HS Orka), energy from wastewater (Noventa), biomass (Magnon), anaerobic digestion from organic waste (Biogen) and wind (Orites).

210MW

installed electricity production capacity

more than

1,000GWh

electricity produced from renewables

In addition, we have also invested in a rail freight company (Hector Rail) which is powered by renewable electricity. These companies contribute to the mitigation of GHG emissions in nine European countries and are actively contributing towards the UK and the EU 2050 GHG emission targets. At the end of 2022, across the portfolio there was a total 210MW[15] of installed renewable electricity production capacity and more than 1,000GWh[15] of electricity production from renewables (enough to power ~280,000 homes).

In 2023, we are actively working with our latest investment Noventa, which provides a full suite of services to decarbonise the heating and cooling of buildings. It has an existing pipeline of projects across Canada, the UK and the US. Using proprietary methods and innovative design, Noventa develops customised Wastewater Energy Transfer™ (WET™) Systems, anchored by the HUBER ThermWin® technology, that harness the thermal energy in wastewater to provide heating and cooling without Scope 1 GHG emissions. Noventa's solutions also reduce Scope 2 emissions by using electricity more efficiently for cooling. When owned and operated by Noventa, the WET™ Systems are delivered through an *Energy-as-a-Service* ("EaaS") model that helps building operators manage capital and operating costs.

Orites

15 Data has been adjusted for the attributed ownership by the investor, based on the percentage of enterprise value including cash (EVIC), as defined in SFDR. For production capacity: in 2022, Ancala decided to start reporting only renewable electricity production capacity, as heat is sometimes considered waste heat. This means that in 2021 Ancala had 187MW of electricity production capacity.

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CLIMATE CHANGE MITIGATION AND ADAPTATION IN ACTION

CASE STUDY: CLIMATE CHANGE MITIGATION ACROSS THE PORTFOLIO

OPTIMISATION OF EXISTING RENEWABLE RESOURCES

In its drive to do more with less, HS Orka, has been working on the optimisation of output from the existing geothermal boreholes. The current Reykjanes power plant has the capacity to produce 100MW[16] of power through two conventional single flash condensing units. The separated fluid from the plant currently flows into a discharge channel. However, a company review of this process found that this fluid still has considerable amounts of energy, which was not being utilised for any other purpose. These fluids have high levels of silica concentration limiting their ability to be reprocessed with conventional methods.

As such, HS Orka's R&D team, in collaboration with specialists in process and geothermal chemistry, developed a new type of separator and reactor clarifier, specifically designed for silica handling.

The research took 10 years to fully develop and, in 2021, HS Orka applied this R&D work into a practical application in REY 4 (Reykjanes' engine 4). This created an extra 30MW[16] additional production capacity, which would not have been possible with the pre-existing technologies.

With this technology, HS Orka will increase the site output by over 30% without drilling any new boreholes. This will make a significant contribution towards increasing renewable energy generation by the company, supporting renewable electrical baseload capacity production in the grid. It also helps industries and communities with their energy transition and decarbonisation plans, supporting greater energy security in Iceland.

Current Reykjanes power plant
100MW[16]
production capacity

Reykjanes 4
30MW[16]
additional production capacity


HS Orka

16 Data has not been adjusted for the attributed ownership by the investor. Absolute installed plant capacity is referenced here.

CLIMATE CHANGE MITIGATION AND ADAPTATION IN ACTION

CASE STUDY: CLIMATE CHANGE ADAPTATION – PORTSMOUTH WATER

Fostering climate change resilience while minimising impact on the natural environment.

Portsmouth Water is a regulated water-only supply and distribution company. It supplies potable water to over 722,000 customers across Portsmouth. The company supplies an average of 150 million litres of water each day to its customers, through a network of over 3,300km of underground pipes.

Ancala first invested in Portsmouth Water in 2018 and has since helped the company to implement improvements across the business. These improvements have been delivered while maintaining low prices, low leakages and enhancing its best-in-class customer service.

In 2021, the company undertook a detailed Climate Risk analysis associated with water supplies from reduced water availability from drought and low river flows.

The findings identified a medium risk to water availability from 2051. While Portsmouth Water's water resource resilience position is low risk in the near term, the UK's National Audit Office announced that water shortages are an impending risk for the UK as a whole. Parts of the country face a significant risk from drought.

Through our expertise and funding, Ancala has helped Portsmouth Water secure planning permission and, as of 2023, start constructing the UK's first major reservoir since the 1980s. Our Growth Fund, announced in July 2023, is providing the project with £120m in equity funding to support the construction.

The Havant Thicket Reservoir will help build the resilience of water supplies across the South-East of England. It also enables the reduction in abstraction from environmentally sensitive chalk streams nearby. This is the first reservoir planned for the UK that will share water supply across different regions, through an agreement with neighbouring water company Southern Water, helping to alleviate a UK-wide challenge.

This is a pathfinding project in the UK water sector and required deep collaboration between Ancala, Portsmouth Water, Southern Water and the industry regulator, Ofwat, to develop a "one of a kind and bespoke" regulatory approach. It is estimated that the reservoir will have the capacity to supply water to 160,000 households.


Havant Thicket Reservoir

CLIMATE CHANGE MITIGATION AND ADAPTATION IN ACTION

CASE STUDY: CLIMATE CHANGE ADAPTATION – PORTSMOUTH WATER

Like any man-made structure, the reservoir and its construction will have an impact on the environment. This is being carefully managed. An environmental impact assessment was undertaken and to mitigate the impact on biodiversity, a new wetland wildlife conservation area is being created and around 200 hectares of woodland and pasture will be planted.

The Havant Thicket area will also benefit from enhanced biodiversity and land management practices, including long-term management plans in collaboration with Forestry England and Hampshire County Council. Support will be available for others to create new high biodiversity value habitats off-site, such as through provision of long-term capital grants. For example, Portsmouth Water is partnering with The Pig Shed Trust, over the next 80 years, to "re-wild" 80 hectares of farmland by developing woodland, wood pasture and grassland habitats. The trust works on the principle of using natural processes where possible, which will result in a resilient range of habitats with a lower carbon footprint when compared with other methods of tree planting.

Reduced abstraction from local chalk streams, the internationally designated River Itchen and the nationally designated River Test, will have a significant positive environmental benefit on these watercourses.

It will also result in a reduction in nitrogen loads to Chichester and Langstone Harbours, delivering improvements to water quality and aquatic ecology in the Hermitage Stream.

In addition, the reservoir will provide a number of social benefits, particularly through the creation of a new leisure facility, nature trails and a visitor centre with educational facilities for the local community.

> *"It's a real privilege to work on a project that takes its commitment to restoring and enhancing the local environment so seriously."*
>
> **Liz Brown**
> *Environmental Manager for Havant Thicket Reservoir*


Havant Thicket rewilding project

ESG AT ANCALA'S PORTFOLIO COMPANIES

ESG AT ANCALA'S PORTFOLIO COMPANIES

SUSTAINABLE FINANCE DISCLOSURE REGULATION (SFDR)

The SFDR aims to help investors by providing more transparency on the degree to which financial products consider environmental and/or social characteristics, invest in sustainable investments or have sustainable objectives.

Since the regulation came into effect, Ancala has launched subsequent SFDR Article 8 Funds (Fund III and the Growth Fund). As part of the Article 8 funds, we have committed to apply ESG exclusions related to: fossil fuels, armament, human rights breaches and financial or economic sanctions or trade embargoes. In addition to the ESG exclusions, we have also committed to support companies we have invested in to implement a series of processes and risk mitigation measures in the following areas: climate, health and safety, ESG management and oversight and staff engagement.


Fjord Base


Biogen

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SUSTAINABLE DEVELOPMENT GOALS (SDGS)[17]

3 GOOD HEALTH AND WELL-BEING

432 patients being supported in quality care

zero health and safety employee fatalities across the portfolio companies

6 CLEAN WATER AND SANITATION

>88,000 million litres of potable water supplied[18] (> 35,000 Olympic swimming pools)

100% water utility companies with a Drought Management Plan

7 AFFORDABLE AND CLEAN ENERGY

>1,000 GWh renewable electricity exported by the portfolio companies (~280,000 homes[19])

>1,600 GWh renewable energy exported by the portfolio companies

8 DECENT WORK AND ECONOMIC GROWTH

>4,500 Jobs[20] directly supported by the portfolio companies

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

100% of assets being supported for the energy transition

11 SUSTAINABLE CITIES AND COMMUNITIES

approximately **3.5m** passengers transported in airports

>16m tonnes of freight transported through 7.5 million kilometres[21] by rail using renewable electricity

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

approximately **560,000 tonnes** of hazardous waste stabilised in accordance with BAT[22] or recovered

>765,000 tonnes of non-hazardous waste diverted from landfill

17 Data reported for year 2022. Pro rata data has only been reported in relation to energy consumption, production and GHG emissions. For all other indicators data has not been pro-rated to the investment value/enterprise value of each company as there are no standards for accounting these like there are for GHG. This is in line with previous years reporting.

18 Water is supplied to households, businesses and sites.

19 The EU average Household electricity consumption was used. Source: https://www.odyssee-mure.eu/publications/efficiency-by-sector/households/electricity-consumption-dwelling.html

20 This covers staff directly employed by the portfolio companies and it also includes staff sub-contracted that work directly in the companies' facilities.

21 This represents a 20% reduction in the tonnes transported and an 8% reduction in the number of km in comparison to previous year.

22 BAT – Best Available Techniques, means the available techniques which are the best for preventing or minimising emissions and impacts on the environment.

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ANCALA

London office:

Ancala Partners LLP
Kings House
36-37 King Street
London
EC2V 8BB

T: +44 (0)208 059 0320
E: contact@ancala.com

Luxembourg office:

46A avenue John F. Kennedy,
L-1855 Luxembourg
Luxembourg

T: +352 2600 5147
E: contact@ancala.com

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