

ANCALA

DELIVERING INFRASTRUCTURE DIFFERENTLY



ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

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ANCALA

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CONTENTS

1. INTRODUCTION	4
2. COMMITMENT	4
3. RESPONSIBLE INVESTMENT APPROACH.....	6
4. ACCOUNTABILITY THROUGH DISCLOSURE AND REPORTING.....	9
5. GOVERNANCE AND IMPLEMENTATION.....	9

1. INTRODUCTION

Ancala Partners LLP (“Ancala”) is an experienced and entrepreneurial investor in critical infrastructure. Our unique approach combines differentiated investment sourcing of bespoke opportunities with active asset management. This approach enables us to deliver superior long-term value to our investors from essential infrastructure businesses. We invest in a broad range of infrastructure sectors with a focus on investments which have downside protection and strong earnings visibility. Ancala believes that value can be created for all stakeholders by taking a proactive approach and applying sound practices to environmental, social and governance (“ESG”) matters throughout the investment cycle, in line with its fiduciary duty.

2. COMMITMENT

We believe that the investments we make are well placed to support the transition to a net-zero emissions economy and generate a range of other socioeconomic benefits, such as the facilitation of responsible trade and the provision of and access to care for underserved demographics. Integral to this belief is Ancala’s firm commitment to investing responsibly and encouraging high standards of business conduct and ESG management in portfolio companies and in its own practices.

a. Principles for Responsible Investment

To demonstrate our commitment to responsible investment and to play our part in developing a more sustainable global financial system, Ancala is a signatory to the UN-supported Principles for Responsible Investment (PRI) and commits to its six Principles:

- 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

b. Sustainable Development Goals

We recognise that our investments, through their socioeconomic and/or environmental functions, help contribute to the global sustainable development agenda as set out by the [United Nations’ Sustainable Development Goals](#) (“SDGs”). Ancala is therefore committed to demonstrate how its portfolio activities and key performance indicators (“KPIs”) support the SDGs, which is a well-established framework to indicate positive outcomes of our investments.

Ancala’s Investment strategy primarily supports the following SDGs:

	<p>Ensure healthy lives promote well-being for all at all ages</p>		<p>Ensure availability and sustainable management of water and sanitation for all</p>
	<p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>		<p>Promote sustained, inclusive and sustainable economic growth, full and production productive employment and decent work for all</p>
	<p>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</p>		<p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>
	<p>Ensure sustainable consumption and production patterns</p>		

c. The Paris Agreement on climate change and Taskforce for Climate-related Financial Disclosures (“TCFD”)

As an investment manager of essential infrastructure businesses, Ancala is committed, through its investments and own operations, to play its role in supporting the transition to a net-zero emissions economy and the goals set out in the 2015 Paris Agreement on climate change. Ancala’s investment strategy and its team’s wealth of expertise, position Ancala well to capitalise on opportunities to increase renewable energy generation and to implement technically feasible and cost-effective solutions to improve the energy efficiency of existing infrastructure assets.

Ancala also recognises the importance of transparency and utilising common frameworks and standards to enhance understanding of climate risks and opportunities. As such we welcome the recommendations of the TCFD and will use them as guidance in enhancing our approach to climate risks, tailored based on companies’ sector and geography, and relevant disclosures to investors.

Additionally, Ancala is committed to managing its own impacts as a firm and seeks ways to reduce its environmental footprint, create an inclusive and diverse workplace, and contribute positively to society. Ancala is aware that its reputation is vital to its business. The trust of customers, partners and investors is earned through honesty and integrity and a commitment to good and ethical practices in everything we do.

3. RESPONSIBLE INVESTMENT APPROACH

a. ESG Objectives

Ancala actively incorporates ESG matters at each phase of the investment cycle. Ancala's approach is to assess ESG risks and opportunities and to develop ESG targets and value creation initiatives for portfolio companies. To do so, Ancala seeks to deliver on a set of clear ESG material objectives based on the fundamental conviction that effective ESG management begins with ensuring robust governance.

Governance

- To promote good and effective governance practices within portfolio companies, including, but not limited to areas such as anti-bribery and corruption, cybersecurity, diversity and equality and anti-competitive behaviour
- To engage with the management of portfolio companies to support the implementation of sound ESG practices whilst driving profitability in the investment
- To implement a transparent and clear reporting environment to make sound decisions, based on complete and relevant information
- To have processes in place that allow Ancala to be aware of major ESG issues that arise in relation to portfolio companies
- To monitor that companies are compliant with relevant laws and regulatory requirements applicable to portfolio companies

Environment

- To understand and monitor portfolio companies' impact on the environment
- To focus portfolio companies on improving their resource use efficiency and reducing negative environmental impacts such as waste, pollution, or biodiversity loss
- To aid the transition to a low carbon economy by working with portfolio companies to increase renewable energy generation and/or use and to improve energy efficiency in their operations

Society

- To uphold human and employee rights and promote employee health, safety, well-being and development within portfolio companies
- To treat customers fairly, respect their interests and promote high quality of service
- To consider impacts on, and benefits for, the wider community
- To support portfolio companies in having adequate processes in place to identify, avoid and mitigate negative impacts on people and livelihoods in the supply chain

b. Pre-investment

Ancala strictly prohibits investing in companies 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. However, this does not include companies that are using coal for cleaning/filtering/purification purposes, for improving health, produce medicines and fibres or similar applications. Ancala will also not invest in any company whose activities are or may be related to the use, stockpile manufacture or trade of cluster munitions, landmines, chemical or biological weapons, depleted uranium and thorium, as guided by international conventions, such as the Convention on Cluster Munitions, the International Convention on the Prohibition of the use of, stockpiling, production and transfer of Anti-Personnel Mines and on their destruction, guidance from The United Nations and The World Bank. Ancala's investment strategy also excludes companies registered or having major operations in countries subject to financial or economic sanctions or trade embargoes imposed or enforced by the UN Security Council, the EU or the United States of America or United Kingdom Governments; or are on the EU list of non-cooperative tax jurisdictions. Ancala will also not invest in companies that are complicit with the abuse or violation of internationally proclaimed human rights as defined in the UN Human Rights Declaration, including the use of forced, compulsory, bonded or child labour in any part of their operations.

When considering any investment opportunity, Ancala assesses the ESG and reputation risk profile of the company using a standard set of screening criteria. The ESG screening criteria consider the materiality of different ESG issues based on the challenges and opportunities associated with the sector and/or the geography that the company is operating in and located in. For each of these ESG criteria, Ancala analyses whether they present a risk or opportunity according to a final score on a materiality scale.

If Ancala decides to pursue an investment, relevant due diligence is completed to further assess its risk profile and how ESG risks can be mitigated and / or turned into opportunities by focusing on material risks identified at the screening stage. The findings of the ESG screening and subsequent due diligence are included in the investment committee papers alongside other due diligence topics and inform the investment decision. Ancala may also engage specialist advisers in the due diligence process, and these will help define the risk profile, mitigation and value creation measures, as appropriate.

Ancala's acquisition plan may incorporate reasonable operating or capital costs where these are identified as necessary to ensure appropriate management and improvement of ESG issues. The investment committee and the investment team also seek that the governance arrangements with the management team and other shareholders (as relevant) enable Ancala to conduct active management of ESG matters.

Ancala considers ESG matters as an important component of its investment decision-making process. Ancala believes that the at pre-investment phase is key to having the necessary understanding of the areas in which risks must be addressed and where value can be added through effective and active ESG management and identifies such matters as part of the investment process.

c. Active ownership

We believe that active management of ESG matters can contribute to higher and more stable returns and lower risks. Achieving this requires a strong and well-informed governance role. Structures and processes are set to provide the oversight and accountability for effective engagement. Ancala is an active owner of businesses and engages with portfolio companies, and third-party operators, to make improvements and achieve outcomes in line with this policy. This ensures that the interests of Ancala and its investors are appropriately represented.

At Ancala we believe that active ownership requires a dynamic approach. Through ongoing and systematic monitoring of our portfolio companies, we continually refine the scope of our engagement activities and adapt to evolving issues, trends and market conditions. The identification of key ESG focus areas for portfolio companies, is informed by the results of pre-investment due diligence and ESG considerations that may arise during our portfolio onboarding.

Given the nature of Ancala's infrastructure investments and their importance to the communities and environments in which they operate, specific ESG risks and opportunities are assessed and managed on an individual asset basis, including sector and geography-based variability. To enable this Ancala:

- Exerts direct oversight and elevates ESG reporting to board level
- Ensures appropriate practices, procedures and resourcing are in place at portfolio company level to implement Ancala's approach to ESG
- Establishes ESG KPIs and action plans to drive continuous improvement of material ESG factors in portfolio companies, in accordance with Ancala's overall guidelines on environmental, social and governance factors as detailed above. These are reviewed and adjusted to reflect our annual review of ESG performance
- Incorporates non-financial factors into incentive plans
- Creates an environment that allows sharing of best practices and learnings
- Ensures appropriate rights are included on ESG objective setting and reporting in shareholder agreements, where Ancala is not the sole equity shareholder in a portfolio company
- May also engage, and where appropriate consult, with other stakeholders, such as regulators, local communities, and other shareholders, where applicable, either through direct engagement or through our portfolio companies (formal and informal meetings or participation on consultations), round tables, or third-party professional associations and/or trade bodies

By closely monitoring portfolio companies and actively engaging with management and third-party operators, Ancala expects to be aware of any material deviation from plan. In such cases, Ancala works closely with the management team of the company to put in place a detailed ESG Action Plan, ad-hoc initiatives and/or actions in the 100-day plan, as appropriate, that will address any shortcomings and ensure the portfolio company meets the desired ESG objectives. Ancala will always do its utmost to work collaboratively with the companies and will replace board directors and management or, as a last resort option, divest if needed. Ancala team members meet regularly to discuss key learnings and share best practices across the portfolio, as well as with other Ancala teams, as relevant. These measures support the goal of continuous improvement throughout the lifecycle of an investment and can be incorporated into future pre-investment assessments.

Ancala believes that embedding the appropriate management of ESG matters into portfolio companies enhances risk management, improves a portfolio company's efficiency, and creates and protects value for stakeholders, including Ancala's investors.

4. ACCOUNTABILITY THROUGH DISCLOSURE AND REPORTING

Ancala believes transparency is the basis of a trustworthy relationship. To monitor and actively manage the material ESG matters identified for portfolio companies, Ancala requires appropriate ESG disclosures. Ancala commits to clear, transparent, and high-quality reporting to its investors on ESG matters within its own business activities and those of its portfolio companies.

Ancala is also committed to expanding its reporting and transparency on ESG matters to wider stakeholders and producing a report on an annual basis. In addition, as a PRI signatory, and as part of our annual reporting on responsible investment activities, our PRI Transparency report can be found through the PRI Portal.

5. GOVERNANCE AND IMPLEMENTATION

Overall oversight of Ancala's responsible investment approach and the management of ESG matters is conducted by Ancala's Management Committee, which meets at least quarterly, and which approves any changes to this policy. Other governance bodies involved in oversight of or supporting the implementation of Ancala's responsible investment approach include:

- Portfolio company boards which include operating expertise from Ancala's Industry Partners and other industry experts and typically meet monthly
- Ancala's Investment Committee which approves investments based on risks and mitigants identified in due diligence and factored into business plans, both financial and operational
- Ancala's Risk Committee which is tasked by the Management Committee with managing any risks which Ancala, the funds it manages, or specific investments are exposed to
- Ankur Ajmera, Partner and member of the Management Committee, has been appointed as the Designated Owner of this ESG Policy. He takes overall responsibility for Ancala's governance of ESG matters, including the supervision of ESG commitments and ESG regulatory considerations, including that Ancala's ESG Policy is reviewed at least annually.

Continual development of our responsible investment approach ensures our investments receive on-going benefit from effective consideration and management of material ESG factors. While Ancala's management is firmly committed to promoting and encouraging responsible investment practices and there is a dedicated ESG team, all members of the Ancala team are jointly responsible for the integration of ESG considerations throughout the investment cycle. Needs for training, upskilling and resourcing are assessed every six months, with the aim to ensure that members of the team attend appropriate ESG training for their roles, at least annually. In addition, all investment professionals are reviewed against ESG performance criteria of relevance to their roles as part of Ancala's annual performance review process, which also helps to inform remuneration decisions.

As an independent investment manager of infrastructure investments on behalf of different institutional clients, we are aware that Ancala's investment and disclosure arrangements, including with regards to our responsible investment approach, could potentially result in a client's interests conflicting with those of other clients or with those of Ancala. Under the oversight of its Management Committee, Ancala has implemented systems, procedures and controls designed to identify and prevent conflicts of interest or where conflicts are unavoidable to manage (including through necessary disclosures) and monitor such conflicts as they arise. These are documented and regularly reviewed and updated in Ancala's Conflicts of Interest Policy and Inventory.