



# ESG REPORT 2019

AIP MANAGEMENT

## A MESSAGE FROM OUR MANAGING PARTNER

Welcome to our first annual ESG report. The goal of this report is to provide an overview of how we have chosen to integrate environmental, social and governance (ESG) matters in the way we invest, manage our assets and pursue our mission.

AIP Management (AIP) was originally founded in 2012 by the Danish pension fund PKA, and in 2018 established as an independent investment manager. We are proud to have PKA and PenSam as cornerstone investors, both of whom have long-standing commitments to ESG and responsible investing.

AIP is dedicated to managing our investors' investments into energy and infrastructure assets in Europe and the US. The inherent societal importance of energy and infrastructure assets makes ESG an imperative component for AIP when investing in and managing such assets. We believe that a strong focus on responsible investing and ESG will create long-term value for our investors and society at large.

AIP is predominantly investing in assets which support the transition towards a low-carbon energy economy. This energy transition entails a long-term structural change that we expect will create significant investment opportunities. This will continue to be a key investment driver for AIP going forward.

Since AIP's establishment as an independent investment manager we have re-confirmed our commitments to the UN Global Compact and the UN Principles of Responsible Investment (UN PRI) that have been guiding principles for our work since the very beginning. Through our participation in the UN Global Compact, we have committed to universal principles on human rights, labour, environment and anti-corruption. By committing to the UN PRI, we support the integration of ESG into investment decisions, which we believe provides the best outcome for our investors. In 2019 we also decided to become a GRESB Infrastructure member because we believe transpar-

ency in ESG information and ESG reporting provides value to our investors. Throughout 2019 we further enhanced the role of ESG and we implemented an expanded due diligence risk assessment for all new investments. We continuously strive to improve our ESG performance alongside the more traditional financial indicators. ESG is an integral part of our investment process and a key component in the management of our assets post acquisition.

We are proud that AIP is on a journey to deliver positive change, support the energy transition and create strong returns for our investors. We look forward to broadening our responsibility and continue delivering positive impact and great financial results.



*Kasper Hansen, Managing Partner  
June 2020*



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## AIP AT A GLANCE



AIP is an investment manager that has grown out of the Danish pension sector and is dedicated to partnering with institutional investors on investments into energy and infrastructure assets in Europe and the United States.

AIP provides an investment platform that offers multiple long-term likeminded investors the opportunity to participate in sizeable energy transition related assets. Our approach captures the benefits of scale and focus on investments structured to fit the desired risk/return profile, while contributing positively to society and the environment.

The AIP team consists of more than 30 professionals with extensive investment, energy and infrastructure experience. AIP has invested more than EUR 3.5 billion and the target for the coming years is to invest around EUR 1 billion per year.

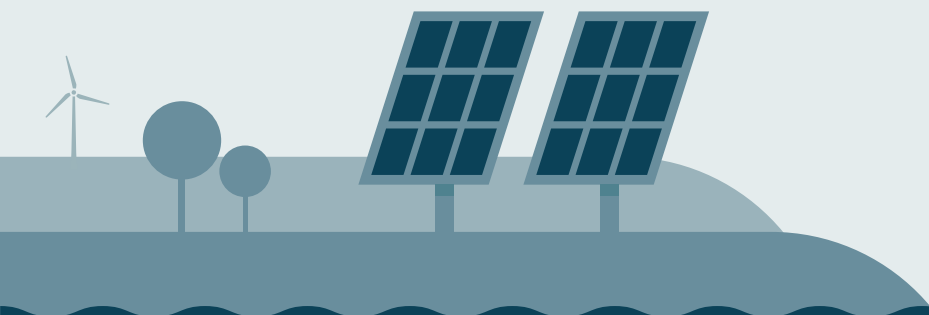




PKA and PenSam, the two cornerstone investors of AIP, have together with other Danish pension funds been among the pioneers of infrastructure, investing with a strong emphasis on the energy transition and climate change mitigation.

Together the two Danish labour-market pension funds, PKA and PenSam, have almost EUR 60 billion in assets under management and over 700,000 members, including among others nurses, medical secretaries, and people within elder and pedagogical care in Danish municipalities, regions, and private companies. Both institutions are members of IIGCC and Climate Action 100 +, as well as TCFD signatories. PKA and PenSam have a target of investing 10% of their assets into climate friendly investments by respectively 2020 and 2025.

Denmark has during the past 30 years created a pension system that is consistently rated no. 1 or 2 in the world. Today, Danish employees typically save around 11% of their salary for pension. This has over the past decades created a significant concentration of pension capital, a strong investment industry and large asset owners. Denmark has the world's largest pension sector in relation to GDP. 11 of Europe's top 100 pension funds are Danish.



## ESG HIGHLIGHTS 2019

During 2019 we continued our work to integrate ESG in our investment process, investment decisions and ongoing asset management.



### Our commitments

Responsible investing has been an integral part of AIP's investment strategy and way of working since its foundation in 2012. Born out of PKA's long-standing commitment to responsible investing and reducing the environmental impact of its investments, AIP has an active approach to responsible investing and ESG matters.

AIP was established as an independent investment manager in 2018. One year later, we committed to responsible investing by signing up to the UN Principles for Responsible Investment and the UN Global Compact. We also became a GRESB Infrastructure Participant and we support the UN Sustainable Development Goals.

### Investments in 2019

In 2019 we invested in the El Campo onshore windfarm in the United States (see case study on page 20) and in the Nyhamna gas processing plant in Norway.

### The role of gas in the energy transition

Natural gas is useful in conjunction with renewable energy sources. Since renewable energy from solar and wind is intermittent, gas can provide a stable and flexible base load of electric power at a lower carbon footprint compared to other fossil fuels.

In the medium term, gas is considered a necessary part of the energy transition in order to achieve energy sustainability. AIP has the capacity and the expertise to source and pick the right investment opportunities within gas infrastructure.

### Our actions

#### *ESG due diligence of new investments*

In 2019, we formalised a third-party ESG screening as part of the due diligence process for new investments. This was a step towards fully integrating ESG considerations in our investment process. Further, we expanded our ESG due diligence framework based on international baseline requirements and a number of specific non-financial frameworks, standards and factors that we consider material for the investments. AIP collaborates with Klinkby Enge, a specialized ESG due diligence provider.

#### *Participating in the GRESB Infrastructure Fund assessment*

2019 was our first year of participation in the annual GRESB Infrastructure Fund assessment. The GRESB Infrastructure Fund Assessment evaluates the ESG performance of infrastructure funds. The overall score is a combination of our own ESG management and the ESG management and performance of the assets that have chosen to participate in the GRESB assessment.

AIP's fund score was 74 out of 100, at par with the peer average. The asset score was 15 out of 100, which was below average due to low asset operator participation in the

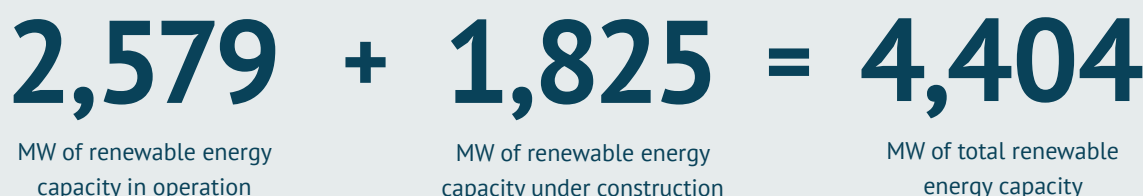
GRESB reporting. Only two out of seven operational assets took part in the assessment in 2019, these being: TDC and Garland & Tranquillity. In 2020, we will work to increase the asset operator participation.

*Participating in PRI reporting*

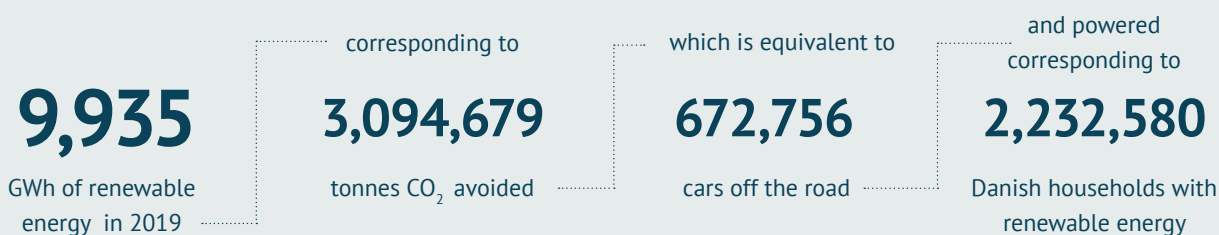
Part of being signatory to UN PRI is the annual transparency report. As with the GRESB assessment this is an opportunity to reflect upon the status of our work with responsible investing. The first reporting cycle was completed in March 2020.

## RENEWABLE ENERGY CAPACITY, GENERATION AND CO<sub>2</sub> FOOTPRINT FROM ASSETS IN AIP'S PORTFOLIO

### RENEWABLE ENERGY CAPACITY<sup>1</sup>



### RENEWABLE ENERGY GENERATED



### CO<sub>2</sub> FOOTPRINT



<sup>1</sup> The renewable energy capacity, generation and CO<sub>2</sub> emissions avoided are for 100% of the assets and are not adjusted for ownership share of the assets. Renewable energy assets refers to our solar, biomass, offshore and onshore wind assets. CO<sub>2</sub> generated from assets, includes scope 1 emissions from the Nyhamna gas facility and scope 1-3 emissions from TDC. It does not include emissions from the Vestprosess gas facility or emissions from the operation of the renewable energy assets. For further information, see section "Methodology", page 29.

# PORTFOLIO OVERVIEW

Since 2012, the AIP team has led investments and managed a portfolio of more than EUR 3.5 billion in 17 infrastructure assets across North-western Europe and the US.

## Renewable energy infrastructure Europe

2011

### ANHOLT

Anholt is among the largest offshore wind farms in Denmark, located between Jutland and the island of Anholt. It has a capacity of 400 MW coming from the 111 Siemens 3.6 MW wind turbines. Anholt has the capacity to supply green and renewable electricity corresponding to the annual consumption of approximately 396,000 Danish households<sup>2</sup> every year until decommissioning.

PKA holds a 20% equity stake alongside partners PensionDanmark (30%) and Ørsted (50%).



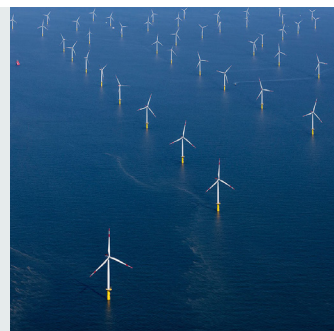
**Geography:** Denmark  
**Sector:** Offshore wind  
**Commitment:** EUR 335 million

2013

### BUTENDIEK

Butendiek is a 288 MW offshore wind farm located in the North Sea around the German-Danish border, approximately 32 km off the island of Sylt. It consists of 80 Siemens 3.6 MW wind turbines. Every year until decommissioning, the wind farm will be supplying green and renewable electricity to cover the annual consumption equivalent of 289,000 Danish households.

PKA held a 22.5% equity stake alongside Marguerite (22.5%), Industriens Pension (22.5%), Siemens (22.5%), and WPD (10%). PKA's investment was fully realized in 2017.



**Geography:** Germany  
**Sector:** Offshore wind  
**Commitment:** EUR 100 million

2014

### GEMINI

Gemini is a 600 MW offshore wind farm located in the Dutch part of the North Sea, 85 km north off the coast of Groningen. Gemini is supplying renewable electricity to the equivalent of 596,000 Danish households annually and consists of 150 Siemens wind turbines with a capacity of 4.0 MW each, making it one of the largest wind farms in the world in terms of size and production.

PKA is invested in a junior debt tranche alongside Northland Power who is also invested in the equity.



**Geography:** The Netherlands  
**Sector:** Offshore wind  
**Commitment:** EUR 120 million

<sup>2</sup> See section "Methodology", page 29.



2014

### GODE WIND 2

Gode Wind 2 is a 252 MW offshore wind farm located in the German North Sea, approximately 45 km from the German coastline. Gode Wind 2 consists of 42 wind turbines each with 6 MW capacity from Siemens Wind Power including a gearless solution and rotors with wingspan of 154 meters in diameter. Gode Wind 2 provides renewable electricity to the equivalent of 242,000 Danish households every year.

AIP is the dedicated asset manager on behalf of the equity investor consortium. Ørsted holds a 50% stake, PKA holds a 24.75% stake, with equity partners Industriens Pension, Lægernes Pension, and Lærerernes Pending holding the remaining equity.



**Geography:** Germany  
**Sector:** Offshore wind  
**Commitment:** EUR 288 million

2016

### BURBO BANK EXTENSION

Burbo Bank Extension is a 258 MW offshore wind farm located 7km off the coast of Liverpool in the UK. Ørsted constructed the asset and is operating it while holding a 50% equity stake. The asset became fully operational in 2017 and is now supplying renewable electricity to the equivalent of 218,000 Danish households.

PKA holds a 25% equity stake alongside KIRKBI (25%) and Ørsted (50%).



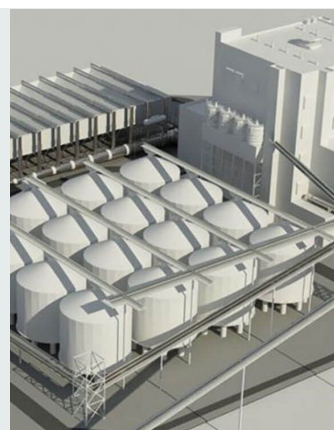
**Geography:** The UK  
**Sector:** Offshore wind  
**Commitment:** EUR 440 million

2016

### TEES RENEWABLE ENERGY PLANT

Tees Renewable Energy Plant is a 299 MW biomass power plant located in the Northern part of England. The asset is under construction and is expected to be completed by 2021. When operational, the power plant will generate enough electricity to cover the annual electricity consumption equivalent of 493,000 Danish households. The biological material (biomass) used at the plant consists of residues from commercial sustainable forestry and saw mills, which would otherwise not be used (waste wood). The pellet suppliers are compliant with multiple independent standards<sup>3</sup>.

PKA currently holds a 50% stake in the equity with partner Macquarie holding the remaining 50%.



**Geography:** The UK  
**Sector:** Biomass plant  
**Commitment:** EUR 175 million

<sup>3</sup>American Tree Farm System (ATFS), the Timber Standard for Heat & Electricity, the Forest Stewardship Council Standard (FSC) and the Programme for the Endorsement of Forest Certification (PEFC).

2017

### WALNEY EXTENSION

Walney Extension is a 659 MW offshore wind farm located in the East Irish Sea in the UK. The asset became fully operational in 2018 and is considered one of the largest offshore wind farms in the world providing renewable electricity to the equivalent of 628,000 Danish households per year.

PKA holds a 25% stake alongside Danish pension fund PFA (25%) and Ørsted (50%). The financing of the investment includes debt financing in the PFA and PKA holding company.



**Geography:** The UK  
**Sector:** Offshore wind  
**Commitment:** EUR 335 million

2018

### BLAFA

Blakliden/Fäbodberget onshore windfarm (BlaFa) is a 353 MW onshore wind farm under construction in Sweden. AIP partnered with the Swedish utility Vattenfall and turbine supplier Vestas to build the wind farm, which is expected to cover the annual electricity consumption for the equivalent of approximately 246,000 Danish households.

PKA and PenSam own 30%, Vattenfall 30% and Vestas 40%, PKA and Vattenfall have provided a substantial mezzanine loan.



**Geography:** Sweden  
**Sector:** Onshore wind  
**Commitment:** EUR 110 million

## Renewable energy infrastructure North America

2018

### GARLAND & TRANQUILLITY

Garland and Tranquillity are two solar generation assets situated in California, United States. They have a combined capacity of 410 MW and consist of more than 1.7 million solar panels. The two assets became operational in 2016 and combined they provide renewable electricity to the equivalent of 247,000 Danish households every year.

PKA and PenSam hold a 49% equity stake with Southern Power owning the remaining 51%.



**Geography:** California, United States  
**Sector:** Solar  
**Commitment:** USD +300 million

2019

### EL CAMPO

El Campo is a 243 MW onshore windfarm located in Knox County, Texas. The park begun construction in July 2019 and all 67 Vestas turbines are expected to be in operation during the third quarter of 2020. Construction is managed by Longroad Energy and performed by the experienced M.A. Mortenson and Vestas. The wind park will be the first of its kind in Knox County and has significant backing from the local community. The park is expected to provide renewable electricity to the equivalent of 211,000 Danish households every year.

PKA and PenSam jointly hold a 50% equity stake in an equity partnership with Longroad Energy Holdings. In addition, PKA and PenSam have provided a term loan to the project.



**Geography:** Texas, United States  
**Sector:** Wind  
**Commitment:** USD +100 million

2020

### PROSPERO I & LITTLE BEAR

Prospero I and Little Bear are two solar generation assets situated in Texas and California, United States and have a combined capacity of 594 MW. The two assets are set to start operation by the fourth quarter of 2020 and combined they will provide renewable electricity to the equivalent of 279,000 Danish households every year.

PKA and PenSam jointly hold a 50% equity stake in an equity partnership with Longroad Energy Holdings. In addition, PKA and PenSam have provided a term loan to the Prospero I project.



**Geography:** California and Texas, United States  
**Sector:** Solar  
**Commitment:** USD +200 million

2020

### ESCALADE

Escalade is a 336 MW onshore windfarm located in Knox County, Texas which is set to start operation in the fourth quarter of 2021. The park will consist of 25 Vestas V150 and 40 Vestas V162 turbines and construction will be managed by the experienced parties Akuo Energy USA, Mortenson Construction and Vestas. The park has entered into a 30-year service agreement with Vestas and Akuo Energy that will act as long-term asset manager during operations. Additionally, the park is expected to provide renewable electricity to the equivalent of 275,000 Danish households every year.

PKA and PenSam jointly hold a 35% equity stake alongside Taaleri Energia, Taaleri Solar-Wind II, Ilmarinen and Akuo Energy. In addition, PKA and PenSam have also provided a term loan to the project.



**Geography:** Texas, United States  
**Sector:** Wind  
**Commitment:** USD 180 million

## Other infrastructure

2018

### TDC

TDC is Denmark's largest telecommunications operator with more than 3 million customers across TV, broadband and mobile segments. The investment, which involved taking TDC private, is focused on strengthening the Danish digitalization through largescale investments into fibre and 5G technology over the next decade, all aimed at putting Denmark at the forefront of the digital transformation.

PKA is invested in the equity alongside Macquarie Infrastructure and Real Assets, ATP, and PFA.



**Geography:** Denmark  
**Sector:** Tele-communications  
**Commitment:** EUR 460 million

2018 + 2019

### NYHAMNA

The Nyhamna gas processing plant is one of Northern Europe's largest gas processing facilities, located in North-western Norway. It became operational in 2007 and processes gas from the Ormen Lange and Aasta Hansteen fields. More fields are expected to be connected in the future through the Polarled pipeline that connects Aasta Hansteen with Nyhamna. The facility is owned by the Nyhamna Joint Venture.

In 2018, North Sea Infrastructure<sup>4</sup> acquired 3.7% of the Nyhamna Joint Venture from ExxonMobil Exploration and Production Norway AS. In July 2019 a sale and purchase agreement was signed with AS Norske Shell for a 10% participation interest of Nyhamna Joint Venture bringing North Sea Infrastructure's ownership to 13.7%.



**Geography:** Norway  
**Sector:** Gas infrastructure  
**Commitment:** NOK undisclosed

2019 + 2020

### VESTPROSESS

Vestprosess DA is a natural gas liquids (NGLs) processing facility in Norway located at the Mongstad processing plant.

AIP acquired an 8% participating interest in Vestprosess DA from A/S Norske Shell, through its subsidiary North Sea Infrastructure in October 2019. Following acquisition from Total E&P Norge AS and ExxonMobil in 2020, North Sea Infrastructure's ownership in the facility is now 23%.



**Geography:** Norway  
**Sector:** Gas infrastructure  
**Commitment:** NOK undisclosed

<sup>4</sup>North Sea Infrastructure is owned by PKA and PenSam.

## OUR ESG PROCESS

Environmental, Social and Governance considerations are important for investment decision-making, both to understand and manage risks, and to identify opportunities for enhancement. We believe that a strong focus on responsible investing and ESG will create long-term value for our investors.

We have identified a set of key ESG principles that form the starting point for our ESG process.

### Identify and manage the environmental consequences of our investments

The construction and operation of infrastructure assets have environmental consequences that need to be assessed and managed. We always ensure that a detailed impact assessment on the environment has been conducted before making a positive investment decision. Through our systematic ESG due diligence process, we analyse risks to the environment, both locally and globally, assessing issues such as impact on biodiversity and habitat, use of water and resources, air and greenhouse gas emissions. Post investment, we then integrate environmental monitoring and risk management in the ongoing action plan for the asset.

#### Renewable energy creation

By investing in and managing renewable infrastructure assets in Europe and North America we aim to actively contribute to the energy transition from fossil fuels to renewable energy sources with a significantly reduced carbon footprint. We invest in renewable energy assets from late stage development through to operations and thereby participate in the gradual transformation of energy infrastructure to the benefit of our investors and the regions we invest in.



#### We do not invest in oil, coal and tar sands

We do not invest in assets or energy sources with high rates of CO<sub>2</sub> emissions that can efficiently be substituted by lower emitting energy sources or assets. Oil, coal and tar sands are therefore excluded from our investment universe.

## Identify and manage the social and human rights impacts of our investments

### Prioritize health and safety for workers and community

Health and safety issues are assessed throughout the construction and asset management phases of the investments. Health and Safety are monitored and addressed as priority items at Board level in the portfolio companies.

### Acknowledge and observe fundamental employee rights

The fundamental employees' rights shall be acknowledged and observed by the investment project, including significant suppliers. We work to ensure freedom of association, elimination of forced labour and child labour, and preventing discrimination in all forms.

### Protect privacy and personal data

AIP acknowledges that privacy and personal data is a fundamental right in the Charter of Fundamental Rights of the European Union and is committed to protecting the privacy and security of personal data.

### Prioritize stakeholder relations

Relations with local community and relevant authorities shall be promoted to the extent relevant and AIP will work to ensure that a constructive dialogue is maintained with all relevant stakeholders.



## Strong governance as a foundation

Strong governance practices, based on international recognized principles, form the foundation for sound business practices and risk management. We expect the assets we invest in to comply with these principles, which are implemented through code of conduct requirements.

### Active owners

In the role of non-executive Directors in the investment companies, our senior employees take an active role to ensure strong governance, as well as to make sure ESG standards and principles are observed. If any governance challenge – perceived or real – is identified, this is reported to the Investment Committee. Separately, our Risk Management and Compliance departments provide independent monitoring.

### Conflict of interest

AIP is committed to avoiding any situation which may give rise to a conflict of interest and we encourage transparency wherever possible. A policy dedicated to conflict of interest sets out both preventative measures and what actions to take if a conflict of interest is discovered. Prior to entering into an investment opportunity AIP and its employees are to consider any potential conflict of interest related to the opportunity for AIP and its investors, as well as, their respective employees.

If a conflict of interest arises towards the investors, AIP is to inform them of the nature and extent of the conflict of interest. Based on the information received, the investors will have to provide a consent on whether the activity or transaction can be completed. In the case of a rejection, AIP and the implicated employees must refrain from the activity.

Our governance principles are further described in our ESG policy and tax policy.

Key governance principles guiding our activities	
<u>1</u>	Compliance with laws and regulations at all times
<u>2</u>	Corporate governance framework guided by internationally recognized principles
<u>3</u>	Zero-tolerance for corruption and bribery
<u>4</u>	Prevent risk of money laundering and/or fraud
<u>5</u>	Avoid conflict of interest and encourage transparency
<u>6</u>	Responsible and transparent tax practices
<u>7</u>	Develop responsible business relationships with alignment of interests, engage with partners to promote ESG
<u>8</u>	Promote full disclosure on ESG in accordance with good industry practice

## We are committed to international best practice principles

AIP's principles for responsible investment are based on global, universally recognized standards and guidelines, developed by international bodies, such as the UN, IFC, OECD and the EU. These standards and guidelines form the foundation for our work with ESG in our investments.

AIP is a signatory of the United Nations Principles of Responsible Investment (UN PRI), a UN Global Compact participant, and since 2019 a member of GRESB Infrastructure. AIP supports the UN Sustainable Development Goals (see separate section).

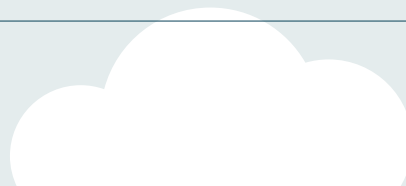
## ESG in our investment process

“As a responsible investor, AIP applies an ESG framework to ensure a thorough analysis is conducted when addressing both risks and opportunities. We integrate ESG throughout all stages of the investment process, from initial investment screening, to investment analysis and due diligence, negotiation and closing of transactions, and thereafter asset management.”

*Ulrik Pallisø Bornø, Partner.*







# INVESTMENT PROCESS

## ESG Governance

### Pre-investment

The investment team coordinates preparation of initial ESG assessment. This provides a high-level view on significant ESG issues. If the investment is attractive, the next steps are to identify the key ESG risks and opportunities and highlight any red flags. Specialist advisors are brought in as required. In the case that no red flags are identified, a more detailed ESG due diligence is initiated.

1

ESG  
Screening

- *Exclusion list*
- *Desk-top ESG searches on potential counterparties*

The exclusion list defines companies and sectors that AIP does not invest in. This list is reviewed quarterly.

Prior to entering into business relationships with new partners, AIP conducts a review of the partner in order to only engage with reputable business partners.



2

Initial  
analysis

- *Initial investment analysis and risk assessment, incl. ESG*
- *ESG Red flag report*

The ESG Red flag report identifies significant ESG issues. If a significant risk cannot be sufficiently mitigated, this may lead to terminating the investment process.



# 3

## Advanced analysis and due diligence

### Investment decision

A comprehensive ESG due diligence report is provided to the investment team. The investment team prepares a full risk register (including ESG) on the investment opportunity. A firm offer is finalized by incorporating the findings from the analysis and the risk register.

- *Detailed investment analysis, incl. ESG*
- *ESG due diligence report*
- *Investment offer preparation*

A comprehensive ESG due diligence report is delivered, highlighting all ESG risks that have been evaluated for the investment. A detailed investment analysis is carried out, incorporating relevant ESG considerations in preparing the investment offer.

# 4

## Negotiation and closing

- *Vendor negotiations on price and terms*
- *Inclusion of ESG requirements in agreements*

The contracts are negotiated taking into consideration the ESG issues identified during the due diligence process. ESG requirements are incorporated in the agreements where relevant.

### Asset management and monitoring

ESG activities, monitoring and reporting are included in the asset management phase. In their roles as non-executive Directors in the partnership, the AIP asset managers review regular Health, Safety and Environment (HSE) reporting from the assets and address HSE and other ESG priorities at the partner meetings.

# 5

## Asset management and monitoring

- *Incorporate ESG issues in asset management*
- *Work with partners to improve ESG performance*

The ongoing asset management incorporates ESG risks and opportunities into the action plans for the assets. AIP representatives at the assets work with co-investors and partners to reduce ESG risks and improve ESG performance.

## ESG INVESTMENT CASES

### Case: Garland & Tranquillity

#### Investing in solar energy in the United States

In 2018, AIP initiated investments in solar energy generation by investing in the two solar projects Garland and Tranquillity located in California, United States. This is part of our commitment to invest in and support the transition to renewable energy sources. The two assets consist of more than 1.7 million solar panels and have a combined capacity of 410 MW.

The transaction was closed in October 2018. PKA and PenSam, through funds managed by AIP, hold a 49% equity stake with Southern Power owning the remaining 51%. Southern Power is a leading American wholesale energy provider and is part of the Southern Company Group, which is recognised in the top 40 global utilities. PKA and PenSam have jointly committed more than USD 300 million in equity.

Construction of the Garland solar facility began in November 2015 on 2,000 acres of land in Kern County, California. The Garland facility began operations during the fourth quarter of 2016.

The Tranquillity solar facility began construction in July 2015 on 1,900 acres in Fresno County, California, and was fully operational in the third quarter of 2016.

Southern Power continues to provide asset management services on both solar facilities.

Combined, the two solar facilities provide renewable energy to the equivalent of 247,000 Danish households.



*“At PKA we are strongly committed to investing in a greener and more sustainable future while securing good returns for our members. Therefore, we are delighted to partner with Canadian Solar and Recurrent Energy and add yet another green energy investment to our portfolio. This is our first direct investment in solar energy, and it is an important addition to our investments in wind energy and biomass. By 2020 our ambition is to have 10 percent of our total investments allocated to climate related projects.”*

*Jon Johnsen, Chief Executive Officer, PKA.*

## Case: El Campo

### Expanding our renewable investments through onshore wind

In 2019, AIP invested in the 243 MW El Campo windfarm in Knox County, Texas. This is part of our strategy of developing the renewable investment portfolio in the United States and provide clean affordable energy to the local market. This investment complements our solar generation assets in Texas and California. AIP will continue to develop our portfolio of renewable assets in the United States.

The investment closing was achieved in June 2019, when PKA and PenSam, managed by AIP, announced a 50/50 equity partnership with Longroad Energy, an experienced American renewable energy developer, to develop the El Campo windfarm. The windfarm is expected to achieve commercial operation by July 2020. PKA and PenSam have jointly committed more than USD 100 million as equity and loan capital.

Vestas American Wind Technology Inc. will supply 67 wind turbines. Engineering, Procurement and Construction (EPC) is provided by Mortenson, a major EPC wind provider in the US.

Power Purchasing Agreements (PPAs) have been signed with DaVita Inc. and Crown Holdings for the majority of the generating capacity.

Longroad Energy, through one of its affiliates, will provide the construction management, the asset management, operations and maintenance, and the remote monitoring services to the project.

The park is expected to provide renewable electricity to the equivalent of 211,000 Danish households every year.

El Campo is one of the first of its kind in Knox County and has been received positively by the local community. The project will contribute local tax revenues and is expected to provide employment for approximately 200 people during construction.



*“A project of this size fits our portfolio very well and provides future cash flows from a contract with offtakers committed to purchasing renewable energy. We are proud to contribute to this investment and thankful for the support of our execution partners, AIP and Longroad Energy for securing affordable clean renewable energy.”*

*Torsten Fels, Chief Executive Officer, PenSam.*



## AIP AND THE SUSTAINABLE DEVELOPMENT GOALS

In 2015, the Member States of the United Nations unanimously agreed upon the 17 Sustainable Development Goals (SDGs), making them the world's agenda for sustainable development. The SDGs provide a holistic framework for addressing the world's most urgent sustainability challenges.

At AIP we acknowledge that businesses have a key role to play in achieving the SDGs. This is why we are committed to aligning our investments with seven of the SDGs. These are SDG 5, 6, 7, 8, 9, 11, and 13.

We have a holistic approach to how our investments impact the SDGs and recognize that infrastructure assets have both positive and negative impacts on the SDGs. We continuously

### SDG Goals

- 1:** No Poverty
- 2:** Zero Hunger
- 3:** Good Health and Well-being
- 4:** Quality Education
- 5:** Gender Equality
- 6:** Clean Water and Sanitation
- 7:** Affordable and Clean Energy
- 8:** Decent Work and Economic Growth
- 9:** Industry, Innovation and Infrastructure
- 10:** Reduced Inequality
- 11:** Sustainable Cities and Communities
- 12:** Responsible Consumption and Production
- 13:** Climate Action
- 14:** Life Below Water
- 15:** Life on Land
- 16:** Peace and Justice Strong Institutions
- 17:** Partnerships to achieve the Goal

work with systematically measuring and disclosing ESG performance of our portfolio assets as a part of the investment due diligence process.

**How AIP impacts the SDGs**

AIP is at the beginning of measuring and disclosing our impacts on the SDGs from our investment portfolio and we will continue to develop our reporting on the SDGs in the future. The following analysis is the result our first SDG impact analysis.

**Energy transition**

Our portfolio of renewable infrastructure assets contributes to the transition to renewable energy sources and reduced carbon footprint. It helps increasing the amount of available clean energy in the total energy mix which in turn contributes to lower greenhouse gas emissions from energy consumption and decrease global warming. This is in line with the ambitions of SDG 7, 9, 11 and 13 concerning increased availability of clean energy and climate change resilience.

**Reduce negative environmental footprint**

Through our systematic ESG due diligence process, we analyse risks to the environment. This includes inherent risk during construction of infrastructure asset and the use and responsible disposal of hazardous materials, in line with ambitions of SDG 6. We are also committed to continuously working to reduce the carbon footprint of our investments, in line with SDG 7 and 9.

**Ensure good working conditions**

We contribute to providing decent job opportunities and to ensuring that Health, Safety and Environment (HSE) issues are actively monitored in our investments and that human and labour rights are acknowledged as stated in SDG 8 and 5.



## SUSTAINABILITY OF AIP OPERATIONS

In addition to the ESG impacts generated by the investment portfolio, there are also ESG considerations to be made regarding AIP's direct operations. The ESG impact from these activities relate primarily to AIP's staff and the operations and management of AIP's offices.

### Our environmental footprint

The following tables show a breakdown of AIP's greenhouse gas (GHG) emissions. AIP as an investment manager does not have any emissions from owned sources, i.e. Scope 1 emissions. Therefore, only CO<sub>2</sub>e emissions based on Scope 2 and Scope 3 are shown<sup>5</sup>.

Breakdown 2019	GHG (tonnes of CO <sub>2</sub> e)	% of total	GHG per employee (tonnes of CO <sub>2</sub> e)	Monthly average (tonnes if CO <sub>2</sub> e)
Scope 2	3.5	0.2%	0.1	0.3
Scope 3 - Travel	142.9	8.4%	4.9	11.9
Scope 3 - Supply chain	1,553.2	91.4%	53.6	129.4
<b>Total</b>	<b>1,699.6</b>	<b>100%</b>	<b>58.6</b>	<b>141.6</b>

Breakdown of 2019 business travels	GHG (tonnes of CO <sub>2</sub> e)	% of total	GHG/employee (tonnes of CO <sub>2</sub> e)	GHG monthly average (tonnes of CO <sub>2</sub> e)
Flights	139.8	97.8%	4.8	11.6
Taxi	1.9	1.4%	0.1	0.2
Other transportation <sup>6</sup>	1.2	0.8%	0.04	0.1
<b>Total</b>	<b>142.9</b>	<b>100%</b>	<b>4.9</b>	<b>11.9</b>

Breakdown of 2019 full scope 3	GHG (tonnes of CO <sub>2</sub> e)	% of total	GHG/employee (tonnes of CO <sub>2</sub> e)	GHG monthly average (tonnes of CO <sub>2</sub> e)
Business travel	142.9	8.4%	4.9	11.9
Legal service	734.1	43.3%	25.3	61.2
Financial	248.1	14.6%	8.6	20.7
Engineering	145.9	8.6%	5.0	12.2
Management service	115.1	6.8%	4.0	9.6
IT	61.3	3.6%	2.1	5.1
Accounting	43.2	2.5%	1.5	3.6
Food	33.7	2.0%	1.2	2.8
Software	29.1	1.7%	1.0	2.4
Business administration	26.4	1.6%	0.9	2.2
Other <sup>7</sup>	116.2	6.9%	4.0	9.7
<b>Total</b>	<b>1,696.1</b>	<b>100%</b>	<b>58.5</b>	<b>141.3</b>

<sup>5</sup> Scope 1 emissions are defined as direct emissions from owned sources.

Scope 2 emissions are defined as indirect emissions such as electricity consumption. Scope 3 emissions are defined as other indirect emissions such as emissions from travel and supply chain.

<sup>6</sup> "Other transportation" include emissions related to metro, trains, car rental, bus, and ferry.

<sup>7</sup> "Other" include emissions related to security, furniture, cleaning, etc.

# EMPLOYEES

## NUMBER OF EMPLOYEES

At the start of 2019

17

At the end of 2019

29

## RETENTION

in 2019<sup>8</sup>

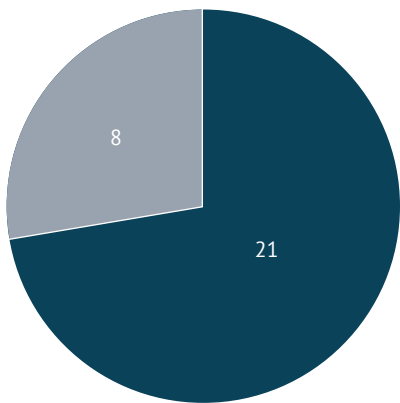
100%

## OUR STAFF

AIP places significant emphasis on supporting and developing a talented workforce. AIP's objectives are to ensure an inclusive work place, prevent discrimination, promote health, safety and wellbeing, and support the personal and professional development of our staff.

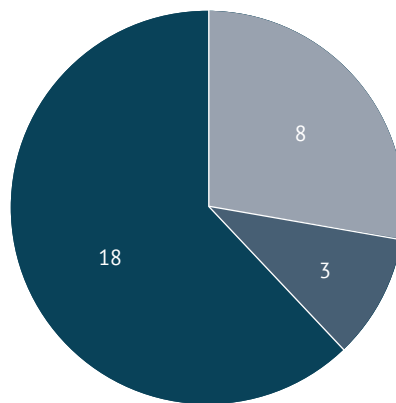
We have established processes for recruitment, engagement, training and development of staff to support these objectives.

## EMPLOYEES BY GENDER



Male Female

## EMPLOYEES BY AGE GROUP



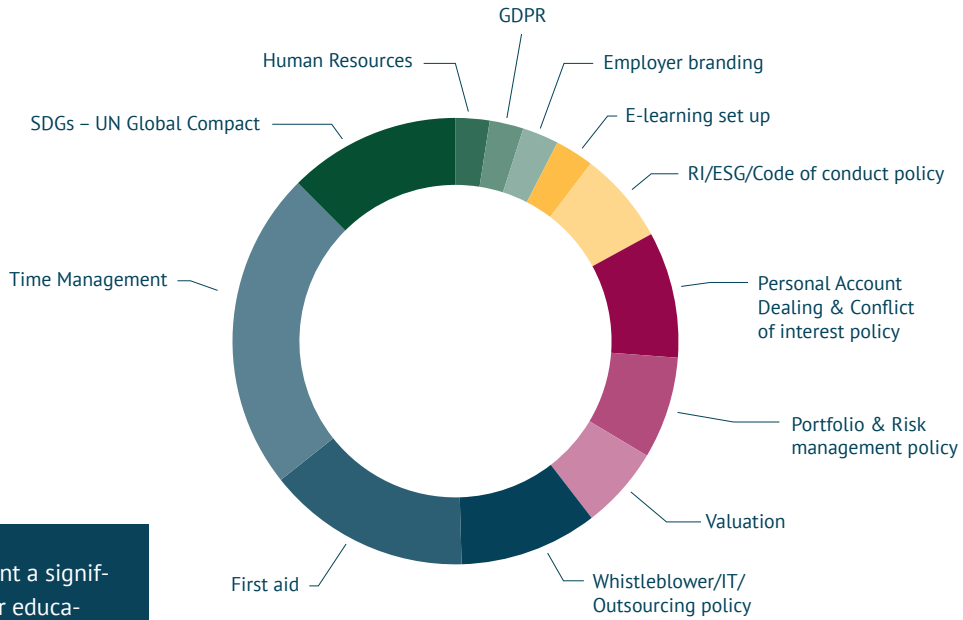
<30 >50 30-50

<sup>8</sup>Excluding junior analysts, which are short term hires by nature.



# EDUCATION

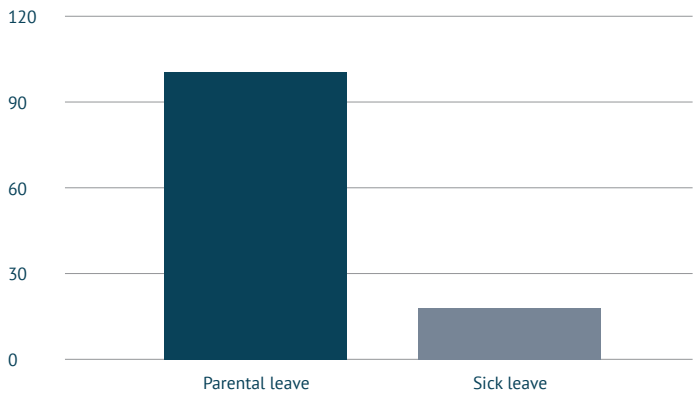
## COURSES TAKEN



In 2019, we spent a significant part of our education time on AIP internal policies.

# ABSENCE

## DAYS OF ABSENCE BY ABSENCE TYPE IN 2019



During 2019, we had a total of 120 absence days due to parental or sick leave. The average number of absence days per month per employee was 0.4 throughout 2019.

**Our community activities**

At AIP, we have decided to enter into partnerships with student associations. The main goal is to spread knowledge of the importance of investments in infrastructure and energy assets and broaden the understanding of how ESG factors are incorporated in our decision-making process.

AIP started a partnership with FinanceLab in late 2019, a non-profit student organisation with more than 2,750 registered members from the major universities in Denmark. FinanceLab offers a range of courses and lectures with speakers from both the academic and professional world,

creating a link between academia and the finance industry. FinanceLab allows students to hone their skill set and increase their practical knowledge while increasing their student and professional network.

The interest in sustainable investments is growing at campuses around the world, with many business schools having introduced courses specific to ESG and sustainable investments. Students increasingly recognise the importance of responsible investments.



## FOCUS AREAS FOR 2020

### Investment and asset management

#### *Reducing carbon footprint at project level*

By investing in renewable infrastructure assets, AIP is contributing to mitigating climate change. In 2020, we will explore how we can contribute to further reductions in emissions at the project level. Open dialogue and common objectives with our asset operators and the other shareholders specifically on climate change are key to reducing carbon footprint across our portfolio and we strive to engage on the topic to move the objectives forward. This will include a systematic approach to emissions in our asset management action plans.

#### *ESG screening of new projects and potential partners*

In 2020, we will conduct full third-party ESG due diligence on all new projects as part of the investment decision.

#### *TCFD supporter*

AIP will become a supporter of the Task Force on Climate-related Financial Disclosures (TCFD).

#### *Standardize ESG quarterly reporting*

In 2020, we will expand our ESG reporting in our quarterly reports to the investors across all assets.

#### *Review of ESG policies*

We will review and update our ESG policies and procedures, both in relation to scope and to content, and to ensure we provide the best possible contribution to UN PRI and UN Global Compact.

#### *EU Sustainability Taxonomy*

We aim to integrate the criteria applied in the EU Sustainability Taxonomy in our ESG due diligence framework.



*Responsible tax management*

Responsible tax management is highly prioritised by AIP and the institutional investors investing in funds managed or advised by AIP and has an important role across society. AIP will use best efforts to ensure compliance with applicable tax law and regulations within the jurisdictions where investments are made and structures are established, including consideration as to developments and international initiatives in relation to tax law. AIP will also continue acting openly in relation to tax authorities and other public authorities within the applicable tax law and regulations.

*Reporting aligned with TCFD and the UN SDGs*

We wish to continue increasing transparency for our stakeholders and will work on aligning future reporting with TCFD requirements. Additionally, we will develop our reporting on the SDGs. As part of this process, we are working on incorporating the SDGs into our ESG due diligence process.

*GRESB assessment across portfolio assets*

We will continue our dialogue with our partners and asset operators with the aim of increasing the asset participation in GRESB reporting by adding at least two extra assets every year. We want to improve our fund manager and asset score on an ongoing basis with the ambition to be in the upper quartile compared to the peers.

**AIP internal ESG**

*Cyber security*

Cyber security is highly prioritized by AIP as the assets managed by AIP are frequently categorised as critical infrastructure. AIP aims to continue dialogue with the asset operators in order to prioritize cyber security measures and ensure the assets are shielded from any potential cyber-attacks. Also, AIP is continuously looking to improve its internal systems and procedures towards a lower exposure. AIP has implemented a cyber security training programme forming a crucial component of a robust control environment, helping to mitigate related risks in this regard.



*Diversity*

AIP treasures the benefits of a diverse workplace. Today, AIP's team is representing 14 different country and cultural backgrounds with a female presentation of almost 40% across the organization. We aim to continue this journey by promoting and enforcing guidelines that ensure transparency in the recruitment process and present equal opportunities regardless of age, background, race and gender. We also aim to increase the diversity across our governance bodies.

*Carbon neutrality*

AIP strives to achieve carbon neutrality by minimizing its own carbon footprint by seeking alternative ways to reduce and/or offset its greenhouse gas emissions.

*Student associations*

We want to continue expanding our collaborations with universities and student associations. We are currently in dialogue with CBS Sustainable Investment Club, which aims to spread knowledge about sustainable investments to the CBS student body. The ambition is to enter into a partnership as per the third quarter of 2020 and arrange a couple of events.

## METHODOLOGY

AIP reports on sustainability performance on an annual basis. AIP's ESG report 2019 refers to the period January 1<sup>st</sup>, 2019 to December 31<sup>st</sup>, 2019. This is AIP's first annual ESG report. The report was developed in collaboration with Klinkby Enge, an independent third-party advisor. Klinkby Enge has received environmental and social data from AIP and performed checking of the data. This has been done to ensure accountability of the data and methodology used in the report.

This report covers AIP Management P/S.

### Disclosure in relation to standards and commitments

This ESG report contains information relevant for AIP's commitments and relevant reporting standards.

- The report utilizes the information that AIP has provided in the 2019 PRI reporting. See PRI content on page 30 for references.
- The report includes our Communication on Progress (COP) submission to the UNGC. See page 32 for references.

### Methodology environmental key figures

#### *Emissions avoided*

The CO<sub>2</sub> emission avoided are calculated by using the average emissions from non-renewable energy creation in the countries that AIP assets are located. The actual conversion (CO<sub>2</sub> per kWh) depends on the energy mix in the market on which the renewable energy is sold. The conversion factors used are sourced from the International Environmental Agency (IEA).

#### *Cars avoided*

The number of cars avoided on the road is calculated by using the average CO<sub>2</sub> emissions from a car per year. The average CO<sub>2</sub> emissions per car is sourced from the United States Environmental Protection Agency (EPA).

#### *Households powered*

The number of households powered by renewable energy from AIP's investments is calculated by using the average electricity consumption of households per year. The average electricity consumption per household is sourced from Bolius and represents the average electricity consumption of a Danish household.

#### *CO<sub>2</sub> generated from assets*

The figure "CO<sub>2</sub> generated from assets", referenced on page 6, includes the CO<sub>2</sub> emissions generated from Nyhamna and TDC. CO<sub>2</sub> from Nyhamna is calculated using production figures from the asset and conversion factors from the International Gas Union and does not include CO<sub>2</sub> emissions arising from activities such as shipping, transportation, or supply chain. CO<sub>2</sub> generated from TDC is reported in TDC's annual sustainability report and includes Scope 1-3 emissions.

CO<sub>2</sub> emissions from Vestprosess and CO<sub>2</sub> emissions arising from shipping, transportation, and supply chain activities of all assets, except TDC, are not included in this report.

#### *AIP's carbon footprint*

The calculation of AIP's carbon footprint follows the framework established by the Greenhouse Gas (GHG) Protocol. The calculations were done by Normative.

Scope 2 emissions are calculated using energy consumption figures from AIP's energy supplier, Ørsted.

Scope 3 emissions for AIP's travel are calculated using databases recommended by the GHG Protocol such as the Department for Environment, Food & Rural Affairs (DEFRA).

Scope 3 emissions for AIP's supply chain are based on transaction data between AIP and its suppliers. The service/product of the transaction is categorised in accordance with the United Nations Standard Products and Services Code (UNSP-SC) classification. The emissions are based on consumption data of the service/product category per sector and country deriving from data banks such as Eurostat.

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# UN GLOBAL COMPACT PROGRESS REPORT

## Declaration of support:

In 2019, AIP Management signed the principles of the UN Global Compact. We acknowledge the Ten Principles of the UN Global Compact on the key areas of human rights, labour, the environment and anti-corruption. We are committed to integrate the principles of the UN Global Compact into our strategy, culture, and day-to-day operations. The way in which we contribute to meeting these principles within our area of responsibility is shown in our annual Communication on Progress, integrated into this ESG report.

*Kasper Hansen, Managing Partner*

WE SUPPORT



### Human rights

- 1) Businesses should support and respect the protection of internationally proclaimed human rights in their area of influence; and
  - 2) make sure that they are not complicit in human rights abuses.
- *A message from our Managing Partner (page 2)*
  - *Our ESG process (pages 13-14)*
  - *AIP and the Sustainable Development Goals (pages 21-22)*

### Labour

- 3) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
  - 4) the elimination of all forms of forced and compulsory labour;
  - 5) the effective abolition of child labour; and
  - 6) the elimination of discrimination in respect of employment and occupation.
- *Our ESG process (page 14)*
  - *AIP and the Sustainable Development Goals (pages 21-22)*

### Environment

- 7) Businesses should support a precautionary approach to environmental challenges;
  - 8) undertake initiatives to promote greater environmental responsibility; and
  - 9) encourage the development and diffusion of environmentally friendly technologies.
- *ESG highlights 2019 (pages 6-7)*
  - *Portfolio overview (Pages 8-12)*
  - *Our ESG process (pages 13-14)*
  - *ESG investment cases (pages 19-20)*
  - *AIP and the Sustainable Development Goals (pages 21-22)*
  - *Focus areas for 2020 (pages 27-28)*

### Combating corruption

- 10) Businesses should work against corruption in all its forms, including extortion and bribery.
- *A message from our Managing Partner (page 2)*
  - *Our ESG process (page 15)*



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