# ESG

environmental | social | governance

EIG

ANNUAL Report 2022

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# INTRODUCTION

# About this Report

We are proud to present our second annual public ESG disclosure covering EIG's and our portfolio companies' ESG performance for 2021. As a leading private asset manager and provider of capital to the energy and infrastructure sectors, we seek to understand the impact that our investments may have on global economies, communities, and the environment; and we endeavor to be transparent regarding our approach to assessing ESG and climate risks, mitigants and opportunities associated with our portfolio over time.

We have worked diligently in the past year to make several enhancements to our ESG program: in particular, to our proprietary portfolio company data collection process, the inclusion of recommendations set forth in the *Task Force On Climate-Related Financial Disclosures* (TCFD), and sharing select Scope 3 financed emissions for our upstream oil and gas investments.

**This Report covers four main topics:**

- **An overview of EIG's corporate sustainability;**
- **Our approach to integrating ESG performance into our investment process;**
- **A snapshot of selected investments and their ESG profile; and**
- **Our views on climate-related risk.**

## Reporting Frameworks

In 2020, EIG became the first private equity firm to commit to the Partnership for Carbon Accounting Financials (PCAF). This is the second year that EIG has disclosed financed emissions and a related Data Quality Score, in accordance with PCAF's *Global GHG Accounting and Reporting Standard for the Financial Industry* (the PCAF Standard).

This year's Report includes an inaugural look at our climate risk per TCFD-recommended disclosures based on Governance, Strategy, Risk Management, and Metrics & Targets. Climate risk in our portfolio, and how it could ultimately impact our financial position as a firm, is an ongoing and constantly changing landscape based on several key factors, perhaps most importantly, the composition of investments in our portfolio at any given time. This continued and evolving analysis will be a priority going forward, helping to inform EIG's strategy.

In addition to the above frameworks, and to ensure we are collecting meaningful data on potentially material ESG factors, our ESG program utilizes other relevant standards and frameworks, including: the Global Reporting Initiative (GRI); the World Resources Institute's (WRI) and World Business Council for Sustainable Development's (WBCSD) *Greenhouse Gas Protocol*, and applicable Sustainability Accounting Standards Board (SASB) Standards. EIG draws from these global guidelines in how we engage with portfolio companies and develop relevant key performance indicators (KPIs).

## Industry Affiliations

There are many choices today for asset managers to engage in various industry groups to gain knowledge and share best practices. EIG has been selective and methodical in this process. In addition to PCAF and TCFD, we participate and support the following voluntary industry working groups:

**UN PRI (2013)**
**Initiative Climat International (iCI), North America (2021)**
**ESG Data Convergence Initiative (2021)**

## Boundaries & Scope

All data presented in this report related to our portfolio companies comprise full year or as of year-end 2021, unless otherwise noted.

Regarding GHG emissions, for companies that do not provide EIG with emissions data, EIG estimates emissions using a combination of emission factors endorsed by PCAF or developed by EIG. Included in our GHG emissions reporting boundary are EIG directly originated investments that were unrealized as of December 31, 2021 and investments that exited during the second half of 2021.

EIG financial data such as company-wide assets under management (AUM) and investment commitments are as of Q2 2022.

# From our CEO

**"Energy transition informs every investment decision we make, and we seek to balance the dual goals of decarbonization and reliability."**

R. Blair Thomas
CHAIRMAN & CEO

I am proud to present our second annual public disclosure featuring our rapidly evolving ESG and Climate strategy at EIG. In our first annual public disclosure, we termed the report an "Update" to describe the more nascent nature of our enhanced approach to ESG performance management. This year, with our further analysis in accordance with PCAF, and our new support of the TCFD, we are excited to call this expanded document a true "Report," both in form and substance.

This Report identifies not only how we evaluate ESG risks and opportunities in our investments, but also how we consider the broader impact of strategic investing focused on decarbonization and providing energy security. We understand the importance of these initiatives to our investors and, as a result, they have been integrated into all processes across the Firm.

A successful energy transition requires massive capital investment across the value chain on a global basis. We have a robust pipeline of opportunities and all potential private investments are carefully assessed by our ESG Committee for, among other things, their contribution to our overall carbon footprint and alignment with the Paris Agreement.

**Accelerating our commitment, EIG most recently:**

- Committed more than $4.3 billion of capital in 2021 to investments across all parts of the value chain with a majority (74 percent) to low carbon projects;
- Led equity funding of HIF Global, a company pioneering decarbonization projects derived from green hydrogen in the U.S., Chile, and Australia, focused on carbon-neutral eFuels;
- Launched Grupo Cerro, a Chilean renewable energy platform which recently acquired a portfolio of 11 small and medium run-of-river hydroelectric power plants which will supplement an existing pipeline of advanced solar development projects derived from green hydrogen;
- Acquired an 80 percent stake in GNL Quintero S.A. (Quintero), the largest liquefied natural gas (LNG) regasification terminal in Chile, supporting Net Zero and energy security goals for the country;
- Signed a memorandum of understanding (MoU) with Aramco to pursue investment opportunities in projects that advance our shared sustainability objectives, including in existing and new technologies such as alternative fuels, carbon capture, hydrogen and natural gas, transportation, and energy storage; and
- Became a signatory to the ESG Data Convergence Initiative, a member of iCI North America and, most recently, a supporter of the TCFD to advance our sophistication in climate risk assessment and reporting.

EIG is proud to play a role in the energy transition as one of the largest investors in the space. We intend to continue to invest in low carbon energy opportunities that will advance the transition and generate attractive returns for our investors. We invite you to learn more in the pages of this Report about our commitment, our approach, our process, and our performance.

R. Blair Thomas

# About EIG[1]

- **EIG is a leading investor in the energy and infrastructure markets, providing capital since 1982**
- **EIG has committed more than $18.8 billion towards low carbon energy companies and projects[2]**

**40-Year** track record

**$41.5B** committed

**387** investments

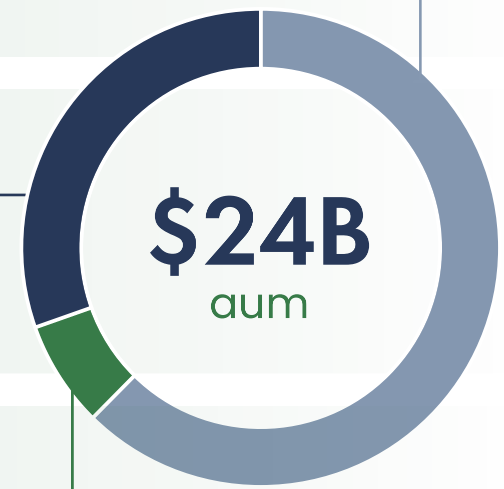
**38** countries


## EIG at a Glance

**$15.2B** flagship funds
hybrid debt & structured equity

**$7.5B** direct lending
senior & junior private debt

**$1.3B** strategic investments
control equity & concentrated strategies




**129** employees

- **53** Investment Professionals
- **13** Engineers[3]
- **76** Operations Professionals[4]

**7** offices worldwide

Washington, DC
Houston
London
Sydney
Seoul
Rio de Janeiro
Hong Kong

1. As of June 30, 2022.
2. Including Power Renewables, Emerging Technologies and Energy Infrastructure sectors.
3. Total Headcount comprises Investment Professionals plus Operations Professionals. Engineers are included within Investment Professionals headcount.
4. Excludes professionals with overlapping investment responsibilities.

# Our ESG Commitments

Our ESG strategy is focused on seeking alignment with the Paris Agreement and decarbonization.

Our commitments in executing this strategy include partnering with our investors, collecting data and tracking performance over time, and engaging with our portfolio companies.

- Partnership with investors
- Mutual support of and collaboration on ESG goals and initiatives

- Use of a data-driven approach to assess ESG risk and opportunity
- Focus on carbon metrics to monitor progress

**Focus on Energy Transition and influencing decarbonization**

**Seeking EIG portfolio alignment with the Paris Agreement**

- Engagement and influencing of portfolio companies
- Development of leading ESG programs

## EIG's Investment Sectors

**Energy Transition** — **Infrastructure** — **Traditional Energy**

Low Carbon

### Power Renewables

- Solar
- Wind
- Biomass
- Energy Efficiency

### Emerging Technologies

- Carbon Capture
- Hydrogen
- Energy Storage & Batteries

### Energy Infrastructure

- LNG
- Pipelines
- Gas Processing

### Gas-Fired Power

- Gas-fired power as a bridging source of power

### Upstream Oil & Gas

- Oil and gas production and development

# Our Investments – ESG Highlights

**7,900+**
employees in portfolio companies

**9,600+**
contractors in portfolio companies

**3.3TWh+**
renewable energy sold by portfolio companies

**100%**
portfolio companies with an ESG-related policy

**89%**
portfolio companies with a HSE policy

**23%**
average portfolio workforce gender diversity

**86%**
portfolio companies with ESG topics integrated into enterprise risk management

**93%**
portfolio companies with at least one ESG target or goal

## Energy Transition

## Infrastructure

## Traditional Energy

Source: EIG annual ESG questionnaire. Company data as of December 31, 2021. Data highlights are based on responding companies in total count or average.
Note: Unrealized investments as of December 31, 2021. Company logos not displayed for the following infrastructure investments: Elba, New Covert, Outrigger, STX Midstream and Utopia.

# EIG Milestones

**Low Carbon Commitments include the following sectors:**

Power Renewables
Emerging Technologies
Energy Infrastructure

## 1990-2010

- First natural gas investment: **Bishop**
- First solar investment: **SEGS IX Sub**
- First waste to energy investment: **SEMASS**
- First wind investment: **Zond Group**

Low Carbon Commitments:
**$3.4 billion**
Annual Average:
**$0.2 billion**

## 2010-2019

- Establishes internal ESG Committee and ESG Policy
- Becomes a signatory to the UN PRI
- Submits first annual UN PRI report
- First power storage investment: **Cerro Dominador**
- Contributes to UN PRI report: *"An Investors Guide to Methane: Engaging with Oil and Gas Companies to Manage a Rising Risk"*

Low Carbon Commitments:
**$9.9 billion**
Annual Average:
**$1.1 billion**

## 2020

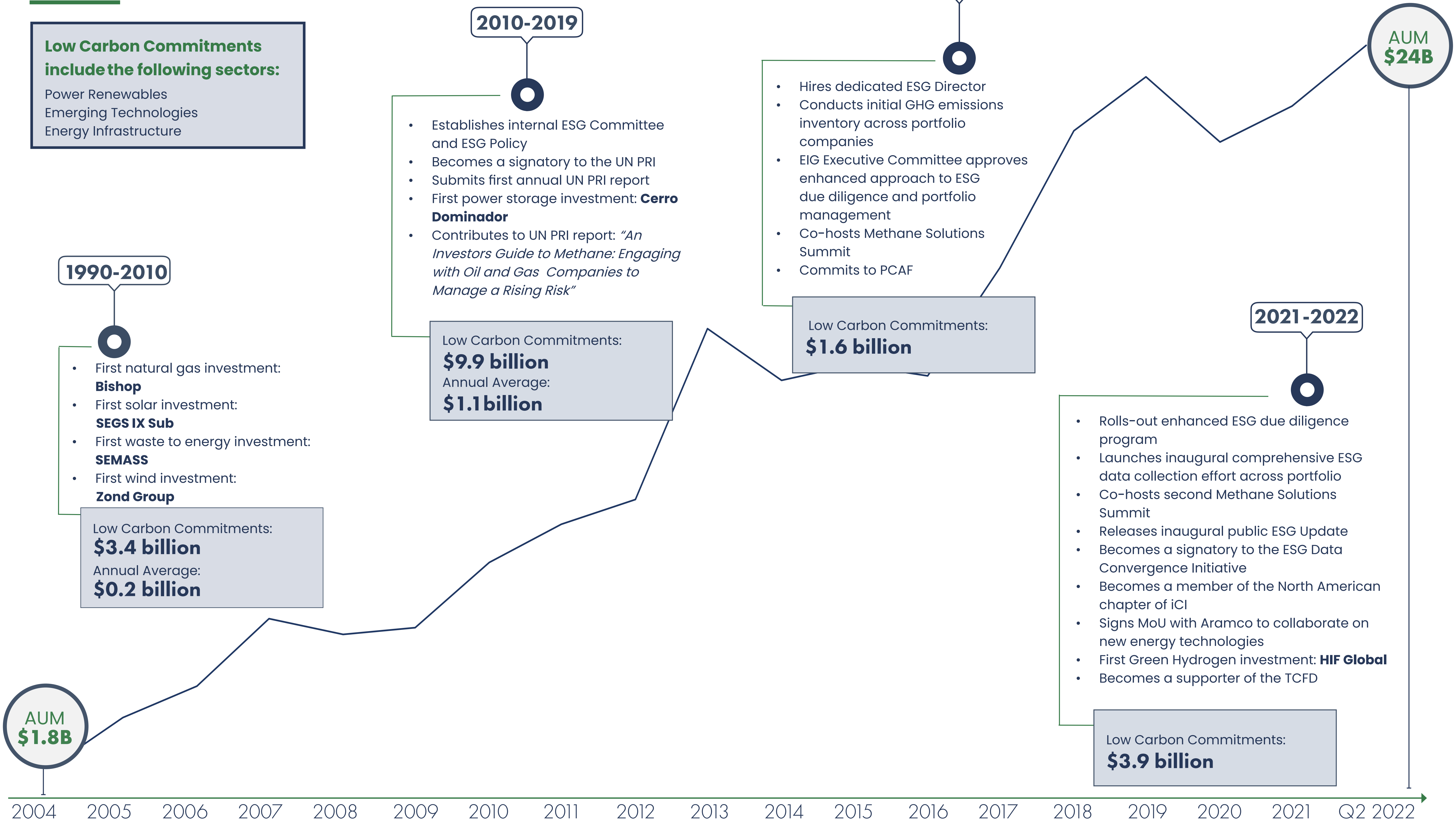
- Hires dedicated ESG Director
- Conducts initial GHG emissions inventory across portfolio companies
- EIG Executive Committee approves enhanced approach to ESG due diligence and portfolio management
- Co-hosts Methane Solutions Summit
- Commits to PCAF

Low Carbon Commitments:
**$1.6 billion**

## 2021-2022

- Rolls-out enhanced ESG due diligence program
- Launches inaugural comprehensive ESG data collection effort across portfolio
- Co-hosts second Methane Solutions Summit
- Releases inaugural public ESG Update
- Becomes a signatory to the ESG Data Convergence Initiative
- Becomes a member of the North American chapter of iCI
- Signs MoU with Aramco to collaborate on new energy technologies
- First Green Hydrogen investment: **HIF Global**
- Becomes a supporter of the TCFD

Low Carbon Commitments:
**$3.9 billion**



# CORPORATE SUSTAINABILITY

# ESG Governance

The highest governing body of EIG is the Executive Committee. The Executive Committee has general oversight of the long-term Firm strategy including ESG planning and climate-related investment risk. The Executive Committee has nine voting members including EIG's Chairman & CEO, President and ESG Director.

Investment review and selection is overseen by the respective Investment Committee of each managed investment vehicle. In the investment process, the investment teams assess and opine on technical, financial and non-financial risks and opportunities for each potential investment including physical and transitional climate risks, as well as broader ESG risks. Once an investment is properly underwritten by the investment team, an approval for the investment recommendation by the applicable Investment Committee is required for all investments to proceed.

Responsibility for proper identification and assessment of ESG risk to both EIG and each potential investment lies with the ESG Committee. The cross-functional senior members of the ESG Committee are selected based on their extensive backgrounds in deal structuring, operations and legal matters. These members are chosen for their ability to influence and integrate ESG practices and culture throughout EIG, as well as with investors and portfolio companies.

**EXECUTIVE COMMITTEE**
Voting Members: 9

**Oversight**
- Highest governing body
- Meets quarterly
- Receives updates from all teams
- Develops long-term strategy

**INVESTMENT COMMITTEE**
Voting Members: Varies by fund

**Accountability**
- Reviews and approves each investment's merits and risks
- Meets as needed
- All EIG employees encouraged to participate

**ESG COMMITTEE**
Voting Members: 7

**Responsibility**
- Discusses ESG strategy and commitments
- Conducts ESG review of all investments
- Meets at least monthly

**OPERATIONS TEAMS**
Cap Dev/Investor Relations
Legal
Compliance
Finance/Tax

**ESG TEAM**

**INVESTMENT TEAMS**
Energy Transition
Infrastructure
Traditional Energy
Engineering

**Implementation**
- **Operations Teams:** All teams touch ESG matters
- **Investment Teams**: Prepare ESG Memo for each potential investment for review and recommendation by ESG Committee

## ESG Committee

Member of the Executive Committee

**Emily Rodgers**
ESG Committee Chairwoman
MD & ESG Director

ENERGY TRANSITION

**Andrew Ellenbogen**
Managing Director

TRADITIONAL ENERGY

**Jeannie Powers**
MD & Co-Head of Domestic Upstream

CAPITAL DEVELOPMENT

**Rick Caplan**
MD & Head of Capital Development

LEGAL

**Kat Turner**
VP & Associate Counsel

COMPLIANCE

**Laura Sisk**
AVP & Committee Secretary

ENERGY TRANSITION

**Jonathan Mottura**
Senior Vice President

TRADITIONAL ENERGY

**Kush Mathur**
VP & Rotating Member

ESG Team

**Malin Henriksson**
Assistant Vice President

**Greg Dougherty**
Associate

### Key ESG Controls Documents

ESG & Climate Policy
Internal Operating Procedures
Compliance Manual
Fund Agreements
Deal Documents
Purchase Agreements

**The ESG Committee meets to discuss:**

| | |
|---|---|
| **Strategy** | Monthly meetings to review and debate current ESG trends, regulations and climate-related topics and whether they should be integrated into broader strategy and regular workstream |
| **Investment Review** | Ad hoc meetings ahead of each final Investment Committee review and recommendation; the Investment Teams prepare and present an ESG Memo to the ESG Committee developed with support from the ESG Team and third-party advisors to summarize identified opportunities, risks and associated mitigants |

**The ESG Team implements EIG's ESG strategy in close coordination with other EIG teams with a focus on investment due diligence, portfolio monitoring, investor engagement, regulatory compliance and reporting.**

## ESG Training & Resources

Since 2019, we have held several ESG-related training sessions per year for our investment and operational teams. These sessions are intended to integrate the criticality of ESG considerations across the Firm, roll-out ESG due diligence requirements, and ensure that the entire Firm is informed and accountable for the implementation of, and compliance with, ESG programs across EIG's investment portfolio. These training sessions vary in topics but include ESG strategy, policy and regulatory matters, and process and procedures.

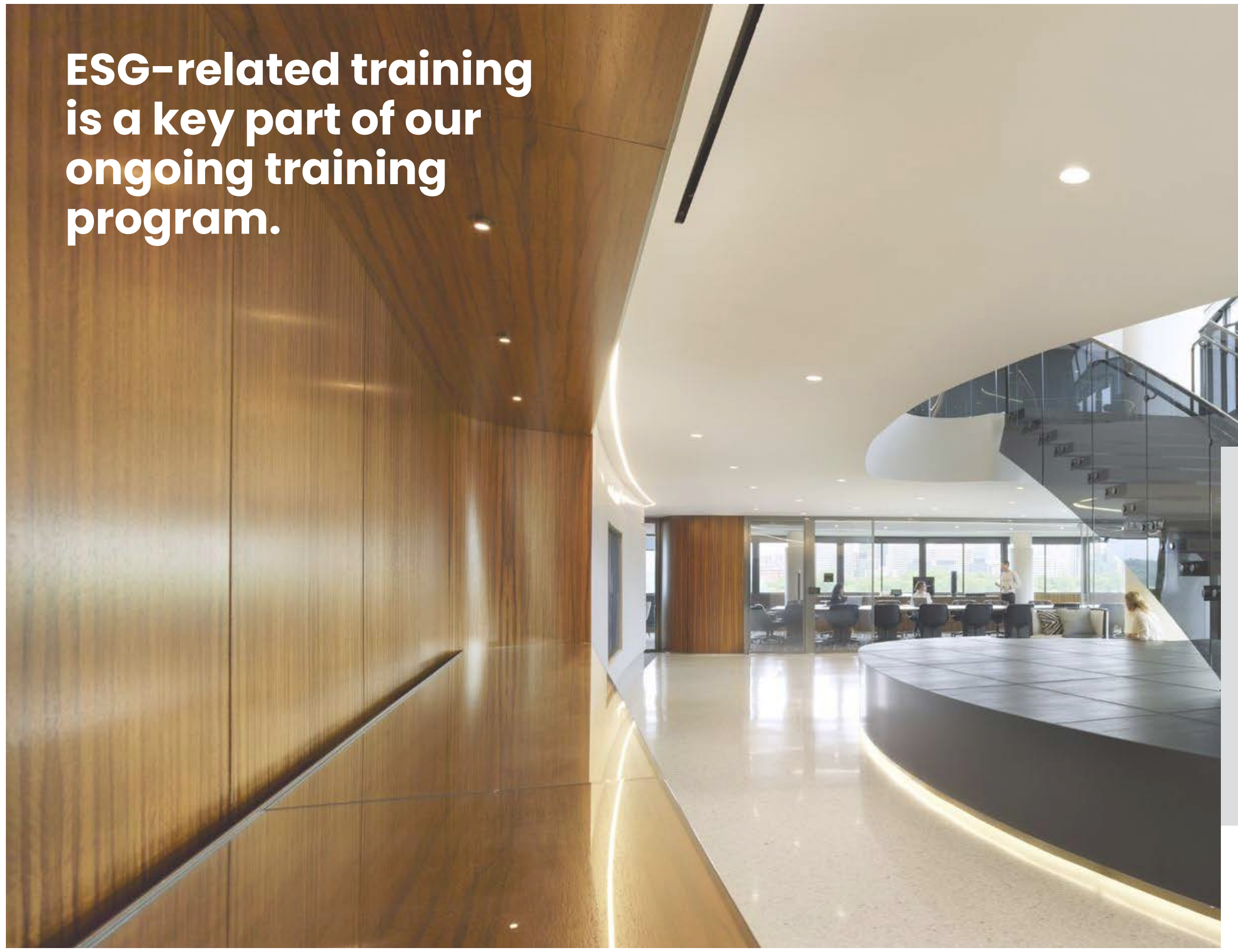
## Compliance

EIG implements and maintains a robust compliance program that includes policies and procedures reasonably designed to address the requirements of applicable laws, rules and regulations. EIG's Compliance Team includes dedicated professionals responsible for implementing EIG's Compliance Manual and Code of Ethics. As an SEC registered investment advisor, EIG is required to act as a fiduciary on behalf of our clients. Accordingly, in addition to the responsibilities outlined in the Compliance Manual and Code of Ethics, the Compliance Team also provides oversight of EIG's fiduciary duty to its investors. With respect to ESG, the Compliance Team continually monitors regulatory developments applicable to EIG as a manager, as well as the investment funds offered to investors.

## Business Continuity

EIG has implemented a Disaster Recovery and Business Continuity Plan to continue to provide investment advisory services to our Clients in the event of a natural disaster or other major business interruption. As part of the Firm's Business Continuity Plan, EIG's Director of Information Technology also maintains an Emergency Preparedness Plan for each of EIG's offices globally.

From the Spring of 2020 to the Fall of 2021, EIG had strict Covid-19 protocols and remote work guidelines. Each of our offices additionally followed respective local laws and guidelines to ensure the health and safety of all employees, vendors and clients.




**"Some of the most important developments within regulatory compliance relate to ESG considerations and their application to asset managers, like EIG, as well as the companies in which we invest. Although many of these compliance considerations will not directly affect EIG, our intention is to have the capabilities to seek to address the regulatory reporting requirements of our clients."**

**Sean Murphy**
SVP & Chief Compliance Officer
3+ years with EIG

## Cyber Security

In recent years, we have seen an increase in cyber-related crime and intrusion that may have detrimental and lasting effects – both financial and technological. EIG has a clear vision for its cyber and information security programs focused on protecting client and corporate data. The Firm delivers a comprehensive suite of cyber and information security, governance, and operations functions on behalf of its employees, investors and partners. The Firm achieves this vision by utilizing best-in-class tools. EIG's cyber and information security practices are designed to combat current threats and are based on propagated policies and procedures that meet operational and regulatory requirements related to cyber and information security needs. EIG utilizes a "defense-in-depth" approach for its cybersecurity program. Network and data protection is provided by employing best-in-class firewalls that create a robust perimeter. Internal security is provided by advanced host protections supplemented by robust anti-virus software and advanced email and other threat detection capabilities.

EIG engages with a leading cybersecurity firm that provides a 24/7 Security Operations Center with human and automated monitoring. A Security Information and Event Management (SIEM) system monitors the Firm's entire global footprint for security events and provides resources to quickly identify and mitigate potential threats. Threat intelligence feeds from CISA (Cybersecurity and Infrastructure Security Agency), DoD (Department of Defense), FFIEC (Federal Financial Institutions Examinations Council) and other third parties are monitored continuously. Supplementing these automated tools is annual mandatory security awareness training for all employees, highlighting individual responsibility and reviewing risk factors and cyber security threats.

# EIG Carbon Footprint

We have been working towards quantifying the Firm's carbon footprint since 2019, both across our private portfolio and for EIG as a corporate entity. For EIG directly, we do not generate Scope 1 greenhouse gas (GHG) emissions as we do not operate, own or control emissions sources such as vehicles or facilities with onsite power generation, heating or cooling. We do create Scope 2 GHG emissions from the purchase of electricity in our seven offices worldwide. With respect to Scope 3 GHG emissions, we have two primary sources: Business Travel and Investments. We were the first private equity firm to join PCAF and calculate Scope 3 GHG emissions of our investments in accordance with the PCAF *Standard*. Please see additional information about our financed emissions on page 22.

## EIG Emissions Profile

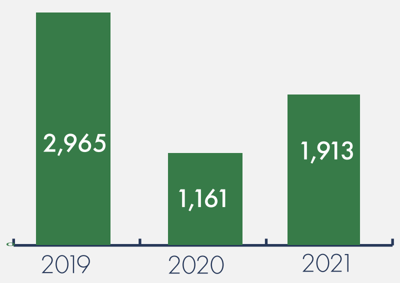
| SCOPE 1 | SCOPE 2[1] | SCOPE 3 |
|---|---|---|
| **Direct Emissions** | **Purchased Electricity** | **Indirect Emissions** |
| Not Applicable | 2021: 144 Tonnes $CO_2e$<br>2020: 147 Tonnes $CO_2e$<br>2019: 304 Tonnes $CO_2e$ | *Applicable to EIG:*<br>6 - Business Travel<br>15 - Investments |

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15

### Emission Trends

- Purchased electricity was significantly reduced in 2020 and 2021 due to Covid-19 and remote work arrangements across EIG's offices
- Business flights in 2021 increased post Covid-19 as traveling resumed
- Future carbon strategy discussed on page 20

### Business Flights[1] (Tonnes $CO_2e$)




**Financed Emissions** = Scope 1 & 2 *(Outstanding investment /Enterprise Value Including Cash (EVIC))

# EIG Offices

## Sustainability Efforts

- Recycling of paper products, ink and toner cartridges, plastic bottles, aluminum cans and batteries
- Use of disposable, biodegradable products made from post-consumer recycled materials
- Efficient water filtration systems in place of bottled water and water coolers
- Energy-star rated dishwashers, refrigerators, microwaves, copiers and printers
- Office renovations and new fit-outs in the U.S. have incorporated Leadership in Energy and Environmental Design (LEED) and D.C. Green building standards as well as applicable codes for overseas offices

To reduce our energy consumption, EIG issues Energy Star-compliant desktop computers, laptops and monitors across our global workforce. EIG's offices are also equipped with video-conferencing equipment for face-to-face communications between our global offices, which reduces our need for business travel. EIG selects vendors with sound sustainability practices and takes each company's environmental values into consideration during our vendor selection process for services such as construction, catering, office supplies, office cleaning, and document shredding.

EIG's U.S. offices are located in Energy Star certified buildings, and our international offices are housed in buildings that incorporate energy efficiency in water usage, natural light, waste management, and heating and cooling systems.

### Investments[2] (Tonnes $CO_2e$)

| | | FLAGSHIP FUNDS | DIRECT LENDING | STRATEGIC INVESTMENTS | TOTAL |
|---|---|---|---|---|---|
| Financed Emissions | 2021 | 4,177,689 | 549,462 | 280,968 | **5,008,118** |
| | 2020 | 2,979,114 | 869,437 | 473,988 | **4,322,539** |
| Financed Emissions % | 2021 | 83% | 11% | 6% | |
| | 2020 | 69% | 20% | 11% | |

| | | ENERGY TRANSITION | INFRASTRUCTURE | TRADITIONAL ENERGY |
|---|---|---|---|---|
| Financed Emissions | 2021 | 47,623 | 3,546,366 | 1,414,129 |
| | 2020 | 86,124 | 2,459,600 | 1,776,815 |
| Financed Emissions % | 2021 | 1% | 71% | 28% |
| | 2020 | 2% | 57% | 41% |

1. Source: EIG data as of year-end 2019, 2020, and 2021.
2. EIG annual ESG questionnaire. Portfolio company data as of December 31, 2021.

# Our People

The people at EIG directly drive our success, and across our seven offices globally, we are proud of our diverse employee makeup. EIG is committed to a work environment in which all individuals are treated with respect and dignity, and are protected from harassment, discrimination, and retaliation. In 2021, EIG named a Diversity, Equity and Inclusion (DEI) Director to expand employee engagement initiatives, drive increased data collection efforts through employee engagement surveys and similar outreach, and develop policies and programs related to DEI goals.

## Recruiting & Promotions

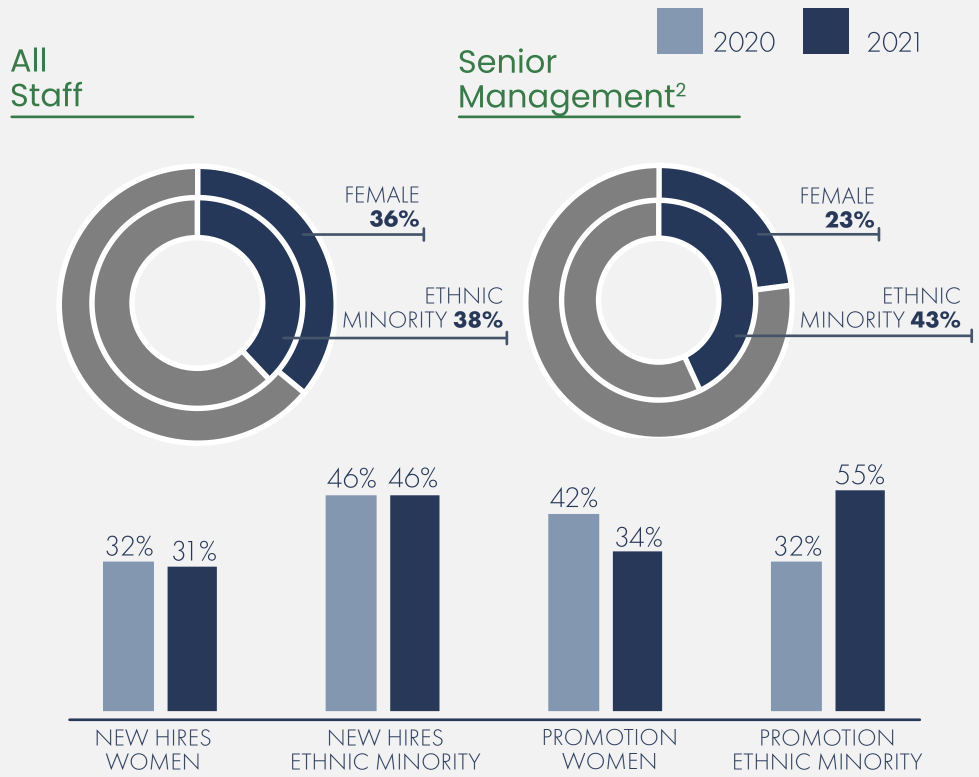
Equal opportunity is a key focus at EIG and an important factor in attracting and recruiting talent. EIG hires, develops, and promotes people who embody our values of professional expertise, selflessness, and authenticity. We work closely with a number of search firms, and require them to present a diverse pool of candidates for each open role, more specifically women and underrepresented minorities. EIG provides a bonus to employees who successfully refer candidates for hire. In 2022, 76 percent of promotions were female and/or ethnic minorities (2021: 53 percent).

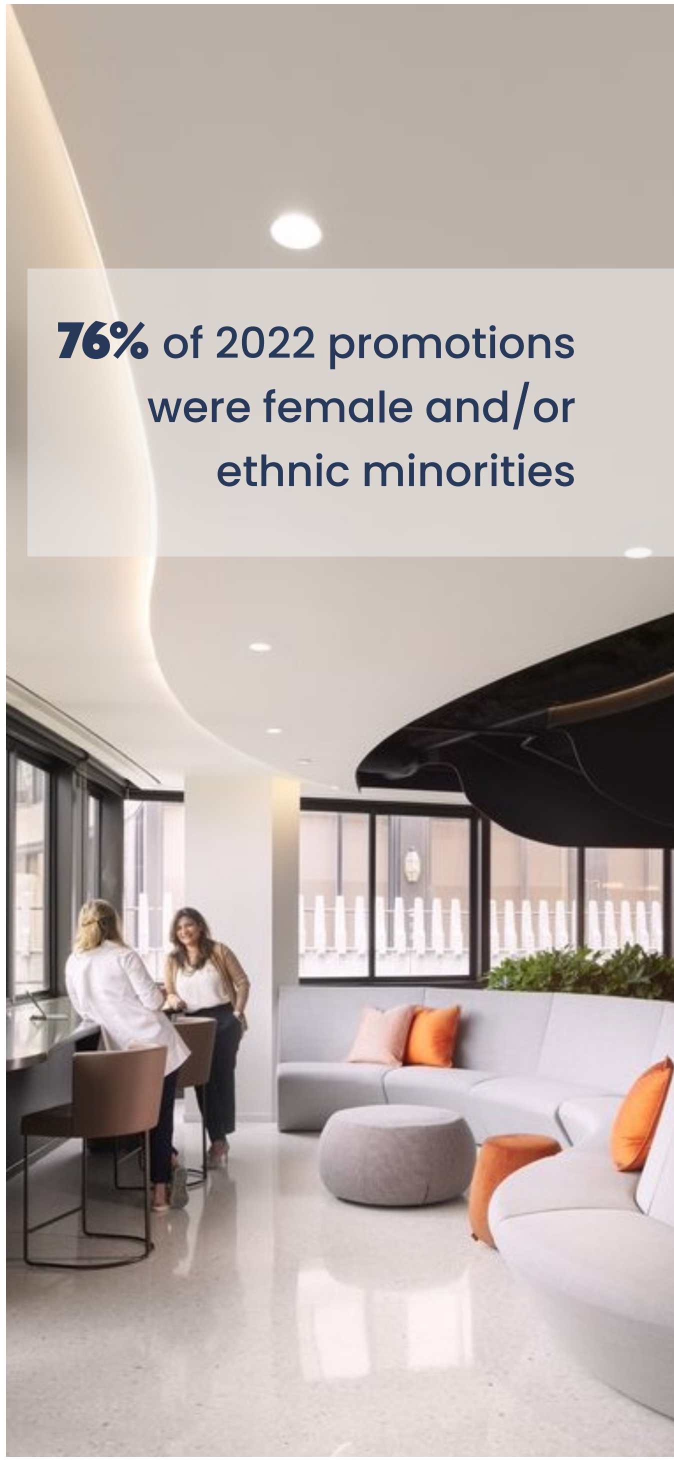
## Benefits Highlights

EIG is proud to support our employees and to provide a range of benefits such as:

- Health, Dental and Vision Insurance
- Life Insurance
- Disability Insurance
- Flexible Spending Accounts
- 401K Retirement Plans
- Critical Illness and Accident Insurance
- Employee Assistance Program
- Flexible Work Arrangements
- Unlimited Paid Time Off (PTO)
- Up to 16 Weeks of Paid Parental Leave for Primary Caregiver

## Key Diversity Metrics[1]




## DEI Focused Strategy

### 2021

- Announced dedicated DEI Director
- Mandatory anti-harassment training for all employees
- Initiated development of company-wide DEI policy
- Initiated discussions regarding creation of internal DEI working group

### 2022 – 2023

- Third-party review of DEI Policy
- Target membership in ILPA's Diversity in Action initiative
- Increase internal professional development and mentoring initiatives
- Mandatory unconscious bias training for all employees

**"Having a diverse workforce is something that EIG is proud of and intentionally strives for, as it brings different backgrounds, cultures and perspectives into all that we do. We believe diversity benefits us as a firm, and ultimately our investors. DEI metrics are tracked and improving each year. We celebrate the fact that there are 26 languages spoken across the Firm."**

**Zahra Mayet**
VP, Director of DEI
16+ years with EIG

1. Source: EIG data as of December 31, 2021.
2. Including Vice Presidents, Senior Vice Presidents, and Managing Directors.

# INVESTMENT APPROACH

# Identifying Material ESG & Climate Risk

EIG believes it is important to fully understand the ESG and climate-related risks facing each potential investment and portfolio company in order to maximize value to our investors. ESG integration across our portfolio is underpinned by constructive risk and opportunity-based diligence, detailed ESG review and approval process by the ESG Committee, and through active engagement during the life of investment. ESG diligence for a potential investment begins early in evaluating an opportunity.

### Screening

All applicable investments go through an initial ESG red flags review to identify potentially material risk early in the evaluation process. We also proactively collect GHG emissions data during this initial phase to understand the potential impact of an investment on fund carbon metrics and performance. Any identified red flags or investments with a significant carbon profile require further discussion with the ESG Team and may be elevated to the ESG or Investment Committee. Opportunities declined due to ESG risk are most likely identified at this stage.

### Due Diligence

This phase can take several weeks of research, analysis, meetings with management and advisors, and negotiations of terms, including ESG incentives in term sheets and covenants in deal documentation. We request that every applicable potential investment complete a comprehensive data questionnaire as it relates to its ESG processes and performance. Potentially material ESG risks are identified and potential mitigants are evaluated.

### Engagement

At least annually, we seek to engage with applicable portfolio companies on their ESG performance and strategy. Additionally, we engage with applicable portfolio companies on an ad hoc basis to share best practices, establish new ESG programs, and participate in industry initiatives.

### Monitoring

EIG requests data from applicable portfolio companies on an annual basis, through our ESG data questionnaire. We assess this data for trends, monitoring more than 30 KPIs to evaluate ESG performance, as well as an organization's relative ESG maturity.

**"Our due diligence process has become much more comprehensive in recent years and now includes a very thorough ESG deep-dive. The strength of our program allows us to identify risks to be avoided but also to identify opportunities where we can make a positive difference."**

**Matt Hartman**
MD & Head of Infrastructure
7+ years with EIG

## ESG Integration Across the Life of the Investment[1]

### PRE-INVESTMENT: THOROUGH ANALYSIS

#### Screening

- Exclusions list assessment to ensure that a potential opportunity does not conflict
- Red flags assessment to evaluate if a prospective opportunity has material up-front ESG risks that may preclude investment
- Emissions data request for initial review of carbon metrics associated with a potential investment and impact to current fund and sector metrics
- Controls and processes review to ensure proper management of emissions calculations or estimations

#### Due Diligence

- ESG research and benchmarking, financial and technical analysis and modeling including carbon pricing
- Management meetings and potential site visits to facilities for review of ESG performance, strategy, and priorities
- ESG Questionnaire that collects 300+ ESG-related data points to assess performance and program maturity
- Third-party review to assess and review ESG risks including environmental, regulatory, and policy impacts
- ESG-related covenants or terms developed in deal documentation

### POST-INVESTMENT: ACTIVE ENGAGEMENT

#### Engagement

- Board participation where applicable providing opportunity for dialogue, insights and influence
- Monthly / quarterly check-ins with select company management to discuss ESG initiatives and performance
- Strategic emission reduction partnerships and guidance through third-party experts engaging directly with companies on-site
- Partnerships and collaborations with industry groups and peers to provide valuable practical guidance, benchmarking, and best practices to our portfolio companies

#### Monitoring

- Annual ESG Questionnaire distribution to assess changes in ESG performance and program maturity
  - Data analysis
  - Scoring ESG program maturity for each company and sector
  - Tracking and analyzing investment, sector and fund level KPIs
- Questionnaire feedback via detailed portfolio-wide memo with individual portfolio company discussions on recent developments
- Monitoring of potentially material ESG incidents and root cause analysis

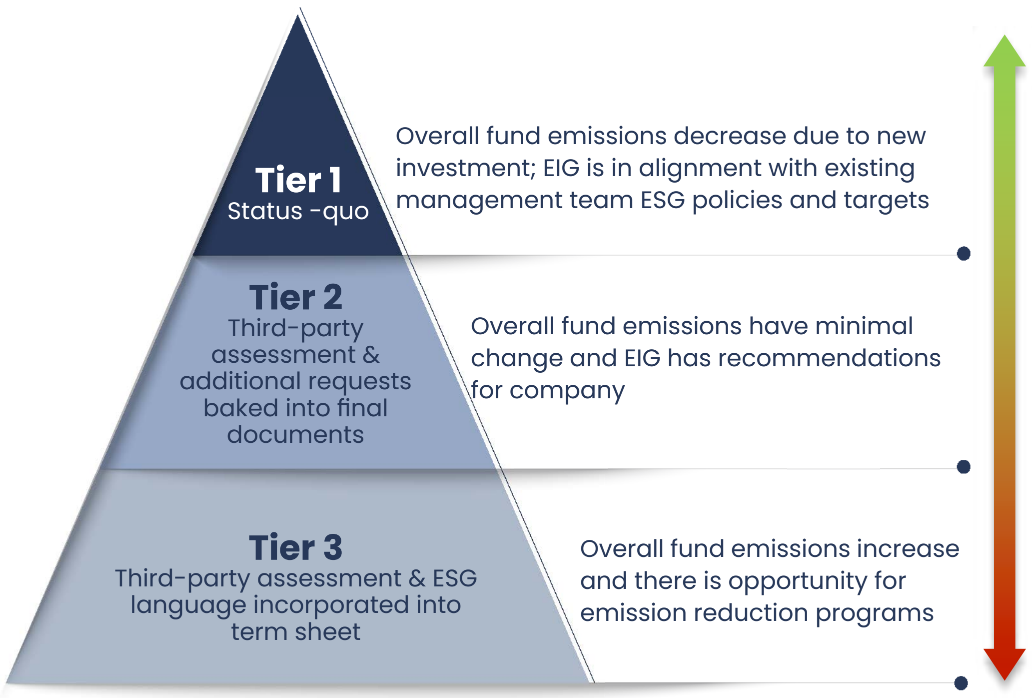
1. Not all activities apply for each investment.

# Investment Due Diligence Tools

We have developed tools and procedures in our diligence process to address specific risks that might arise. For example, depending on a potential investment's carbon metrics, additional diligence may be required to identify options for emissions mitigation and unique incentives to drive improved ESG performance. Additionally, we have developed core best practices for each investment in our portfolio. If any of these best practices are not met during due diligence, we will work with the management team to ensure their prompt implementation upon investment.

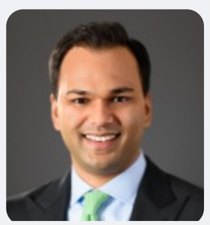
## Investment Tiers

During the life of an investment, EIG expects that a company can and should move up in tiers based on active management. EIG has, and is willing to, invest across all three tiers as there is a key role for us to participate in each.




**"In our investment pipeline, we are always looking for investments that are attractive both from a financial risk/return perspective but also from a climate risk and emissions perspective. High-emitting assets can pose significant risks for us and we have different tools and strategies in place to mitigate these risks."**

**Peter Ramsumair**
SVP Investment Team
5+ years with EIG



## Required ESG Best Practices[1]

- ☑ Stated senior responsibility/ accountability for ESG risk (individual or group)
- ☑ Quantifying operational GHG emissions (Scope 1 and 2)
- ☑ Having a health and safety policy, program and/or procedures in place
- ☑ Having a cyber security policy, program and/or procedures in place
- ☑ Having internal and community grievance mechanisms in place
- ☑ Has or developing a DEI policy, program and/or procedures
- ☑ Has or developing plans linking management compensation to ESG performance
- ☑ Has or developing short and medium-term GHG emission reduction targets
- ☑ Has or developing plans to address or monitor ESG-related supply chain risk
- ☑ Has or developing methane measuring and monitoring
- ☑ Has or developing a water management plan that incorporates evaluation of water risk in water stressed areas

## ESG Review & Approval Process

### ESG Memo

For each applicable investment, the respective Investment Team, in collaboration with the ESG Team, will prepare an ESG Memo for ESG Committee review. The findings and analysis from due diligence are aggregated into a standardized memo that allows for easy comparison between investments. Each memo includes:

- Investment summary;
- ESG risks and opportunities;
- Risk mitigants;
- Company and fund-specific carbon metrics; and
- Other sector-specific ESG KPIs alongside industry and peer benchmarks.

### Recommendation & Approval

**ESG Committee Approval**
For each potential investment, the ESG Memo is presented to the ESG Committee for review and recommendation. Once an investment is deliberated, ESG Committee members vote to determine if significant ESG issues should be escalated to EIG's Investment Committee.

**Investment Committee Approval**
The ESG Memo, including ESG Committee votes, is included in the materials provided to the Investment Committee for review and approval. A summary of material ESG risks and mitigants are discussed in the final Investment Committee meeting.

1. Not all Required ESG Best Practices are applicable to all sectors, funds or accounts.
Note: Subject to client specific restrictions, EIG's ESG Policy and related procedures, reporting and due diligence processes apply to all investment decisions for all EIG-managed funds and accounts.

# Our Investors' ESG Priorities

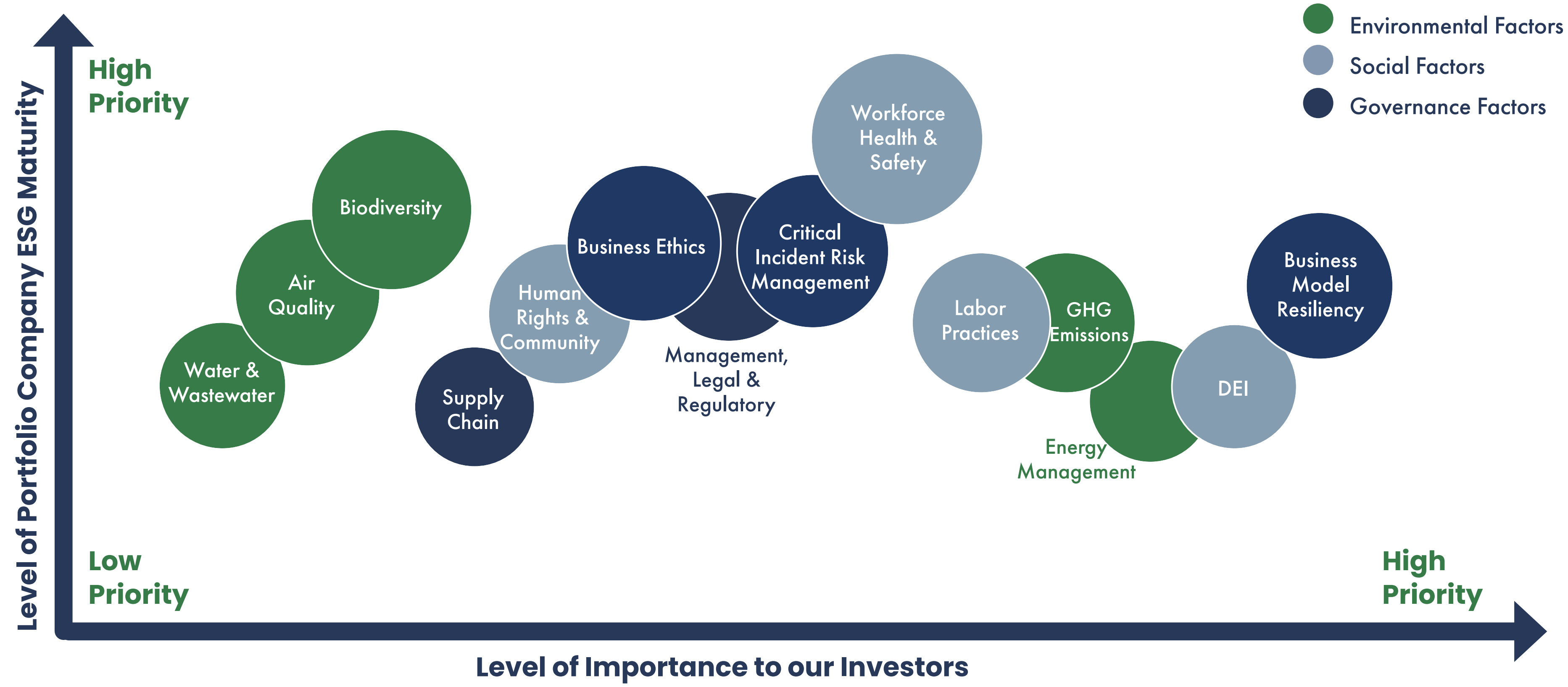
We strive to support and meet client expectations across all spectrums, including ESG-related risk management. Understanding investor perspectives, commitments, and strategies are important to developing our own ESG priorities. We work closely with investors to develop bespoke ESG solutions, including ESG targets, reporting formats, and fund monitoring of specific ESG topics. We engage with and report on ESG and climate-related matters to our investors in several ways, such as:

- Annual investor ESG Report
- Annual investor meeting
- Annual Public ESG Report
- Specialized ESG reporting for certain high-risk ESG companies
- Prompt written notice to investors upon awareness of any material ESG incident at a portfolio company where required
- Meetings to discuss ESG matters, both proactively and at investor request

## ESG Engagement with our Investors

EIG works closely with our investors to prioritize ESG initiatives and KPIs, especially as it relates to data collected across our portfolio companies; we provide KPIs via both public and private investor reporting, as well as via data requests from our investors.

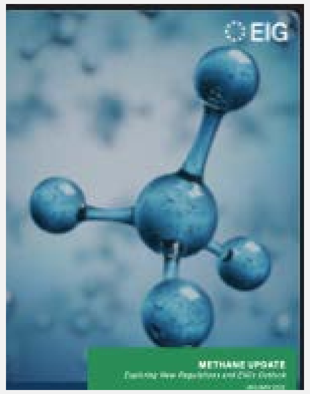
This graphic highlights both relative advancement of our portfolio companies' programs across our 14 key ESG factors and how relevant these factors are to our investors.[1]



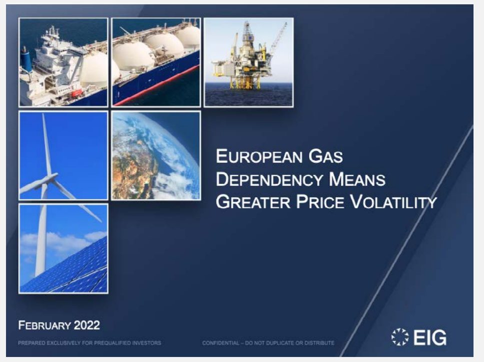

## Market Insight

To keep our clients informed of ESG-related developments that may affect their operations, we strive to provide educational papers and reports in addition to having calls to discuss certain topics.

We published two ad-hoc reports on significant market drivers in 2022:




*Methane Update: Exploring New Proposed Regulations and EIG's Outlook*



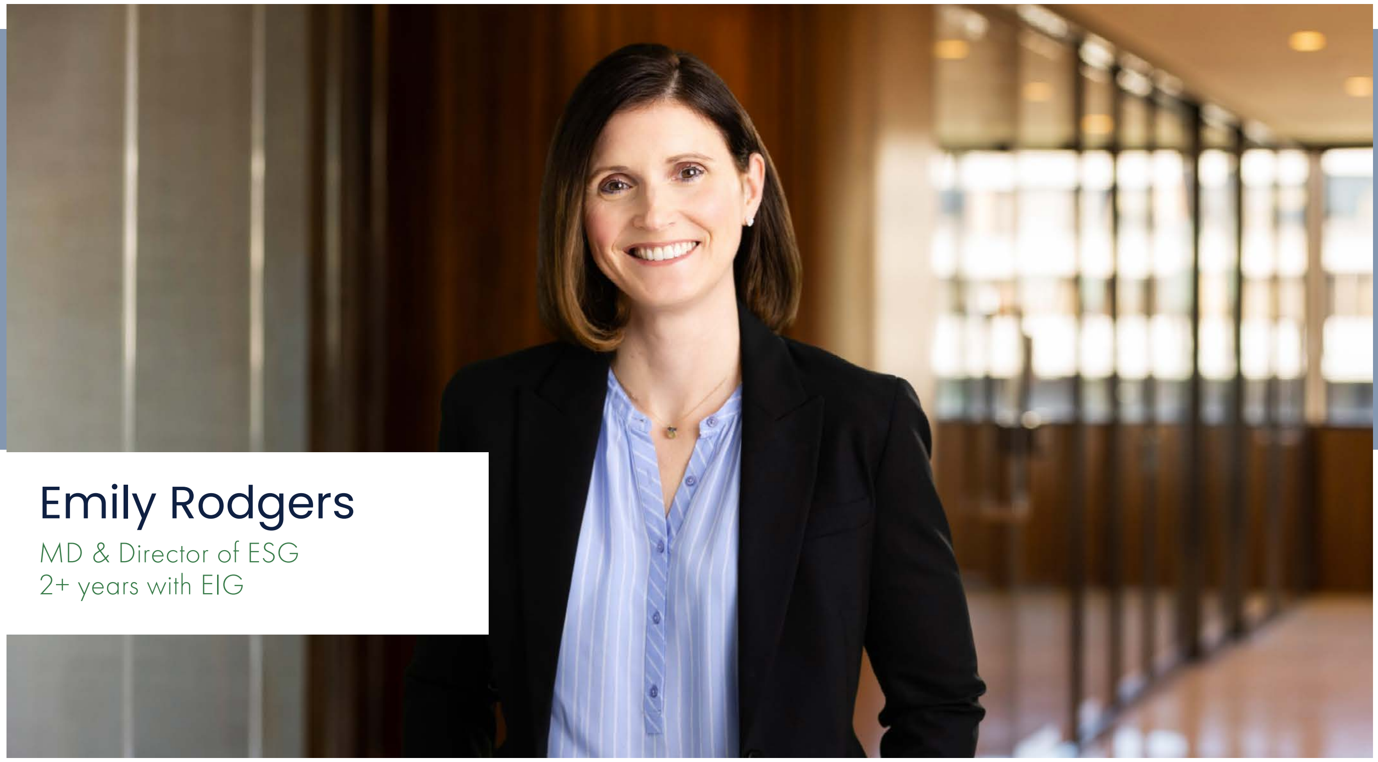

*European Gas Dependence Means Greater Price Volatility*

**"Our investors are very interested and knowledgeable in the energy markets and how our investments contribute to the energy transition. We engage with investors on a daily basis and it is clear that ESG is a key priority right now, especially the development of DEI and emissions related metrics."**

**Renee Davidovits**
SVP & Investor Relations Director
25+ years with EIG

1. EIG portfolio company survey for 2021. The 'Level of Portfolio Company ESG Maturity' is based on an assessment of how advanced each of the responding companies is in each of the 14 ESG categories averaged across all sectors. Investor priorities are based on more than 650 questions asked by EIG's current and prospective investors between 2020-Q2 2022, ranked from most commonly asked to least commonly asked.

# Portfolio ESG Performance



Emily Rodgers
MD & Director of ESG
2+ years with EIG

**We welcome you over the next several pages to take a look at some of the ESG performance trends we have seen across our portfolio. As you will note, we have developed a robust ESG data collection process that has informed multiple aspects of analysis.**

In regards to our financed emissions, we are assessing our current footprint and how this might shift over time given our commitment to the Paris Agreement and identification of targets and goals to reduce emissions. **Carbon analytics of a portfolio are complex and highly fluid given the constant state of investment deployment and exit in our industry.** At any moment in time, our carbon footprint encompasses unrealized investments; the next month that number could shift dramatically based on a new investment or realization. For these reasons, portfolio-wide year-over-year comparability is challenging and not necessarily representative of true trends, which is why we conduct more granular and targeted analytics on specific funds and investments.

The numbers outlined in this report represent a snapshot in time of unrealized investments as of year-end 2021 and 2020. Over that period, we noted a five percent reduction in operational emissions driven primarily by the realization of an investment in CCGT power investments. To somewhat offset this reduction, we noted an increase in Scope 2 emissions due to improved reporting of company data; in 2020 the estimates we conducted were underestimating the true value.

Despite a decrease in operational emissions, our full portfolio saw an increase in financed emissions by 14 percent. **Shifts in financed emissions could be caused by a number of interrelated factors; for example, operational activity could surge in a given year or an unforeseen event could reduce enterprise value of a portfolio company, driving financed emissions up or down respectively.**

Source: EIG data as of December 31, 2021.

> **"Ultimately we have two major levers to pull when evaluating options for emissions reduction across our investment platforms: portfolio construction and operational abatement of GHG emissions. We are keenly focused on both as key components of our strategy moving forward. "**

In our case, our 2021 investment in a highly efficient CCGT power plant and combined 49 MW battery in the U.K. was a major contributor to this increase. When comparing only those unrealized investments present in our portfolio in both 2020 and 2021, we saw a four percent decrease in GHG emissions from 2020 to 2021.

Ultimately we have two major levers to pull when evaluating options for emissions reduction across our investment platforms: portfolio construction and operational abatement of GHG emissions. We are keenly focused on both as key components of our strategy moving forward.

While we are highly attuned to our financed emissions, we are also assessing ways to reduce or offset EIG's operational footprint as well. As indicated on page 14, we are working to reduce our Scope 2 and business travel (Scope 3, Category 6) GHG emissions, and we are considering options for concrete targets to achieve further progress.

In addition to GHG emissions, we are also evaluating trends across other ESG KPIs at portfolio companies that may represent material risk and identifying opportunities for engagement and improvement. **Overall, we see many positive trends, particularly regarding social metrics such as the percent of women on Boards of Directors, hiring and turnover.** On the flip side, methane leak rate at our upstream companies increased in 2021 due to one company that reported an outlier value compared to our broader portfolio (without this datapoint methane leak rate would have decreased from 2020 to 2021). We are investigating the cause of this aberration.

Over time, as the quantity and quality of data that we gather improves, we expect our analysis and engagement with portfolio companies on potential risks and mitigants to improve. This work has become an essential part of investment underwriting and monitoring, and improves our ability to identify and manage risk across our portfolio. We consider these efforts prudent and strategic.

Emily Rodgers

# ESG Data Collection

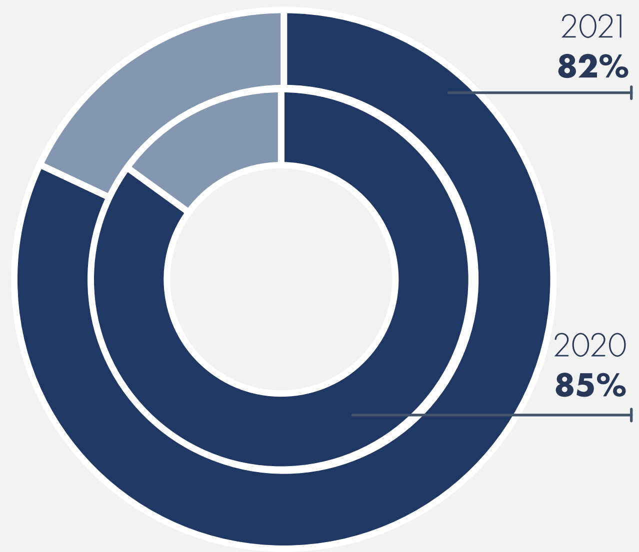
EIG assesses responses from our proprietary due diligence and portfolio monitoring ESG Questionnaire to determine the relative maturity of portfolio companies' ESG programs. The ESG Questionnaire and the resulting analysis are structured around 14 potentially material ESG factors[1]. The relevance of each factor and the questions asked of a potential investment or active portfolio company vary by sector.

In determining the overall ESG Maturity of each applicable portfolio company, EIG evaluates each ESG factor using the following categories:

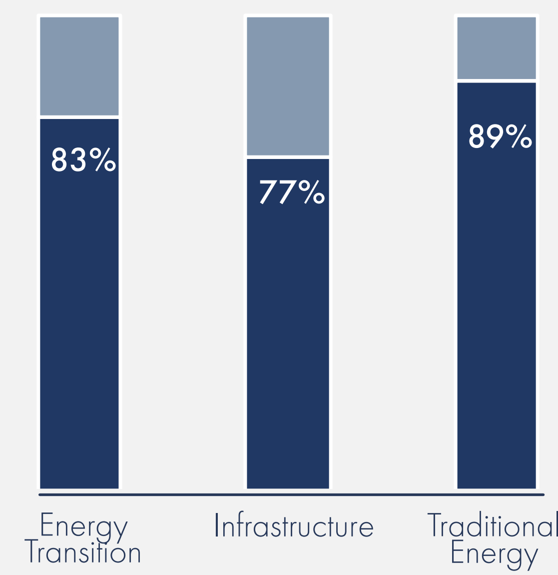
- **Policies & Programs:** considers whether a portfolio company has processes in place to identify and mitigate ESG risks for a particular ESG factor, and whether the ESG factor is incorporated into an enterprise risk management process;
- **Data Availability & Completeness:** considers whether a portfolio company tracks performance data and KPIs relevant to a particular ESG factor, and if the company discloses these data and metrics to investors;
- **Goals & Targets:** considers whether a portfolio company has or is developing targets or goals to manage a particular ESG factor, and if performance regarding the ESG factor is linked to executive compensation.

Once each applicable potential company is evaluated and scored using EIG's proprietary methodology, responses are aggregated to determine the overall ESG program maturity of each sector and across EIG's portfolio. **In the following pages, the ESG maturity is presented in a radar chart; a larger radar area represents a higher maturity score and a more developed ESG program for each assessed factor.**

### Portfolio Companies Response Rate




### Respondents by Strategy




# ESG Portfolio Maturity


Source: EIG annual ESG questionnaire. Company data as of December 31, 2021.

# Financed Emissions

PCAF

Financed emissions are the absolute emissions that banks and investors finance through their loans and investments. Reporting of financed emissions is becoming increasingly common, and PCAF provides the *PCAF Standard* to use in generating these metrics. **EIG was the first private equity firm to join PCAF in 2020**, and we reported our 2020 financed emissions publicly for the first time in 2021.

| Year | Operational Emissions | Scope 3 Category 11 *Upstream Sector* | Total Financed Emissions (tonnes) | Data Quality Score | Tonnes $CO_2e$/$M Invested |
|---|---|---|---|---|---|
| **2021** | 14,692,846 | 103,974,070 | 5,008,118 | 2.58 | 429 |
| **2020** | 15,466,309 | - | 4,322,539 | 2.76 | 346 |

### Scope 3 Emissions:

For 2021, EIG built upon its first year of disclosure by estimating the Scope 3 Category 11 (Use of Sold Products) emissions for our Traditional Energy investments consistent with the *PCAF Standard*. We intend to progressively expand the number of categories and sectors across our portfolio accounting for Scope 3 emissions over the coming years.

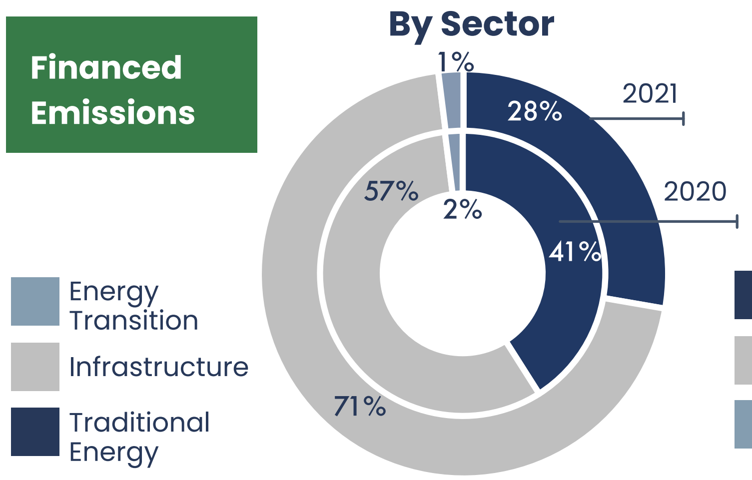
### Financed Emissions Trends

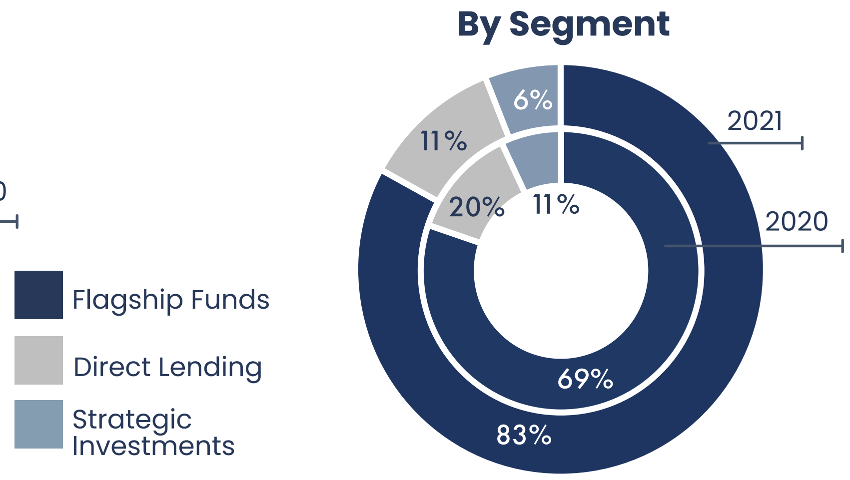
Although the aggregate operational emissions from EIG's private portfolio declined from 2020 to 2021, financed emissions increased by 17 percent in 2021. A change in financed emissions for a portfolio can occur for a number of reasons that have differing effects in the aggregate. Potential changes that can impact financed emissions include the addition or exit of portfolio companies, changes in portfolio company emissions, changes in a portfolio company enterprise value, and changes in emissions due to a company reporting emissions data that was previously estimated.

### Estimated Emissions

For those private portfolio companies from which EIG did not receive GHG emissions data directly, we estimated emissions based on historic data previously provided by the company, or by using a sector-specific approach. Due to a lack of publicly available emissions factors for 2021, EIG utilized internal expertise and industry data to generate emissions factors for the upstream and infrastructure sectors and corresponding emissions factors provided within the PCAF Emissions Factor Database[1] for power sector emissions estimates.

**Financed Emissions**




### Data Quality

In order to highlight the overall quality of data and reliance on emissions estimates in our financed emissions calculations, EIG produces a weighted average, portfolio level Data Quality Score, in accordance with the *PCAF Standard*. A score of 1 indicates high-quality, verified data, while a score of 5 indicates low-quality estimates based off financial activity data, such as per-unit-of-revenue factors.

EIG's Data Quality Score decreased in 2021, meaning that the data quality used to generate financed emissions improved. This improvement was accomplished through greater engagement with portfolio companies to encourage quantification and reporting of their GHG emissions inventories and the use of a more accurate, sector-specific approach to emission estimates. Because of our improved emissions factors and other enhancements to our methodology in 2021, we recalculated our 2020 emission metrics using the same methods to ensure year-over-year comparability.

**"Since first quantifying financed emissions in 2020, EIG has enhanced ESG engagements with portfolio companies and utilized internal energy industry expertise to improve both GHG data availability and the quality of emissions estimates, significantly improving the data we provide to investors."**

**Greg Dougherty**
ESG Associate
1+ year with EIG

Source: EIG annual ESG questionnaire. Company data as of December 31, 2021.
1. PCAF provides members with emissions factors derived from EXIOBASE, a Multi-Regional Environmentally Extended Supply-Use Table (MR-SUT) and Input-Output Table (MR-IOT), which provides sector- and regional-specific Scope 1 and Scope 2 emissions factors.

# Environmental Performance

### ESG Performance Highlights

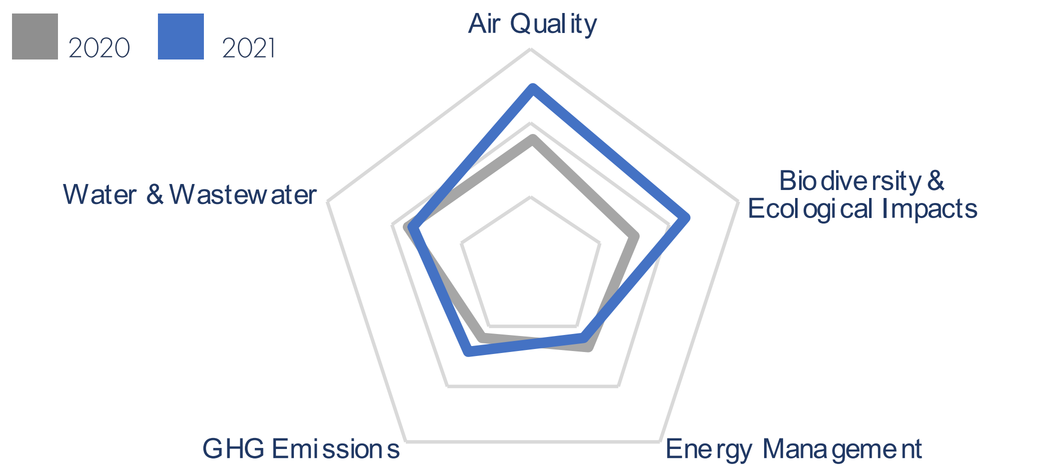
- **Scope 1 GHG Emissions** – EIG portfolio Scope 1 emissions, including reported and estimated emissions, declined approximately seven percent from 2020 to 2021.
- **Scope 2 GHG Emissions** – EIG portfolio Scope 2 emissions increased substantially in 2021 from 2020 due to increased reporting of Scope 2 emissions by our portfolio companies.
- **Hydrocarbon Spills** – The average number and volume of hydrocarbon spills reported by portfolio companies decreased significantly from 2020 to 2021 as many portfolio companies performed better and more companies reported zero spills in 2021.

### ESG Program Maturity

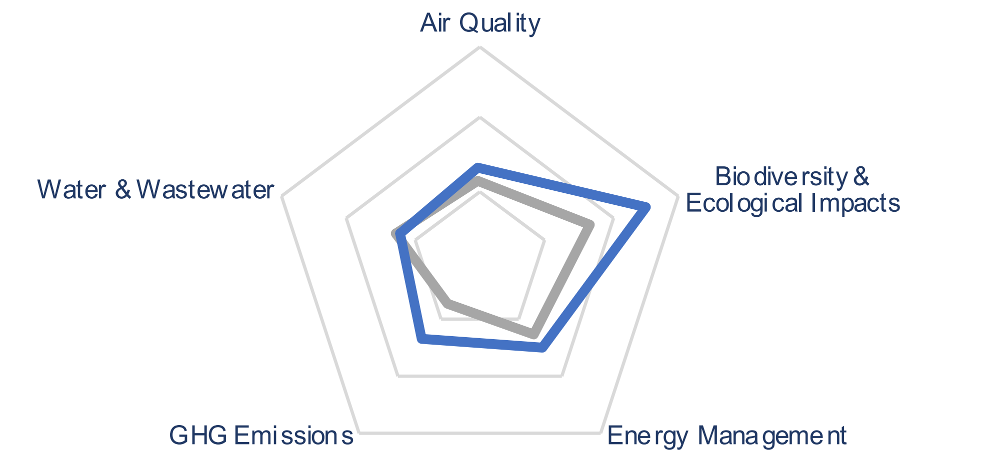
- **Policies & Programs** – EIG portfolio companies which responded had enhanced their policies and procedures regarding air quality and biodiversity from 2020 to 2021; however, the incorporation of policies and procedures regarding GHG emissions and energy management, which are key to energy industry emissions performance, continue to lag.
- **Data Availability & Completeness** – Most of EIG's applicable portfolio companies provided some basic data for the five environmental factors assessed, with biodiversity data being the most complete; EIG continues to work with portfolio companies to provide more environmental data, with a particular focus on GHG and other emissions.
- **Goals & Targets** – While many responding portfolio companies indicate having environmental targets or goals in place, very few portfolio companies have publicly disclosed these goals or targets or linked associated performance to executive compensation. Thus, the development of environmental targets and goals remains an area of improvement for EIG's portfolio companies.

| Key Performance Indicators - Environment | | 2020 | 2021 |
|---|---|---|---|
| GHG Emissions | Scope 1 (Tonnes $CO_2e$) | 15,367,510 | 14,307,949 |
| | Scope 2 (Tonnes $CO_2e$) | 98,799 | 384,897 |
| | Scope 3[1] (Tonnes $CO_2e$) | - | 103,974,070 |
| | Percent of portfolio with emission reduction targets | 44% | 46% |
| Methane Emissions | Average methane leak/loss rate[2] | 0.30% | 0.48% |
| | Average percentage of produced gas flared[3] | 3.3% | 0.9% |
| Ecological Impacts | Average number of annual hydrocarbon spills[3] | 13 | 7 |
| | Average volume of hydrocarbon spills[3] (bbl) | 384 | 102 |

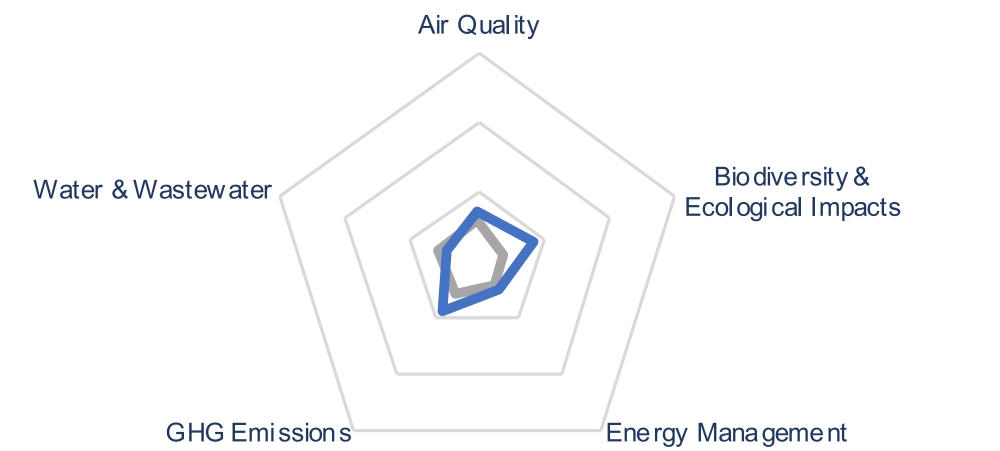
## Policies & Programs




## Data Availability & Completeness




## Goals & Targets




Note: A larger surface/radar represent a higher ESG maturity score for each factor.

Source: EIG annual ESG questionnaire. Company data as of December 31, 2021. Internal EIG analysis as of August 31, 2022.
1. Only included Scope 3 Category 11 (Use of Sold Products) emissions for the Traditional Energy sector; EIG started accounting for Scope 3 in 2021.
2. Only includes Traditional Energy sector.
3. Only includes Traditional Energy and Infrastructure sectors.

# Social Performance

## ESG Performance Highlights

- **Total Recordable Incident Rate (TRIR)** – Employee TRIR reduced significantly from 2020 to 2021, while contractor TRIR remained relatively flat.
- **Gender Diversity** – The gender diversity of applicable EIG portfolio company Board of Directors increased slightly in 2021 compared to 2020, and on average, approximately a quarter of the workforce in EIG portfolio companies are women.
- **Workforce Hiring and Turnover** – In 2020 and 2021, the workforce turnover within EIG's portfolio was around 15 percent; however, employee hiring within the workforce increased by six percent from 2020 to 2021 as many companies ramped up hiring after slowdowns due to the Covid-19 pandemic.

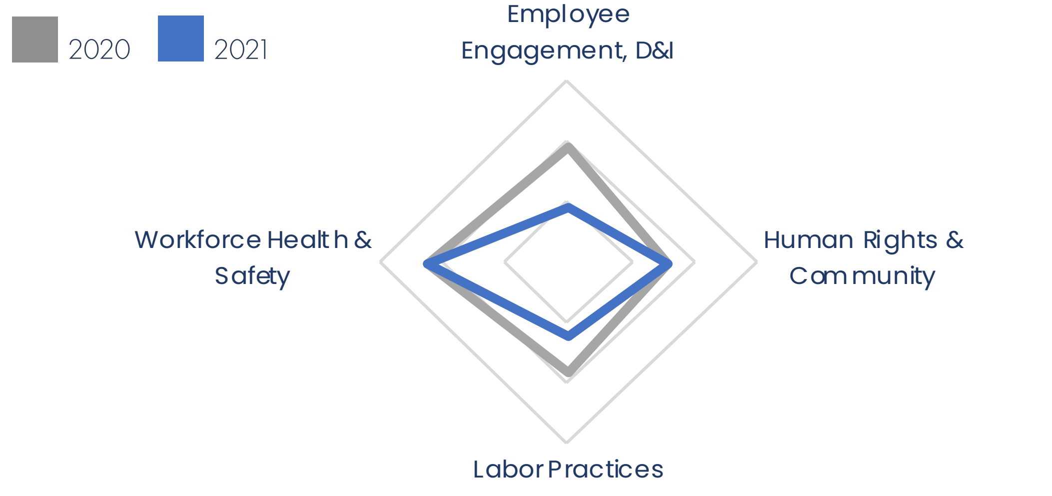
## ESG Program Maturity

- **Policies & Programs** – EIG portfolio companies that responded disclosed consistent implementation of Health & Safety and community-related processes and procedures in 2021 compared to 2020; however, due to changes in EIG's ESG Questionnaire and scoring methodology, portfolio companies scored lower in employee engagement and labor related policies and procedures in 2021 compared to 2020.
- **Data Availability & Completeness** – Most EIG portfolio companies provided basic data for the four social factors assessed, even as EIG expanded the number of questions asked within these factors in 2021 compared to 2020.
- **Goals & Targets** – A large majority of applicable portfolio companies reported having Health & Safety goals or targets in place in both 2020 and 2021; few companies, however, report having goals and targets for other social factors, which may be due to the evolving nature of these topics and uncertainty regarding the best KPIs to monitor for actionable targets.

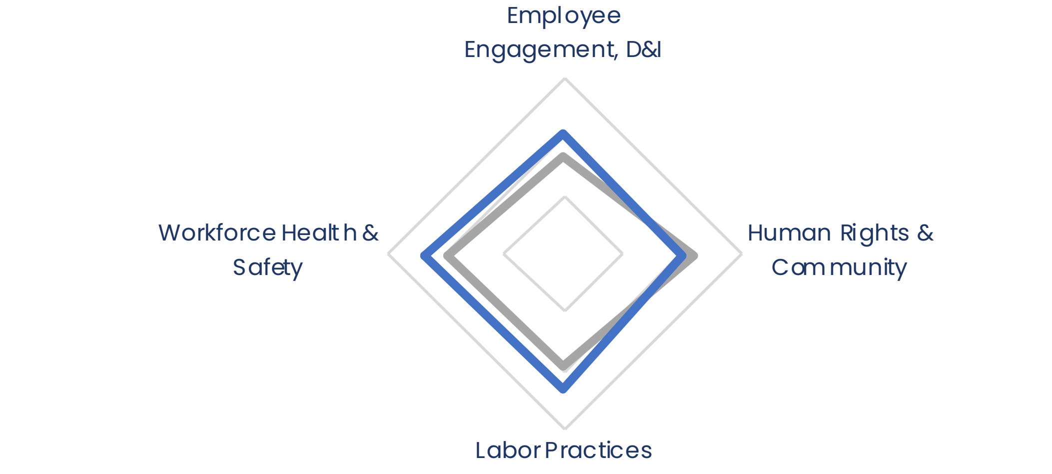
| Key Performance Indicators - Social | | 2020 | 2021 |
|---|---|---|---|
| Workforce Health & Safety | Employee TRIR | 0.53 | 0.16 |
| | Contractor TRIR | 0.39 | 0.41 |
| | Employee and contractor fatalities | 0 | 0 |
| | Average hours of Health & Safety training | 24.9 | 20.5 |
| | Women on the Board of Directors (as of 12/31) | 9.5% | 11.1% |
| | Women in the workforce (as of 12/31)[1] | - | 23.4% |
| | Portfolio companies reporting DEI incidents in the past 3 years | 9.1% | 14.3% |
| Employment | Workforce hired | 9.4% | 15.6% |
| | Workforce turnover | 15.3% | 14.5% |
| Community | Portfolio companies reporting a community grievance in the past 3 years[1] | - | 12.8% |

Source: EIG annual ESG questionnaire. Company data as of December 31, 2021. Internal EIG analysis as of August 31, 2022.
1. Data not requested for 2020 reporting year.

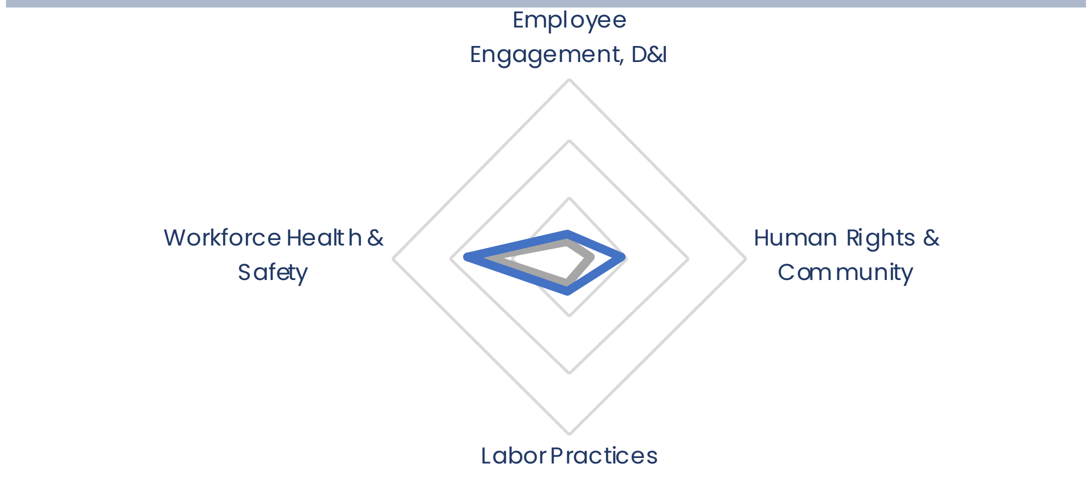
### Policies & Programs




### Data Availability & Completeness




### Goals & Targets




Note: A larger surface/radar represent a higher ESG maturity score for each factor.

# Governance Performance

### ESG Performance Highlights

- **Business Ethics** – The number of portfolio companies reporting a corporate ethics non-compliance incident in the past three years increased by 1.4 percent in 2021 compared to 2020.
- **Legal and Regulatory** – Portfolio companies reporting a monetary fine associated with ESG non-compliance declined by 3.2 percent in 2021 compared to 2020.
- **Executive Compensation** – The percentage of portfolio companies reporting ESG data or metrics linked to executive compensation increased for environmental factors in 2021, signaling an increasing focus on environmental performance; the decline in social and governance factors in 2021 was primarily caused by changes to EIG's ESG Questionnaire and scoring methodology for 2021 .

### ESG Program Maturity

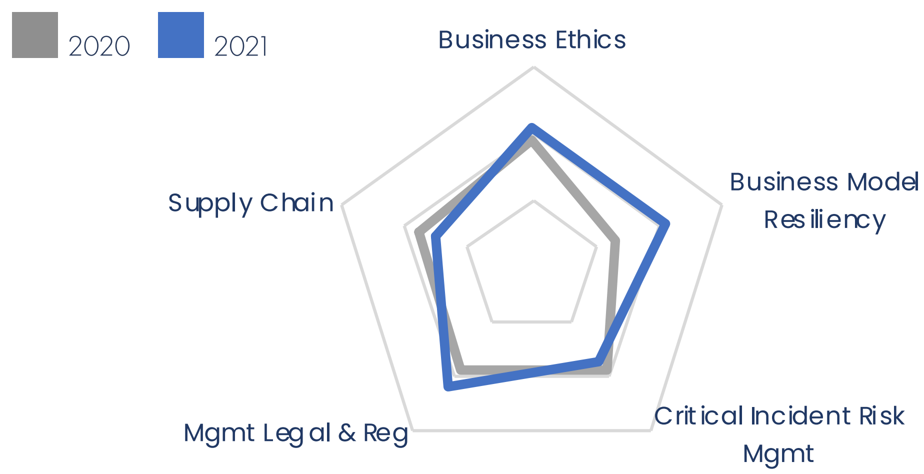
- **Policies & Programs** – The use of governance-related process and procedures, and the incorporation of governance factors into an enterprise risk management process, remained consistent among reporting EIG portfolio companies from 2020 to 2021.
- **Data Availability & Completeness** – The reporting of governance-related data improved significantly in 2021 compared to 2020 across four out of five governance factors; however, the reporting of supply chain data is still lagging and a key area for improvement.
- **Goals & Targets** – As with environmental and social factors, the implementation of governance-related targets within EIG portfolio companies is relatively low; as with social targets, few companies report having goals and targets for governance factors, which may be due to the evolving nature of these topics and uncertainty regarding the best KPIs to monitor for actionable targets.

### Key Performance Indicators - Governance

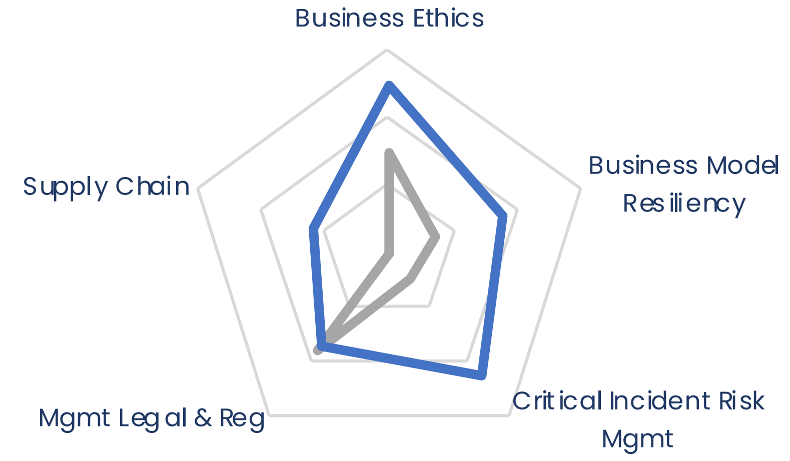
| | | 2020 | 2021 |
|---|---|---|---|
| **Business Ethics** | Portfolio companies reporting incidents of noncompliance associated with corporate ethics in the past three years | 6.1% | 10.7% |
| **Legal and Regulatory** | Portfolio companies that received a monetary fine related to ESG non-compliance | 9.1% | 7.1% |
| **Data Security** | Portfolio companies reporting a material cyber security breach in the past three years | 3.0% | 3.6% |
| **Supply Chain** | Portfolio companies conducting supplier audits that account for ESG performance[1] | - | 25.0% |
| **Executive Compensation** | Portfolio companies with ESG data or metrics linked to management compensation | 66.7% | 46.4% |
| | Portfolio companies with environmental metrics linked to management compensation | 30.3% | 35.7% |
| | Portfolio companies with social data or metrics linked to management compensation | 63.6% | 42.9% |
| | Portfolio companies with governance data or metrics linked to management compensation | 45.5% | 35.7% |

Source: EIG annual ESG questionnaire. Company data as of December 31, 2021. Internal EIG analysis as of August 31, 2022.
1. Question reworded in 2021; no data available for 2020 reporting year.

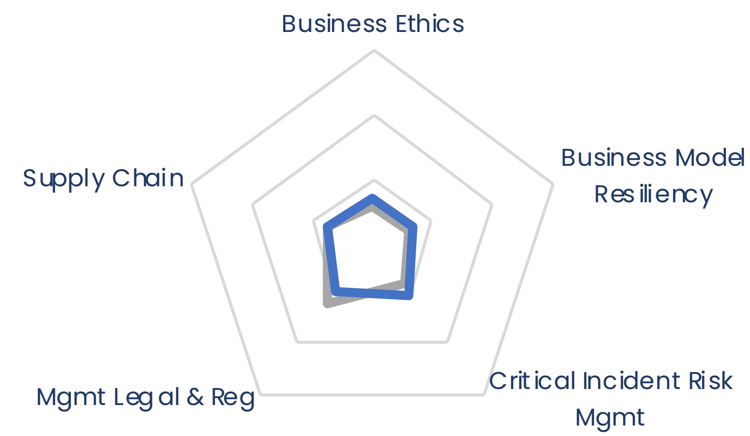
### Policies & Programs




### Data Availability & Completeness




### Goals & Targets




Note: A larger surface/radar represent a higher ESG maturity score for each factor.

# SELECTED EIG INVESTMENTS


Note: Asset review summaries are for illustrative purposes only and are not representative of all investments .made by EIG. Past performance is not a guarantee of future results.

# GNL QUINTERO

First investment in EIG's newest flagship strategy

**SECTOR**: Infrastructure
**ASSET TYPE**: Natural Gas/LNG
**LOCATION**: Chile

## Investment Summary:

GNL Quintero is the largest terminal for receiving, unloading, reloading, storage, and regasification of liquefied natural gas (LNG) in Chile. The company owns and operates key energy infrastructure enabling energy security as well as supporting Chile´s Net Zero decarbonization strategy by supplying natural gas, a fuel that allows for the uptake of renewables and the phasing out of coal. Because Chile does not have a significant domestic natural gas reserve, the Chilean Government has classified GNL Quintero as a "strategic company" for the service it provides. This investment builds on EIG's presence in the Chilean market, where the Firm owns Grupo Cerro, a groundbreaking solar complex that combines a 100MW photovoltaic (PV) plant with a 110MW concentrated solar power (CSP) plant. EIG also is a partner in AME S.p.A, a Chile-based project developer and independent power producer.

## Asset Overview:

- Operational since 2009
- Strategic location in Quintero Bay, supplying a diversified base of customers in central Chile across residential, commercial, industrial, transportation and power generation sectors
- Provides 75 percent of the country´s LNG regasification capacity
- Daily regasification capacity of 15 million m³, LNG storage capacity of 334,000 m³ and 2,500 m³ per day of truck loading capacity

## ESG Impact and Performance Highlights:

GNL Quintero is a high-impact investment that supports Chile's sustainable development goals including economic development and GHG emission reduction targets. The facility has quantified its Scope 3 emissions and 99 percent of its carbon footprint is attributable to Scope 3, Use of Sold Product GHG emissions, but at a lower intensity than similar facilities[1]. The company is additionally well-positioned to tap into the hydrogen market.

- 27 percent reduction in GHG emissions from 2017 to 2020
- Strong community outreach and engagement programs

| ESG POLICY | DEDICATED ESG TEAM | TRIR | SENIOR LEADERSHIP GENDER DIVERSITY | BOARD GENDER DIVERSITY |
|---|---|---|---|---|
| YES | YES | 1.42 | 18% | 14% |

# PEARL PIPELINES

A critical piece of the world's energy infrastructure

**SECTOR:** Infrastructure
**ASSET TYPE:** Pipeline
**LOCATION:** Saudi Arabia

## Investment Summary:

Aramco Oil Pipelines Co. is a critical piece of the world's energy delivery infrastructure. In April 2021, EIG acquired a 49 percent stake in a new entity that partners EIG with Aramco in a joint venture, Pearl Pipelines, controlling Aramco's crude oil pipeline network. This JV features contractual obligations of Aramco to produce minimum volume commitments on the network for a 25-year term. The total enterprise value of the joint venture was $25 billion at the time of closing.

## Asset Overview:

- Includes all of Aramco's existing and future stabilized crude pipelines in the Kingdom of Saudi Arabia, connecting oilfields to downstream networks
- Transports one of every eight barrels of crude produced globally[2]

## ESG Impact and Performance Highlights:

Strategically, Aramco's significant footprint, low-cost production and low carbon intensity make it likely to be the leading crude supplier for decades to come while marginal suppliers fall away as the energy transition takes further hold globally.

- Aramco is one of the lowest emissions per barrel producers in the world
- In the spring of 2022, EIG's ESG Team met with Aramco's Senior Leadership in Dahran to discuss ESG management, decarbonization and future sustainability initiatives
- EIG signed an MoU with Aramco in June 2022 to collaborate on future investment opportunities, especially within new energy technologies such as battery storage and hydrogen production

| ESG POLICY | DEDICATED ESG TEAM | TRIR[3] | SENIOR LEADERSHIP GENDER DIVERSITY[3] | BOARD GENDER DIVERSITY |
|---|---|---|---|---|
| YES | YES | 0.05 | 3% | 9% |

*Source: EIG's annual ESG questionnaire. Company data as of December 31, 2021, unless otherwise noted.*

1. Internal EIG analysis and third-party consultant review, as of August 31, 2022.
2. www.pearlpipelines.com (20220820). Saudi Aramco's crude oil production accounted for approximately 1 in every 8 barrels of crude oil produced globally from 2016 to 2020, based on data from the US EIA.
3. Aramco data, not specifically for Pearl Pipelines. https://www.aramco.com/-/media/downloads/sustainability-report/saudi-aramco-sustainability-report-2021-en.pdf (20220820).

# AVANTUS

Clean energy for more than 30 million people

**SECTOR:** Energy Transition
**ASSET TYPE:** Solar & Battery Storage
**LOCATION:** United States

## Investment Summary:

Avantus (formerly 8minute) is a top-tier private U.S. utility-scale solar and battery storage developer and technology leader with a pipeline exceeding 42 GW of PV solar and 78 GWh of battery storage. The company recently expanded its scope beyond solar development to include an advanced ecosystem of clean energy products, services and technologies. EIG signed a preferred equity investment in mid-2021 to fund additional company growth. The management team has a proven track-record of delivering large, technologically advanced projects.

## ESG Impact and Performance Highlights[1]:

The clean energy capacity that Avantus currently has in development is enough to provide power for more than 30 million people. The company designs and engineers efficient and optimized solar power plants with a focus on reducing electricity costs and improving grid reliability.

- Low emissions
- Strong governance practices
- Executive and senior management gender diversity in 2021: 44 percent
- Landowner outreach programs and support of community development initiatives

## Asset Overview:

- Founded in 2009 and one of the leading U.S. renewable energy developers focused on utility-scale solar and battery storage in California, Texas and the Southwestern USA
- Successful track record with 16 utility-scale assets delivered to date (~2 GW)
- Currently one of the largest development pipelines in the U.S., with 42 GW of solar coupled with 78 GWh of energy storage under development
- Notable high-profile projects include the largest U.S. solar cluster, Mt. Signal (~800 MW), and PPA price record-setting Eagle Shadow Mountain
- Primary clients include large utility and infrastructure buyers
- Large and creditworthy offtakers with PPAs currently executed or under negotiation

| ESG POLICY | DEDICATED ESG TEAM | TRIR | SENIOR LEADERSHIP GENDER DIVERSITY | BOARD GENDER DIVERSITY |
|---|---|---|---|---|
| YES | YES | 0 | 44% | 0% |

# PRUMO LOGÍSTICA

Largest private port in Brazil

**SECTOR:** Infrastructure
**ASSET TYPE:** Port
**LOCATION:** Brazil

## Investment Summary:

Prumo Logística is among the world's leading port complexes and is located in proximity to Brazil's pre-salt oil and gas fields and 'Iron Quadrangle' mining region. The company operates as the umbrella of six subsidiaries critical to Brazil's oil & gas, power, and bulk commodities industries. The company has been in EIG's investment portfolio since 2013 and has an excellent ESG track record.

## ESG Impact and Performance Highlights[2]:

In addition to being critical infrastructure to the oil and gas and mining industries in Brazil, Prumo is developing to be a leading complex in support of the energy transition.

- The Port of Açu and Shell have signed an MoU to build a 100MW green hydrogen plant at the Port, the first of its kind in Brazil
- Establishment of Reserva Caruara, 40 square kilometers of protected land encompassing a reforestation program of 200,000 seedlings per year
- Dedicated Marine Turtle Program, which has returned one million turtles to the sea; recipient of the 2021 World Sustainability Award from the International Association of Ports (IAPH)
- ESG-focused corporate goals, with a focus on local development and social engagement, which influence the variable remuneration of the entire company

## Asset Overview[2]:

- Located in the southeast region of Brazil responsible for 54 percent of country GDP
- The Port of Açu has the third largest iron ore terminal in Brazil
- Largest crude oil export terminal in Brazil, accounting for over 25 percent of Brazilian crude exports
- The Port of Açu houses the largest thermal power park in Latin America and has the largest offshore oil and gas support base in the world

| ESG POLICY | DEDICATED ESG TEAM | TRIR | SENIOR LEADERSHIP GENDER DIVERSITY | BOARD GENDER DIVERSITY |
|---|---|---|---|---|
| YES | YES | 0 | 35% | 13% |

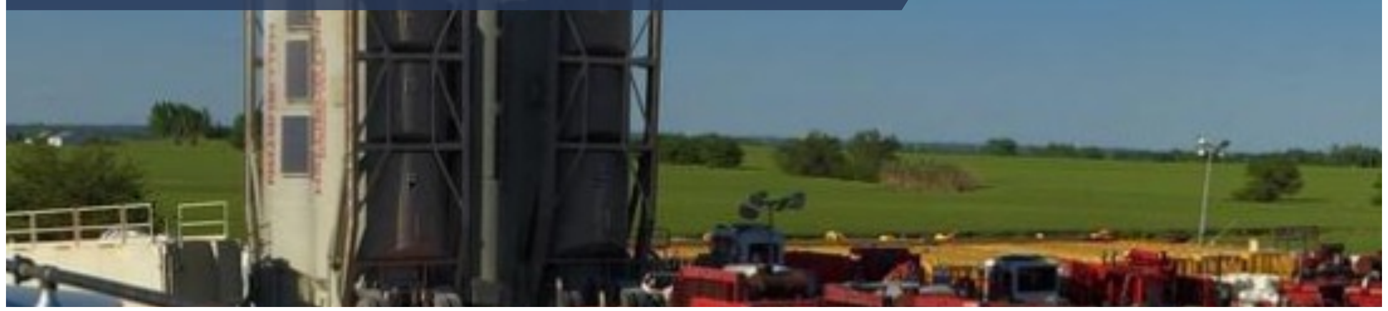
*Source: EIG's annual ESG questionnaire. Company data as of December 31, 2021, unless otherwise noted.*

1. www.avantus.com (20220920).
2. www.prumologistica.com.br (20220822); EIG analysis and third-party consultant review.

# CITIZEN ENERGY

Upstream developer in the United States

**SECTOR:** Traditional Energy
**ASSET TYPE:** Oil E&P
**LOCATION:** United States



**Investment Summary:**
Citizen Energy is a private oil and gas exploration and production company focused on acquisition and development opportunities in the Anadarko Basin of Oklahoma. The Company operates oil, gas and water gathering assets as well as a cryogenic processing plant used to service the Company's operated wells. EIG closed its debt investment with the company in 2022.

**Asset Overview:**
- ~325,000 net acres located in the Merge, SCOOP and STACK plays
- Average daily production of 84 Mboe (40 percent liquids) from more than 1,700 producing wells (647 of which are operated)

**ESG Impact and Performance Highlights:**
EIG rigorously assessed this investment and retained two well-known ESG consulting firms to support diligence. One firm was focused on performing a detailed assessment of operated facilities to identify opportunities for emission reductions; the other performed an ESG screening to identify material environmental and ESG matters relevant to company operations and supply chain.

- No significant ESG-related risks were identified through due diligence or site visits, and overall ESG performance was in-line if not favorable compared with best practice
- Carbon intensity metrics are lower than other upstream operators in the basin

| ESG POLICY | DEDICATED ESG TEAM | TRIR | SENIOR LEADERSHIP GENDER DIVERSITY | BOARD GENDER DIVERSITY |
|---|---|---|---|---|
| YES | YES | 1.25 | 25% | 12.5% |

# OPDENERGY

Global renewable energy company

**SECTOR:** Energy Transition
**ASSET TYPE:** Solar & Wind
**LOCATION:** Spain

**Investment Summary:**
Founded in 2005, OPDEnergy (OPDE) is a Madrid-based renewables company that develops, builds and operates solar PV and onshore wind plans. OPDE has a platform of assets with a total gross installed capacity of 1.3 GW in operation and under construction. EIG has invested in three separate transactions with OPDE, the first in 2018 and the most recent in July 2022 when EIG and affiliated investors closed on a corporate debt facility to refinance existing debt and fund additional growth.

**Asset Overview:**
- 11 GW portfolio of pipeline projects at different stages of development
- Secured more than 2.6 GW of PPA contracts in different countries with investment grade off-takers
- Plays an important role in the decarbonization of energy in countries of operation: Europe (Spain, Italy, United Kingdom, France and Poland), the U.S., and Latin America (Chile, Mexico and Colombia)

**ESG Impact and Performance Highlights:**
In 2022, OPDE issued a green bond which will benefit from positive OPDE corporate ESG performance.

**Key Impact**[1]
- Uses GRI (Global Reporting Initiative) as a methodology to conduct materiality analysis as a basis for the Sustainability Master Plan that sets out an ESG roadmap for 2022-2025
- Integrated management system per accredited certifications: ISO 9001 and ISO 14001
- In 2021, the company reduced energy consumption in projects by three percent compared to 2020
- Total avoided emissions in 2021: Operational projects: 155,096 ($tCO_2e$/year); Commissioned projects: 5,518,849 ($tCO_2e$/lifetime)

| ESG POLICY | DEDICATED ESG TEAM | TRIR | SENIOR LEADERSHIP GENDER DIVERSITY | BOARD GENDER DIVERSITY |
|---|---|---|---|---|
| YES | YES | 0.77 | 29% | 43% |

*Source: EIG's annual ESG questionnaire. Company data as of December 31, 2021, unless otherwise noted.*

1. https://opdenergy.com/wp-content/uploads/2022/06/Sustainability_Report_2021_Opdenergy_EN.pdf (20220820).

# APPROACH TO CLIMATE CHANGE

# Position on Climate Change

Climate change represents a tangible threat to populations worldwide and the viability of global economies and businesses susceptible to its physical, market and regulatory ramifications of climate change. As a capital provider to the global energy and infrastructure sectors, EIG is committed to not only understanding and evaluating these risks, but also investing in opportunities that combat climate change and contribute to a decarbonized global economy over time. Since 2019, we have focused on collecting data and engaging with our portfolio companies to understand exposure and vulnerability to potential climate risks, mitigation actions and plans, and business preparedness for success in a low-carbon economy. Supportive of our approach to climate change, we commit to the following:

### Quantification of our GHG Emissions:

- Tracking of emissions data for EIG and our investments, during diligence and annually thereafter
- Urging portfolio companies to implement programs that measure actual methane emissions, improve operational performance, and quantify GHG emissions and reductions

### Reporting of GHG Emissions:

- Publicly disclosing GHG emissions of our loans and investments per the *PCAF Standard*
- Continuing to support the TCFD and seeking to incorporate TCFD-related objectives in our annual public report to enhance delivery of transparent information about climate-related risks to our portfolio to our investors

### Paris Agreement Alignment:

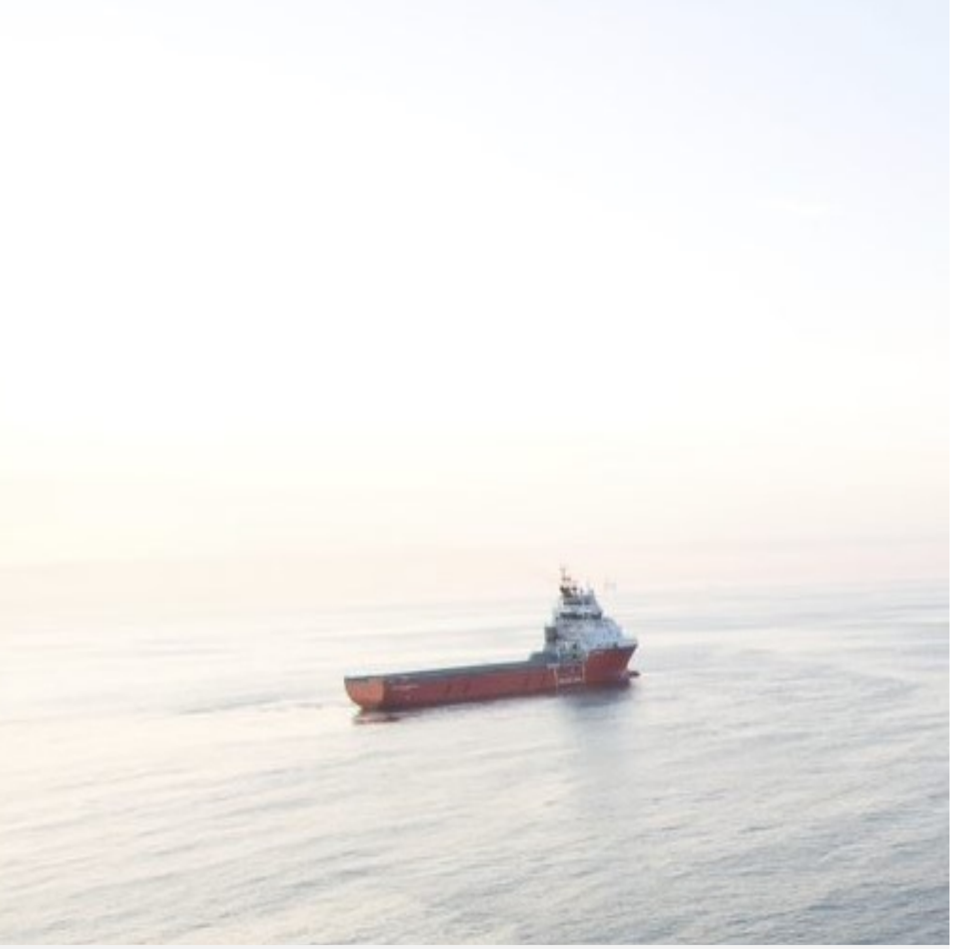
- Through our commitment to PCAF and by implementing the aforementioned commitments, seeking to enable alignment of our private portfolio with the Paris Agreement. Critical to this endeavor is deploying capital to projects that contribute to the energy transition and are like-minded in their views on identifying and mitigating climate risk

## TCFD Assessment

EIG aims for transparency and engagement with our investors and stakeholders on our entire risk profile, including how climate risks may affect the financial position of our portfolio companies, ourselves as an asset manager, and our investors. In 2022, EIG became a supporter of TCFD, and the following pages reflect our initial effort to provide recommended disclosures per the four TCFD pillars: Governance, Strategy, Risk Management and Metrics & Targets.

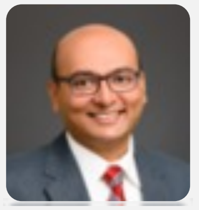
We are continuing to develop our implementation of TCFD recommendations and will endeavor to identify, assess and manage our most material climate-related risks as we enter and exit investments. We will refine and improve on this reporting as our program progresses.


Source: https://www.fsb-tcfd.org/



**"The impact from a changing climate can and will have real, tangible financial impact on assets in which we invest. Climate risk can affect portfolio companies' balance sheets, and cause increased expenses, reduced profits, diminished asset valuation and premature write-offs leading to lower returns for our investors. Our strategy is to have a varied set of exposures, geographies, sectors and asset types to diversify and reduce risk. We are seeing many new technologies and investment opportunities that will contribute to both further diversifying our portfolio and our decarbonization efforts."**

**Pinal Parekh**
MD & Chief Financial Officer
6+ years with EIG



# TCFD Assessment

## Governance

Our **Executive Committee** is our highest governing body with responsibility for Firm strategy including oversight of all risks that can have short and long-term impacts. Climate and ESG-related risks and strategies are typically discussed at these quarterly meetings.

The **Investment Committee** is responsible for overseeing climate-related targets that have been set at the fund-level. Fund-related targets linked to financial incentives will undergo independent review as part of our annual assurance process.

Our **ESG Committee** reviews climate and ESG-related diligence and assesses all new investments before they receive final Investment Committee approval. The ESG Committee is also responsible for identifying strategic ESG initiatives and evaluating relevant ESG topics for further discussion at the Executive Committee.

**Potential Area for Future Focus:**

- Development of a TCFD Workgroup

ESG Governance p. 12
ESG Training p. 13

## Risk Management

We believe it is important to fully understand the ESG and climate risks facing each company in which we invest. An incomplete understanding of these risks can result in over or under-valuation of an opportunity. We have a robust **due diligence process** and tools to understand and address these risks for applicable investments.

The first step in identifying risk is through our **list of excluded sectors** that we will not invest in due to inherent market, reputational and climate risks. Early in our diligence process, we evaluate an applicable potential investment's carbon footprint with an eye towards alignment with the Paris Agreement. In many instances, we negotiate into deal documents terms, covenants, and reporting language related to ESG topics. We seek to mitigate identified risks via these tools to ensure engagement and progress from applicable portfolio companies in management of their climate risks.

We perform annual portfolio monitoring to track performance trends and outliers that may require attention. Engagement with portfolio companies is an essential way for us to have direct two-way dialogue to increase attention to and mitigation of climate risks.

**Potential Area for Future Focus:**

- Physical climate risk assessment for high-risk portfolio assets

ESG Integration & Diligence p. 17
Diligence Tools p. 18

## Strategy

EIG invests in a variety of sectors, each of which carries its own risks and opportunities. EIG defines short term as two to three years, medium term as five to eight years and long term as 10 to 15 years. Most of our funds have a lifetime of roughly 10 years and individual private investments have an average lifetime of five years or less.

Climate-related risk may vary for an individual investment depending on sector and geography. This risk can be passed on to EIG and our investors if not appropriately identified and managed. For example, at a natural gas processing investment, stranded production due to regulatory shifts may reduce throughput, profits, the value of the company, and ultimately the returns on our fund. Other financial impacts to EIG may include difficulties in loan facilities and associated underwriting for corporate liquidity; our credit strategy could experience a default or repricing risk if we are not carefully assessing and mitigating climate related risk across our portfolio to ensure a sound financial position for the Firm.

With these potential impacts in mind, we are focused on the metrics that we track during diligence and annually to avoid any such negative impact to our investments and, ultimately, our Firm and our investors. During investment due diligence, we also typically hire third-party advisors to help us identify potential market, regulatory, physical, and reputational risks associated with climate change so that we can sufficiently incorporate these risks into our valuation if necessary and develop mitigants.

**Potential Area for Future Focus:**

- Assessing an internal price of carbon

Strategy & Impact p. 33
TPI Scenario Analysis p. 34

## Metrics/Targets

One of the core tenets of our ESG program is that we are data-driven in all that we do. All applicable prospective portfolio companies, and existing portfolio companies on an annual basis, are required to complete our ESG Questionnaire, whereby we assess ESG performance, and specifically carbon metrics. We evaluate carbon metrics for each applicable individual investment, sector, fund, and portfolio, and now require all new investments to quantify and report their Scope 1 and 2 GHG emissions.

In addition to supporting and encouraging our portfolio companies to set targets and goals related to emissions reductions with tied compensation structures, we have implemented **carbon targets for certain funds**, some of which are financially incentivized. For one strategy, if we do not meet our carbon targets, we will forfeit 25 percent of our carried interest to our investors. Development of and compliance with these targets requires a great deal of data analysis and partnership among teams across our Firm and with external consultants.

**Potential Area for Future Focus:**

- Evaluation of further target and goal setting

Financed Emissions p. 22
Key Data & Metrics p. 23-25

Note: Subject to client specific restrictions, EIG's ESG Policy and related procedures, reporting and due diligence processes apply to all investment decisions for all EIG-managed funds and accounts.

# Climate Strategy & Financial Impact

EIG is exposed to climate risk, both physical (acute and chronic), and transitional (regulatory, market and reputational). From an investment perspective, portfolio companies that have not prudently assessed and mitigated material climate risk may inadvertently pass that risk on to investors in the form of reduced profits and ability to maximize returns. From a market perspective, shifting priorities of our investors may influence how capital is allocated. To be prepared for a low-carbon economy, we must be anticipating and preparing for these types of risk to ensure our continued ability to raise and deploy capital.

## Potential Material Climate Risks for EIG and Our Stakeholders

- **Physical climate risk:** Severe weather-related events such as wildfires and flooding can cause property damage and operational interruptions for our portfolio companies and their supply chains. Additionally, chronic climate risk due to rising sea levels and global temperatures may be a risk across all sectors, as well as long-term infrastructure investments

- **Regulatory risk:** Regulatory and policy developments pertaining to ESG and climate change are rapidly evolving in North America and Europe, some of which may have significant operational cost and revenue implications for portfolio companies

- **Market risk:** Global momentum around climate change and Net Zero ambitions may shift consumer preferences and impact demand for certain types of technologies and energy systems, thereby affecting commodity and power prices; these macroeconomic shifts may impact investable potential of different types of opportunities and financially distress our portfolio companies

- **Reputational risk:** Investors and potential investment opportunities may have changing perceptions of EIG's contribution to or detraction from energy transition that could reduce opportunities for us to attract, maintain, and deploy capital with preferred partners

## Financial Impact of Potential Climate Risks – A Few Examples

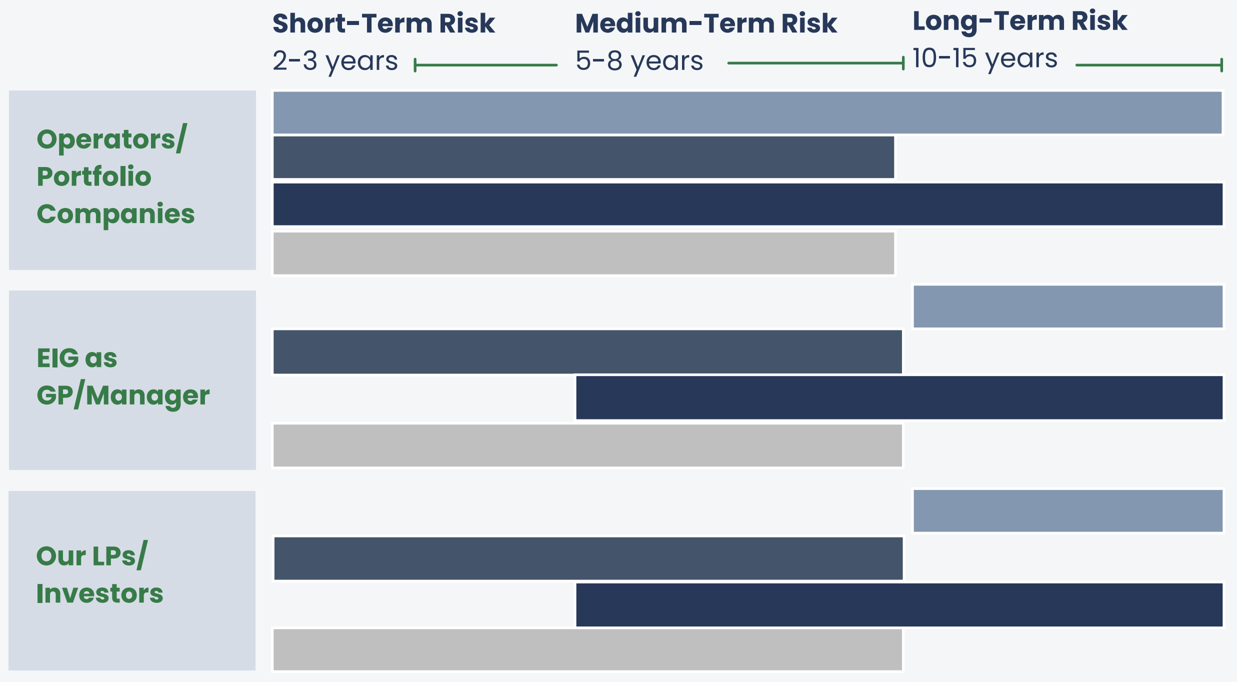
- A stranded asset in a portfolio company due to climate regulation may reduce the investment's market value, potentially leading to lower returns for fund investors, and challenged exit circumstances

- EIG may have difficulty securing asset-backed leverage facilities due to perceived portfolio climate risk and inability of EIG to manage climate risk

- Increased scrutiny due to enhanced regulatory and legislative frameworks may lead to compliance burdens and associated costs if not appropriately managed

- Sales of existing assets may become more difficult or present lower returns than expected if there are unidentified and unmitigated climate-related risks associated with an investment

## Climate Risk Impact
**EIG Stakeholders**




## Climate Risk Impact
**Sectors**

Low Risk | Moderate Risk | High Risk

| | | Power Renewables | Power Gas | Infrastructure | Traditional Energy |
|---|---|---|---|---|---|
| Physical Risks | Acute | Moderate Risk | Moderate Risk | Moderate Risk | Moderate Risk |
| Physical Risks | Chronic | Moderate Risk | Moderate Risk | Moderate Risk | Moderate Risk |
| Transition Risks | Regulatory | Low Risk | High Risk | Moderate Risk | High Risk |
| Transition Risks | Market | Moderate Risk | Moderate Risk | Moderate Risk | Moderate Risk |
| Transition Risks | Reputational | Low Risk | Moderate Risk | Low Risk | High Risk |

Note: Internal EIG analysis as of August 31, 2022.

# Approach to Net Zero

The Intergovernmental Panel on Climate Change (IPCC) defines Net Zero as the point when "anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period.[1] In practice, Net Zero means to reduce Scope 1, 2, and 3 GHG emissions via global or sector-based pathways in order to limit global warming to 1.5° C degree above pre-industrial levels. To meet this goal, scientists have determined that global $CO_2$ emissions must meet Net Zero by 2050.

EIG continues to evaluate options and pathways to align our portfolio with Net Zero. Net Zero ambitions for private equity firms are complex due to the short lifetime of a fund (less than 10 years) and its investments (less than five years). Furthermore, it is challenging to predict how our portfolio will look 20 to 30 years from now. As a first step, we have begun to set Paris-aligned targets for specific funds, and we continue to evaluate improved and additional ways to consider target setting across our broader portfolio and for EIG. **Initial efforts have been a cultural game-changer for EIG; our carbon metrics are now a key evaluation criteria for any applicable potential investment.**

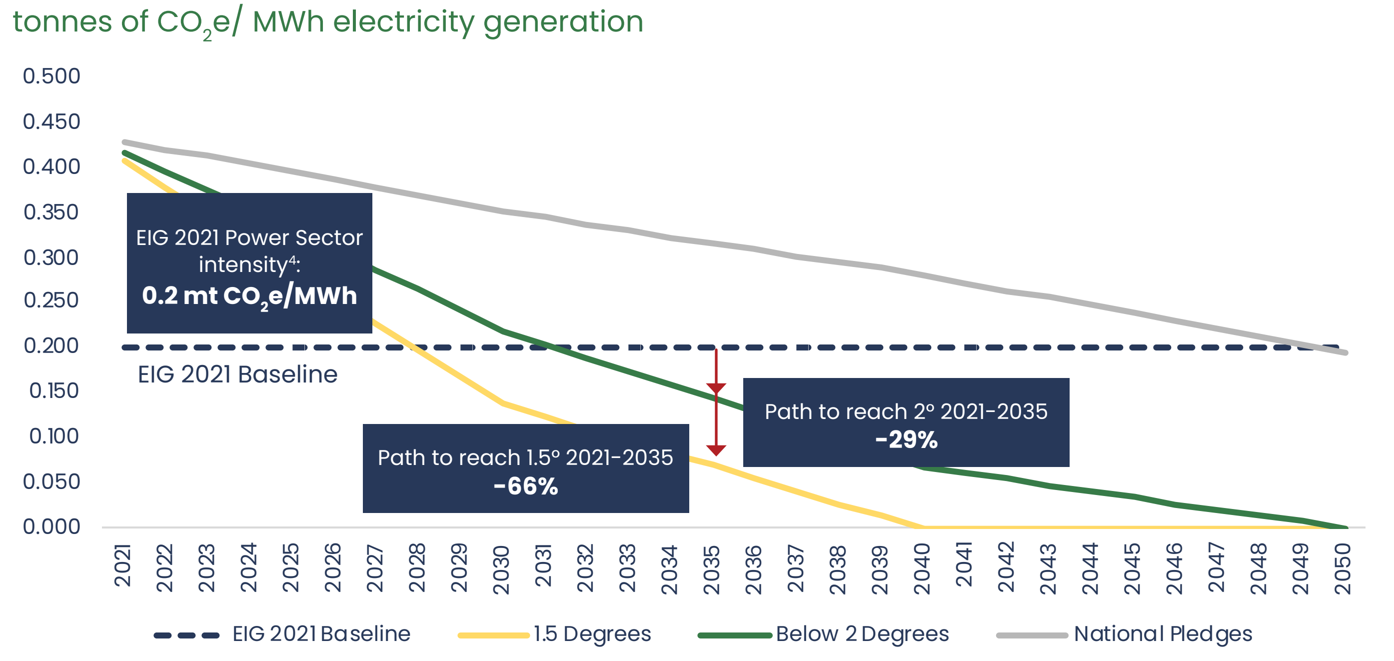
In our 2021 ESG Questionnaire distributed to applicable portfolio companies, we added a Net Zero Scorecard that had a 57 percent response rate[2]. Most respondents met some criteria to qualify for being 'Aligned with Net Zero' per the Institutional Investors Group on Climate Change (IIGCC) Net Zero Investment Framework Implementation Guide by having emissions intensity disclosure relative to targets, a set climate strategy, and/or being aligned with and on track to remain profitable in a Net Zero economy.

The tables below are illustrative of the Transition Pathway Initiatives (TPI) Sectoral Decarbonization Pathways for the Power and Oil and Gas sectors[3]. In order for EIG's power sector portfolio (including renewable generation) to be aligned with a 2.0° C to a 1.5° C scenario, its emissions intensity would need to drop between 29 and 66 percent before 2035 using our 2021 baseline[2]. For our Upstream sector portfolio, the respective needed emissions intensity reduction would be between 35 to 54 percent over the same time period.

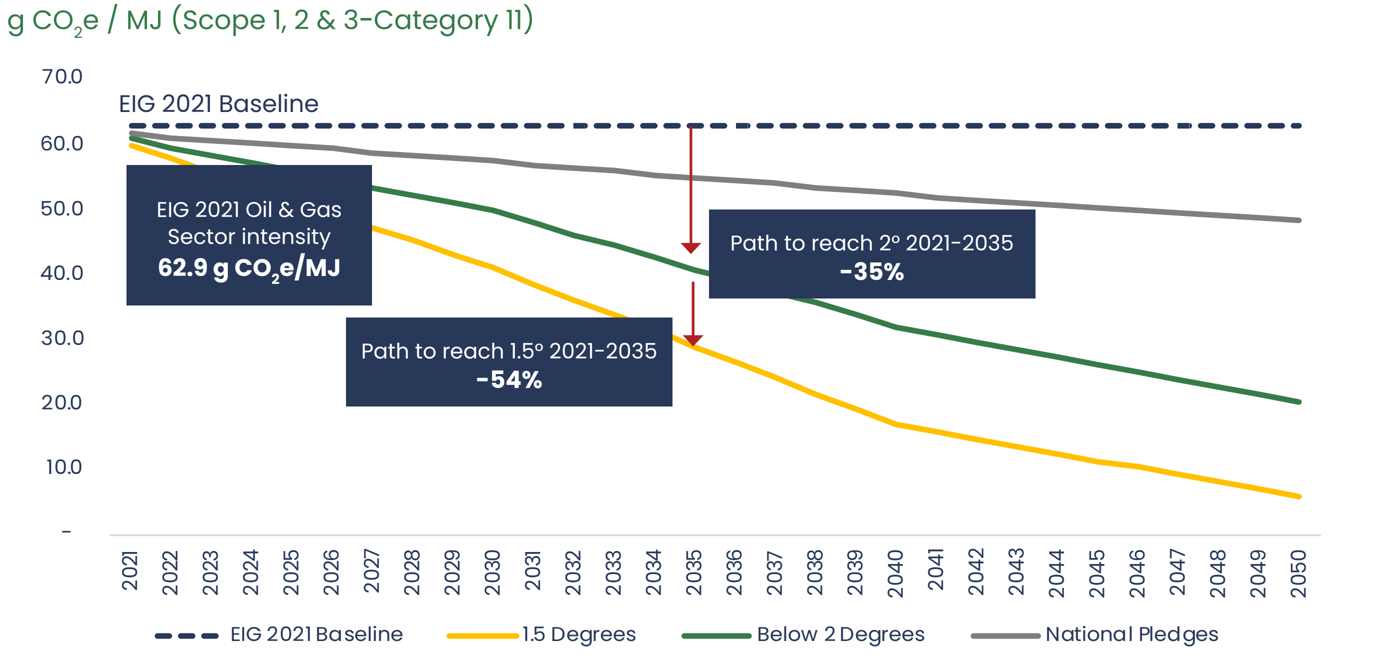
# TPI Scenarios

TPI is a global initiative led by asset owners and supported by asset managers. TPI has published open-access Sectoral Decarbonization Pathways[3] as a tool for stakeholders to use to assess alignment with the Paris Agreement and the goal of keeping global warming below 1.5° C degrees above pre-industrial temperatures. These sector-specific pathways are derived from scenarios developed by the IEA where economy-wide emissions budgets are broken into sectoral budgets, reflecting the unique challenges faced by each sector. Where necessary, the IEA data is supplemented by data from other models and databases such as the IPCC. EIG is closely monitoring these sector benchmarks from a forecasting perspective to consider how capital is deployed and how carbon intensities of potential investments may help or impede alignment with the TPI pathways.

## Power Sector[2]




## Oil & Gas Sector[2]




1. https://www.ipcc.ch/sr15/chapter/glossary (20220831).
2. EIG annual ESG questionnaire. Company data as of December 31, 2021.
3. https://www.transitionpathwayinitiative.org/publications/99.pdf?type=Publication (20220831).
4. Including renewable and gas power generation.

# NEXT STEPS

**"Every day the bar is raised to enhance best practices in ESG and impact management."**

Randall S. Wade
PRESIDENT

## Q: Going into 2023, what challenges and opportunities do you see for EIG in the impact and ESG space?

A:

As we at EIG begin thinking about what 2023 may bring, there is a sense of simultaneous excitement and continued dedication. Excitement in that we begin to see the fruits of our labor take hold as we execute our new strategy across multiple platforms, but also continued dedication to identify risk across our portfolio as it pertains to investor expectations, emerging technologies and markets, and a long-term view of global energy supply and demand in a low-carbon economy.

We are pleased with our progress to date but we recognize we are far from the finish line and that we must continue to improve and achieve real results every year to meet our ambitions. There is now a constant flow of developments that create both challenges and opportunities. We are focused on the following three major themes:

- Rapidly evolving ESG regulation in the U.S. and Europe will have significant implications for both portfolio companies and asset managers; we feel well-positioned to meet all requirements, particularly regarding the EU SFDR reporting requirements which take effect in 2023, and consider this oversight and streamlining of reporting to be a positive development.
- Identifying and managing ESG risk is not only an essential part of initial investment due diligence and portfolio monitoring; it is increasingly becoming a consideration on exit strategies with respect to our portfolio companies, and we intend to develop a more cohesive approach to incorporating ESG performance and impact into our portfolio management moving forward.
- The expectation to provide constant enhancement to ESG and impact management grows every day; we must continue to evaluate appropriate targets for our funds, how aggressively they are set, and the methodologies that we use, which in turn affect how we evaluate investment opportunities.

These themes and others will keep us busy as we identify and pursue unique investment opportunities supporting the energy transition. We will continue to keep you well-informed of these initiatives and others, and always welcome your input and feedback.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