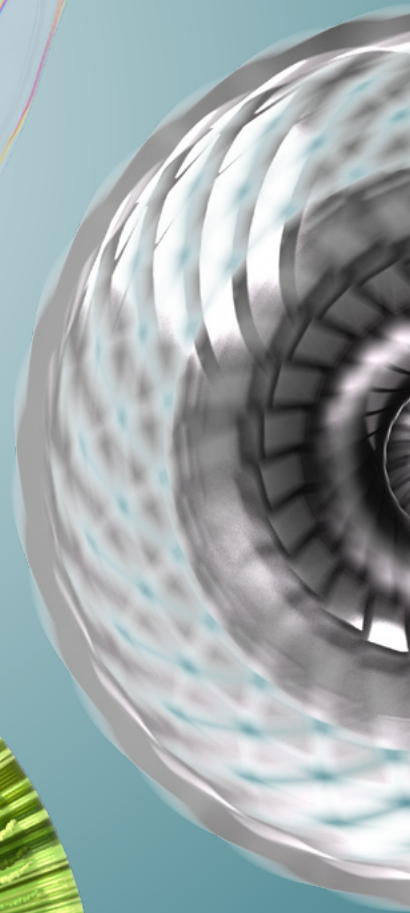
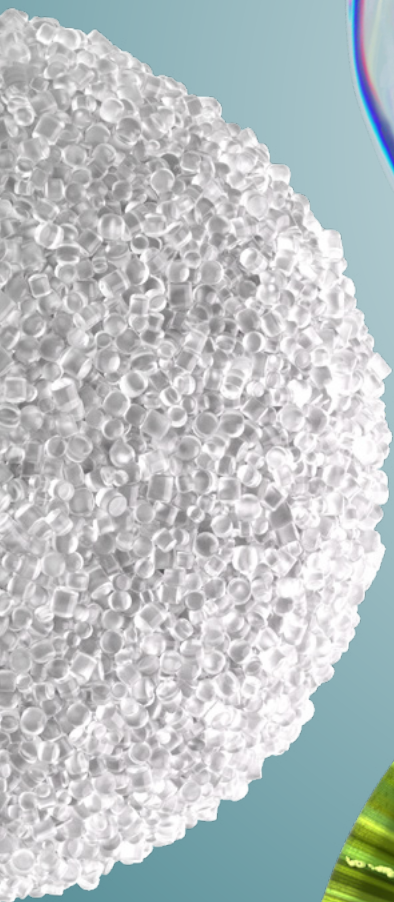


Investment Policy



1

Investment Principles

Unprecedented structural drivers are propelling the decarbonization of the industrial sector at pace and scale.

Ara Partners recognizes the growing opportunities created by a low carbon economy and acknowledges that thoughtful impact measurement and management can better position its funds for superior risk-adjusted returns. Ara Partners seeks to invest in and scale carbon-reducing businesses that offer a sustainable competitive advantage driving industrial decarbonization. Ara Partners targets investments that can deliver 60% or greater GHG (Greenhouse Gas) emissions reduction compared to market incumbents at product or service level. Ara Partners targets growth equity and infrastructure investments in chemicals and materials, industrials and manufacturing, energy efficiency and green fuels, and food and agriculture sectors.

2

Investment Pillars

Ara Partners focuses on two primary investment themes – decarbonization and waste efficiency – that are integrated and evaluated across investments.

Decarbonization

Ara Partners targets industrial decarbonization solutions that contribute to moving the market towards a net zero economy. Ara Partners recognizes that the industrial economy contributes more CO₂ emissions than any other sector. Acquiring and growing companies with reduced or negative carbon footprints and forward-looking business models represents what Ara believes to be a multi-decade investment opportunity.

Waste efficiency

Non-biodegradable wastes, such as plastics, increasingly pose global environmental and economic concerns. Greater production and consumption of these materials has led to increased anti-plastics regulation aimed at reducing the accumulation of these materials. The global shift to a circular economy creates opportunities for Ara Partners to invest in companies that are developing solutions to address this challenge, producing nature benign and circular materials, and reducing and recycling materials in the most efficient manner.

3

Investment Approach

Exclusion policy

At Ara Partners, the exposure to environmental risks is managed through a stringent exclusion policy, specifically avoiding investments in carbon-intensive hydrocarbon assets.

Pre-investment screening

The investment shaping process begins with a detailed screening regime. This includes a negative screen where a third-party tool assesses potential controversies and regulatory violations, complemented by a third-party evaluation of external risk factors. This is followed by an assessment against the fund's exclusion policies. A positive screen includes an investment analysis for its potential to align with and contribute to the fund's decarbonization and waste efficiency investment pillars.

Investment due diligence

The due diligence phase is thorough, encompassing operational due diligence where baseline performance metrics are collected according to leading standards including SASB (Sustainability Accounting Standards Board) / ISSB (International Sustainability Standards Board), GRI (Global Reporting Initiative), TCFD (Taskforce on Climate related Financial Disclosures), GRESB (Global Real Estate Sustainability Benchmark applied to infrastructure assets), and applicable regulatory frameworks (e.g., SFDR). Baseline performance is benchmarked against available private and public sector benchmarks. This phase also includes an EU Taxonomy alignment screen. The operational risk analysis extends to good governance and human rights assessments, identifying best practices and monitoring compliance with international standards such as the United Nations Guiding Principles on Business and Human Rights and OECD Guidelines.

In impact due diligence, the potential for decarbonization and waste reduction of each investment is projected using both existing performance metrics and forward-looking estimates. Key performance indicators (KPIs) are defined to track an investment's realized and planned impact performance, ensuring transparency and accountability through regular reporting and disclosure.

Investment decision-making

The final investment decision rests with the Investment Committee, which receives a standard template on key findings from the due diligence process, including operational metrics, material risks, and risk mitigants. A 100-day plan is developed to ensure the effective integration of the investment with the fund's operational and impact objectives, facilitating immediate and strategic implementation.

Asset class considerations

Ara Partners investment strategy focuses on private equity and infrastructure asset classes. Private equity investment themes are scaling the foundational principles of industrial decarbonization and waste efficiency, whilst infrastructure investment themes are commercial and financial optimization of operational assets in industrial decarbonization.

The Ara Partner's infrastructure strategy has been designed to be highly complementary, yet clearly delineated from the Ara private equity strategy. Ara infrastructure exclusively targets asset-focused corporate investments and project-level investments. Whereas the Ara private equity strategy targets process technology rollouts and decarbonization enabling buyouts. Private equity and infrastructure funds have unique exclusion policies and value creation levers commensurate with the key aspects of the respective asset class, as well as thorough good governance and social safeguards assessments.

4

Post-Investment Stewardship and Value Creation

Data analytics

Upon investment, Ara Partners initiates a structured company onboarding process where company operational data is collected via a cloud-based data management platform. This process includes a materiality assessment, carbon accounting, operational performance benchmarking and quantification of GHG emissions reduction and waste reduction potential.

This is supplemented by market benchmarking against both public and private sector benchmarks, incorporating a comprehensive corporate policy checklist to ensure thorough evaluation and development of resilient business models.

Material KPIs identified in the operational excellence and impact due diligence process are monitored throughout the life of an investment. Ara Partners requires portfolio companies to report material quantitative and qualitative operating metrics annually and quarterly in accordance with relevant data management frameworks. This includes physical climate risk and value at risk analysis, climate scenario modelling and an analysis and management of climate risks on short, medium, and long-term horizons across the Ara portfolio. Following identification of climate risks, both climate risk impacts and financial impacts are mapped.

Performance planning

The performance planning strategy is bifurcated into short-term and long-term objectives. Short-Term Performance Plans focus on integrating and overseeing key action items identified during due diligence, implemented through first 100-Day plans. Long-Term Performance Plans involve conducting annual operational performance assessments that include a detailed review of key risks and their mitigation strategies. Based on robust annual operational data collection, we create performance plans showcasing variance analysis, key areas for improvement, and strategic actions. The ambition level is tailored to a company's business model, operational readiness, and commercial maturity.

Investment management and value creation

Value creation is achieved by embedding decarbonization and operational excellence across various facets of the business management. This includes the operating and governance model, which ensures that sustainability is integral to corporate governance and operational processes. It extends to the corporate and commercial strategy, reinforcing the commitment to sustainability in business development and strategic planning. Furthermore, enhancements in the value chain and customer positioning ensure that sustainability is a key component in product offerings and customer interactions, aiming to elevate the company's market position and drive long-term growth.

Ara Partners considers social factors in its own operations and across its portfolio. Ara Partners develops programs and regular training on sustainable human capital management with several objectives, including fostering employee engagement, learning and development, building the teams of the future, and promoting an inclusive culture.

5

Responsible Exit

Ara Partners seeks to exit portfolio companies in ways that lock-in, preserve and maximize long-term decarbonization impact. Ara Partners considers long-term decarbonization impacts while executing exits and integrates impact and operational performance metrics in its exit plans. This approach includes responsible exit strategies that consider the enduring environmental impacts for each portfolio company. Ara Partners may provide holistic information about decarbonization performance of an investment during the hold period and information on the fund's engagement and value creation on these matters.

6

Governance and Oversight

A dedicated Decarbonization Team led by the Managing Director and Chief Decarbonization Officer oversees the firm's decarbonization measurement and management, responsible investing, and portfolio value creation across funds.

The team closely collaborates with Ara Partners' investment and operations teams on investment management and portfolio value creation.

7

Disclosure and Transparency

Ara Partners references leading sustainability and decarbonization impact measurement and management standards. Each framework provides a distinct value-add driving portfolio operational excellence and sustainable business management. These include the following:

Portfolio company operating data frameworks

Greenhouse Gas Protocol (GHG Protocol) for carbon accounting; product or service GHG emissions lifecycle assessment (LCA) standards, Sustainability Accounting Standards Board (SASB) and International Sustainability Standards Board (ISSB) sectoral standards for materiality assessments, investment diligence, and sector-specific data; Global Reporting Initiative (GRI) for materiality assessments, waste and health, safety, and environmental data; Task force on Climate Related Financial Disclosures (TCFD) for climate scenario modelling, physical risk and value at risk analysis; and Science Based Targets Initiative (SBTI) for third party validation of GHG emissions reduction targets.

Decarbonization impact measurement frameworks

Operating Principles for Impact Management (OPIM) for impact management guidance across investment lifecycle; UN Sustainable Development Goals for quantified contribution to the global sustainability agenda; Project Frame for pre-investment GHG emissions quantification methodology; and IRIS+ for impact measurement and metric definitions and assumptions.

8

Investor reporting frameworks

Sustainable Finance Disclosure Regulation (SFDR) and EU Taxonomy for sustainable activities; UN Principles for Responsible Investment (UN PRI) for performance benchmarking and fund strategy development guidance; ESG Data Convergence Initiative (EDCI); Institutional Limited Partners Association (ILPA) Diversity in Action Initiative for private equity initiatives and benchmarking; and Global Real Estate Sustainability Benchmark (GRESB) guidance on diligence and asset manager policies for the infrastructure asset class.

Reporting on progress

Ara Partners publishes an annual Industrial Decarbonization Report for Limited Partners detailing decarbonization progress, portfolio engagement outcomes and value creation.

Scope

The Responsible Investment Policy covers Ara Partners' funds and investments, as applicable and material, and it is reviewed annually to reflect changes to the business and the changing policy landscape.

Connect with one of our
industry experts

We're building companies that are
decarbonizing the economy in immediate
and tangible ways.

info@arapartners.com

Ara Built to
Decarbonize.™