

BBGI's Net Zero Plan

December 2022

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1. Introduction

Climate change presents challenges that will be with us for generations to come.

The Paris Agreement, a legally binding international treaty for national governments on climate change, was adopted in 2015 and came into force for national Governments in 2016. The Paris Agreement aims to limit global warming to well below 2°C, and preferably below 1.5°C, compared to pre-industrial levels.

The impacts of climate change are already being felt. A rapid transition to net zero emissions is required to avert the worst climate scenarios and build resilience against harmful climate impacts. To decarbonize the global economy, all actors in the real economy need to reduce their greenhouse gas emissions (GHG) at a sufficient rate to remain aligned with the Paris Agreement's goals.

At BBGI, our purpose is to deliver social infrastructure for healthier, safer, and more connected societies, whilst achieving sustainable value for all stakeholders. As a global infrastructure investment company helping to serve and connect people, we are keen to do our part to help address climate change, demonstrate leadership, and support a reduction in GHG emissions at BBGI Global Infrastructure S.A. Across our portfolio companies we will share information with all our stakeholders with the intention that it will help influence outcomes that also support a reduction in GHG emissions.

To achieve a 1.5°C future and prevent the worst effects of climate change, companies from all sectors are being urged by its stakeholders to set carbon reduction targets. BBGI is committed to doing its part to achieve the ambitions of the Paris Agreement and is committed to setting targets and reporting its progress against those targets.

There is no single solution to the climate challenge and the nature of each business will also dictate the end goal and the path taken. The following sections describe our approach, commitments, scope and boundaries, targets and pathways in more detail.

2. Approach taken

To achieve the ambitions of the Paris Agreement and reaching a state of net-zero by 2050 or sooner, extensive changes will be required to our economy and society. The rapid decarbonisation of the built environment can only be achieved through collaboration between government, the private sector and society as a whole. It will be critical to share information and learn from others.

As a mid-sized company with a small team, BBGI's resources are limited, so it is critical that we leverage available expert and sector knowledge around carbon reduction to maximise the impact of our efforts.

Our Net Zero Plan is focused on the reduction of our carbon footprint that pertain to our direct corporate activities ("Corporate Emissions") and our financed emissions being the emissions of our portfolio companies ("Financed Emissions").

We have reviewed what we believe are best practice in the infrastructure and the real asset sectors and additionally some frameworks to develop our net zero plan and targets, as well as the concrete mechanisms to reduce our emissions.

There are several frameworks that can be followed when setting corporate net zero targets. The benefits of these frameworks are that they typically include guidance, criteria, and recommendations on how to best set targets consistent with limiting global temperature rise to 1.5°C. Following a set framework also gives credibility and helps stakeholders understand the approach taken. Our Net Zero Plan is either following or aligned with the following frameworks:

The Net Zero Asset Managers Initiative (NZAM)

The NZAM is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner. We became a signatory of NZAM in 2021 and submitted initial target as required.

The initiative is open to any asset manager globally that is also a member of Principles for Responsible Investments (PRI) which BBGI has been a signatory to since 2019. The Net Zero Asset Managers Initiative therefore aligns well with other initiatives currently undertaken by BBGI.

Science-based targets

Targets adopted by companies to reduce GHG emissions are considered "science-based" if they follow a pathway that is consistent with the latest climate science and keeping warming to 1.5°C. Science-based targets show how much and how quickly companies need to reduce their GHG emissions to prevent the worst effects of climate change. BBGI has aligned its approach with the Science Based Targets initiative (SBTi) guidance for Private Equity Sector¹ and the SBTi guidance for Small and Medium enterprises (SMEs)².

BBGI has not taken the steps to have its targets officially approved as there are no applicable industry standards for infrastructure investment at this time. However, BBGI has used the SBTi target setting tool to model its targets in line with SBTi approved criteria and methods.

¹ <https://sciencebasedtargets.org/resources/files/SBTi-Private-Equity-Sector-Guidance.pdf>

² https://sciencebasedtargets.org/resources/legacy/2020/07/SME-Frequently-Asked-Questions_July-2020.pdf

Task Force on Climate-Related Financial Disclosure (TCFD)

As the Company is considered an investment trust it is therefore not in scope of the Financial Conduct Authority's (FCA) requirement for commercial companies with a premium listing to make TCFD disclosures. Notwithstanding this exemption, the ESG Committee recognises the importance of the TCFD and its related disclosures and has, as a result, taken the voluntary decision to fully report against the TCFD recommendations.

We have made material improvements towards assessing our climate-related risks and opportunities, embedding stronger climate governance and risk management across the business, and developing a robust awareness of risk metrics and targets we can use to monitor and track progress. Since 2021, we report the progress we have made across each of TCFD's four pillars: Governance; Strategy; Risk Management; and Metrics and Targets in our Annual Report and ESG Report.

The Institutional Investors Group on Climate Change (IIGCC)

IIGCC's Paris Aligned Investment Initiative (PAII) was launched in May 2019, with the aim of exploring how investors can align their portfolios to the goals of the Paris Agreement. The PAII is a collaborative forum for investors which aims to:

- Develop definitions of key concepts, terms and clarify pathways relevant to Paris alignment, in order to build understanding and consensus around these concepts
- Analyse potential methods that can be used to assess alignment of different asset classes
- Assess approaches for transitioning portfolios, to provide practical options for investors to transitioning and assessing alignment to the Paris goals.

The PAII published the Net Zero Investment Framework 1.0 in March 2021 and established the PAII as a global collaboration with 3 other investor networks. The Net Zero Investment Framework 1.0 covered four asset classes: listed equity and corporate fixed income, sovereign bonds, and real estate.

In 2021, IIGCC established a working group to develop additional components of the Framework relevant to infrastructure. In June 2022, PAII published a consultation and guidance paper for the infrastructure sector and the approach being followed by BBGI follows this guidance. BBGI will continue to monitor evolving guidance on the infrastructure sector in the future and may adjust its approach as the standards develop.

The PAII therefore proposes that alignment for infrastructure assets should be assessed based on the fulfilment of the criteria listed below.

Net Zero Investment Framework for Infrastructure

A portfolio coverage target, defined by The Net Zero Investment Framework for Infrastructure, is the percentage of assets under management that will be "**net zero**", "**aligned**" or "**aligning**" by a given year. To be considered "**aligning**", an asset or portfolio company must have short- and medium-term targets that are underpinned by science-based pathways for the sector; it must disclose all material scope emissions (including scope 3) and evidence the governance of net zero plans.

The requirements of "**aligned**" have a greater focus on implementation. The asset must have forecast emissions performance against targets set as well as have a decarbonisation strategy to support the reduction projection.

To be considered "**net zero**", actual emissions must match or outperform the science-based decarbonization pathway.

For operational assets, if an asset is achieving against all criteria set out below it can be considered '**aligned**' to a net zero pathway. If an asset is achieving these indicators but already has an emissions intensity of the '**net zero**' level required for its sector in 2050, it would be considered '**net zero**' already.

Criteria for Operational Assets		net zero	aligned	aligning
1 Performance & Target	Current and forecast scope 1, 2 and material scope 3 emissions performance level (relative to target or to a net zero benchmark/pathway, or asset's science-based target, over time)	Asset with emissions intensity required by the sector and regional pathway for 2050 and whose ongoing operational model will maintain this performance	X	Either X OR all of the below marked criteria
2 Ambition	Long-term goal for the asset to be net zero emissions by 2050 or sooner		X	X
3 Disclosure	Disclosure of scope 1 and 2 emissions, and disclosure of material scope 3 within a reasonable timeframe and in line with regulatory requirements		X	X
4 Targets	Short- and medium-term targets for scope 1,2 and material scope 3 emissions in line with science based 'net zero' pathway. These may be absolute, or intensity based: a. Where available, a sectoral decarbonisation approach (TPI/SBTi) or 'carbon budget' approach (Carbone4) should be used b. Minimum for other assets is a global or regional average pathway		X	X
5 Decarbonisation Strategy	Development and implementation of credible decarbonisation strategy for scope 1, 2, and material scope 3 emissions		X	
6 Governance	Governance/management responsibility for targets/ decarbonisation plan		X	X

3. BBGI's Commitment to NZAM

BBGI has become a signatory to the NZAM and commits to support the goal of net zero GHG emissions by 2050, in line with global efforts to limit warming to 1.5°C ('net zero emissions by 2050 or sooner'). It also commits to support investing aligned with net zero emissions by 2050 or sooner at its portfolio companies.

Specifically, BBGI commits to:

- Work in partnership with asset owner clients (typically public sector clients) on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management ('AUM')
- Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner
- Review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included.

To fulfil its commitments made as a Net Zero Asset Manager signatory, BBGI will:

- Set interim targets for 2030
- Take account of portfolio Scope 1 & 2 emissions and, to the extent possible, material portfolio Scope 3 emissions
- Prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest
- If using offsets, invest in long-term carbon removal, where there are no technologically and/or financially viable alternatives to eliminate emissions
- Provide asset owner (typically public sector clients) clients with information and analytics on net zero investing and climate risk and opportunity
- Implement a stewardship and engagement strategy that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner
- Engage with actors key to the investment system including credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that information available to investors in BBGI is consistent with the aim of achieving global net zero emissions by 2050 or sooner
- Ensure any relevant direct and indirect policy advocacy we undertake is supportive of achieving global net zero emissions by 2050 or sooner
- Continue to voluntarily publish TCFD disclosures and ensure the approach applied is based on a robust methodology

4. Scope and boundaries of BBGI’s Net Zero plan

The Net Zero Plan is focusing on BBGI’s reduction of our carbon footprint that pertain to both our our Corporate Emissions and our Financed Emissions. This Net Zero Plan is underpinned by a GHG inventory based on the GHG Protocol, to allow the ESG Committee to effectively track performance and set targets.

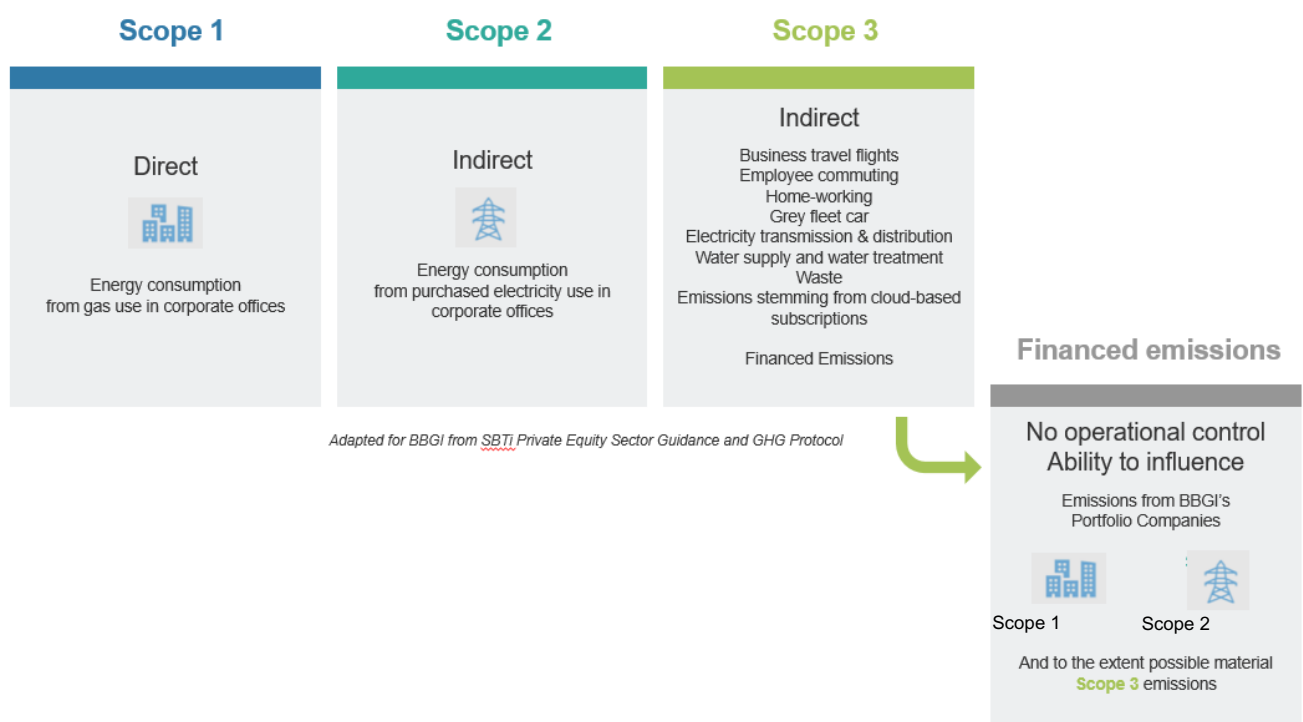
The GHG Protocol Corporate Standard defines three approaches for determining the organizational boundaries of institutional GHG inventories: operational control, financial control, and equity share.

BBGI has adopted the operational control boundary approach for the measurement of emission as the ESG Committee believes this reflects the level of emissions that can be actively controlled and reduced. A company has operational control over a portfolio company if it has the full authority to introduce and implement its operating policies at the portfolio company level. As an example, at a school or a hospital investment, BBGI does not have the ability to control the temperature or implement energy saving initiatives without client consent.

We are committed to responsible asset management, acting as long-term stewards of the assets. However, in almost all cases, BBGI does not have direct operational control. We do recognise that, as investors, we have a degree of influence with our portfolio companies and as an active and responsible manager, we will work with our public sector clients, our co-shareholders, and our suppliers to encourage actions to achieve tangible results with respect to the targets we set for our Financed Emissions.

We envisage that in the lead up to 2050, the ‘polluter pays’ principle will become increasingly important, and asset owners will become responsible for both reducing and offsetting their Scope 1 and Scope 2 emissions and this will encourage client support for initiatives we propose. If we are unable to achieve support from our public-sector clients for our net zero initiatives, our targets may not be realized, but we believe it is important to set ambitious targets nonetheless, knowing that the eventual outcomes are beyond our control.

Application of the GHG Protocol boundaries to BBGI’s GHG inventory:



5. Target and Objectives

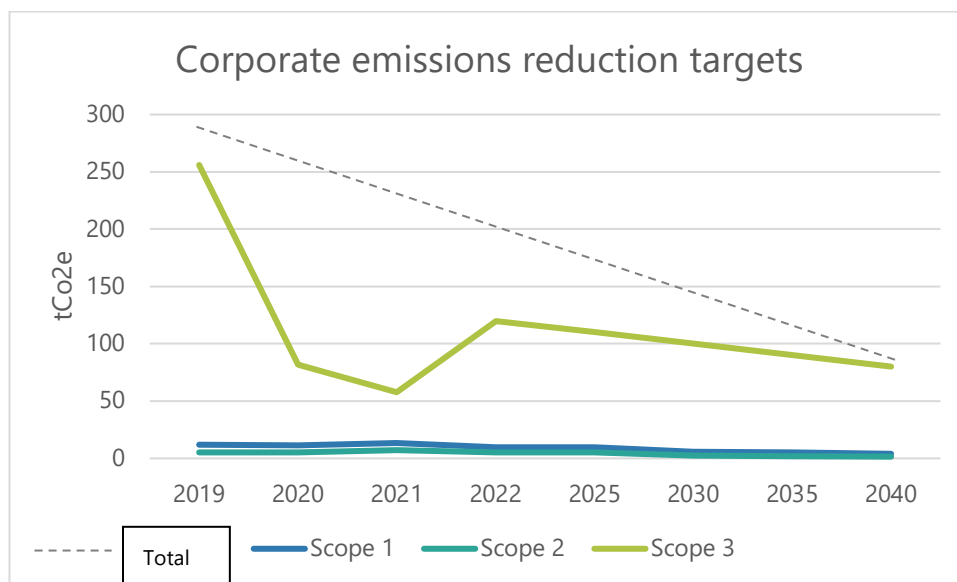
Objectives and targets set the direction and ambition of BBGI's Net Zero Plan and act as a means to monitor the effectiveness of this plan. Targets have been aligned with science-based targets that are consistent with achieving net zero global emissions by 2050, or sooner.

BBGI's commitment to Net Zero can be distilled into 7 targets across:



BBGI's Corporate Emissions (Scope 1 and Scope 2 and Scope 3)

BBGI used the SBTi target setting to model targets in line with SBTi approved criteria and methods. BBGI's GHG reduction percentage according to a 1.5C scenario is as follows:



- Reduce our Corporate Emissions Scope 1 and Scope 2 and Scope 3 by 50% by 2030 (aligned to a 1.5°C reduction pathway using the absolute contraction approach).
- Carbon Neutral from 2021 onwards. All residual and unavoidable corporate emissions will be offset by purchasing high quality offsets to obtain carbon neutrality beginning in 2021.
- Net Zero Corporate Emissions Scope 1, Scope 2 and Scope 3 by 2040


 Portfolio

BBGI's Financed Emissions (Portfolio Companies)

The main driver for achieving Financed Emissions reduction targets will come from the increasing alignment of portfolio companies with net zero pathways. As mentioned earlier, BBGI rarely has operational control at its portfolio companies, so the achievement of the targets and objectives ultimately relies on shared ambitions and working together. Our success will be highly dependent on influencing stakeholders (typically our public sector clients) but also our service providers, suppliers, investors, and individuals into taking action to achieve these goals.

As a signatory to NZAM, BBGI's net zero targets for Financed Emissions were submitted on NZAM's target submission platform in December 2022. Below is a summary of the targets:

Portfolio coverage targets

- 2022 (current year) We aim for 100% of our portfolio companies to report their scope 1, 2 and to the extent possible, material scope 3 emissions from 2022 onwards.
- 2030 (medium-term) We aim for 70% of our AUM ('Financed emissions') to be "**net zero**", "**aligned**", or "**aligning**" to net zero by 2030. This means that by 2030, 70% of our portfolio companies (by value) will have a long-term goal to be net zero by 2050 or sooner.
- 2040 (long-term) We have a goal to have 100% of our AUM to be "**net zero**", "**aligned**", or "**aligning**" by 2040.

Engagement threshold target

- 2030 (medium-term) We aim 90% of our financed emissions are subject to direct or collective engagement and stewardship actions by 2030.

Notes for all the above targets:

Baseline year: 2019 (baseline year)

As our net zero commitment and tracking of Portfolio Companies commenced in 2021, we do not have sufficient information to provide an assessment of the % of assets which were "**net zero**", "**aligned**", or "**aligning**" in 2019. Based on the available information we estimate that 0% of our portfolio was "**net zero**", "**aligned**", or "**aligning**" in 2019.

GHG scopes included:

All of our targets cover Scopes 1, 2 and to the extent possible material Scope 3 (when they are material to the portfolio company). 100% of portfolio companies are requested to report Scope 1, 2 and to the extent possible material Scope 3 from 2022 onwards. BBGI will disclose the portfolio Scope 1, 2 and 3 in accordance with the GHG Protocol operational control approach. If a portfolio company does not disclose this information or when the data is not available, it is estimated where possible.

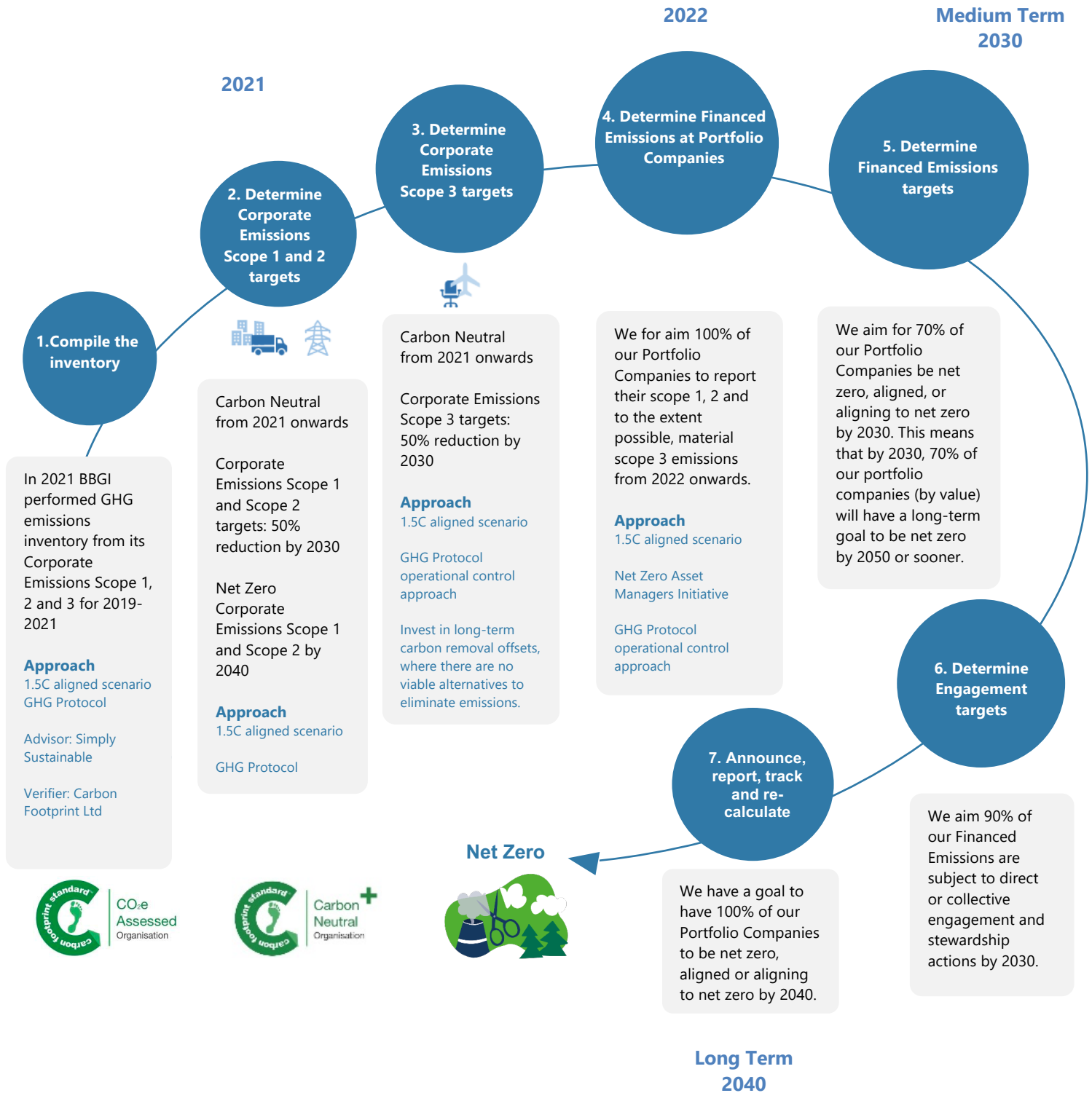
Methodology: Net Zero Investment Framework

Scenario: 1.5°C

BBGI's Net Zero journey

so far...

and ahead...



6. BBGI' Carbon Footprint

6.1 Process

BBGI has undertaken a comprehensive inventory of its current carbon footprint and worked with Simply Sustainable Ltd, a sustainability and ESG consultancy firm, to perform a carbon footprint analysis for BBGI's Corporate Emissions.

A bottom up, consumption-based approach to calculating corporate and production emissions was undertaken. Corporate Emissions were calculated in accordance with the Greenhouse Gas Protocol ("GHG Protocol"). The GHG Protocol is the most used global standard for how to measure, manage, and report greenhouse gas emissions.

Once BBGI's Corporate Emissions for 2019 and 2020 were calculated, an independent auditor and verifier, Carbon Footprint Ltd., was engaged to audit BBGI's carbon footprint assessment to bring confidence that the datasets were satisfactory, methodologies appropriate and conversion metrics/calculations robust.



BBGI was certified as a "CO₂ Assessed Organisation" for 2019, 2020 and 2021. BBGI will undertake similar audits in the future.

BBGI began collecting data for its Financed Emissions, (ie. the Scope 1 and Scope 2 emissions and material Scope 3 emissions at its portfolio companies) and will begin reporting from 2022 onwards.

2019 was selected as the baseline year against which progress will be measured going forward as it was considered the most recent full year which was "typical" of normal operations and not impacted by the effects of the global pandemic.

6.2 BBGI Emissions - Corporate Emissions

In 2019, BBGI's calculated Corporate Emissions were estimated to be just over 273 tCO₂e (under the market-based approach). BBGI has included all scope 1 and 2 emissions, as well as all relevant scope 3 emissions it has data available for, within its assessment. Around 86% of emissions analysed during this study are from business travel (mainly air travel).

Our Carbon Footprint in Metric tons - CO₂e

	Scope 1	Scope 2	Scope 3	Total
2019 Baseline	5	12	256	273
2030 Forecast	2.5	6	128	136.5

6.3 BBGI's Financed Emissions

BBGI began collecting Scope 1, 2 and to the extent possible, material Scope 3 emission data from its portfolio companies in 2022. From 2022 onwards, BBGI will begin reporting on the carbon footprint of its portfolio companies (Financed Emissions).

The proprietary BBGI "ESG Best Practice Guide" and related questionnaire provides guidance and a data management system to collect GHG emissions across our portfolio.

During 2022, a third party advisory firm was engaged to help train BBGI's asset managers and our MSA providers in correctly collecting and aggregating emissions data from its Portfolio Companies.

7. Pathways to Net Zero Financed Emissions by 2050



Corporate emissions reduction pathway (own operations)

2021

Sustainable Travel Policy: Changed our travel policy to a sustainable travel policy to deliver better management of employee travel requirements. Digital meetings should be prioritised and the most efficient mode of transport is encouraged when physical presence is necessary.

Flexible working: Implemented a Teleworking policy allowing for 2 days per week of teleworking, contributing to drive down commuting emissions.

2023 (short-term)

Office upgrade: Major refurbishment of our headquarter Luxembourg office, after which higher energy efficiency will be achieved.

Offsets: Purchase high-quality offsets from credible programmes in long-term carbon removal nature-based solutions (to compensate for our remaining unavoidable emissions). Favour projects which remove carbon from the air, either by nature or technology, when they become available.

2030 (mid-term)

Energy procurement: Engage with landlords to develop energy purchase contracts prioritising renewable sources of energy.

2040 (long-term)

Travel booking: Prioritise air travel providers using low carbon fuels and aircraft, depending on viable solutions for air travel available by 2040.

Office upgrade: Consider moving our corporate offices in Luxembourg, Ireland, UK towards efficient energy buildings.

 **Portfolio****Financed emissions reduction pathway (portfolio companies)**

BBGi's portfolio consists of investments in essential social infrastructure assets including roads and bridges, health care, blue light and justice, education, affordable housing and other.

Broadly speaking these infrastructure investments can be categorised into two categories: transportation (50%) and buildings (50%).

The pathways to achieve net zero are different for each category:



Transportation:










BBGI does consider and measures the emissions of the vehicles used to maintain the roadway including service vehicles, patrol vehicles, maintenance vehicles, snowploughs etc. Emissions of the vehicles that use the roads and bridges within its portfolio are not part of the considered emissions. BBGI expects that over time an increasing proportion of the vehicles travelling on the roads and bridges will be zero emission vehicles.

Below are some of the expected pathways to reducing the scope 1 and scope 2 emissions of transportation investments which are included in BBGI’s financed emissions.

Pathway to Net Zero for a typical BBGI transportation investment



General approach	
	Recycled materials whenever possible
	Low carbon materials whenever possible

Possible Initiatives	
	Commission asset audit, carbon footprint and net zero assessment
	Renewable power where appropriate
	Roof top solar on O&M center
	LED lighting
	EV vehicles when appropriate
	Recycled asphalt for overlays
	EV charging infrastructure
	CO ₂ injection in concrete mix
	Climate resilient infrastructure improvements

Buildings:

Many of the building in BBGI’s portfolio have been constructed in the last decade and have been built to high standards. Amongst our investments 59 % have achieved a sustainability rating (E.g. BREEAM rating (Building Research Established Environmental Assessment Method (www.breeam.com), EU Energy Performance certification or have been certified as LEED silver, gold or platinum (Leadership in Energy and Environmental Design <https://www.usgbc.org/leed>). In total, approximately 40% of our buildings already have some form of energy performance certification which may make it challenging to achieve our targets, as we are starting from a high standard.

Below are some of the expected pathways to reducing the scope 1 and scope 2 emissions of building investments which are included in BBGI’s financed emissions.

Pathway to Net Zero for a typical BBGI building Investments

