



LS Power Development, LLC

**Document Type:** Policy

**Applicability:** All Company

# Environmental, Social and Governance (ESG) Policy



**Revision:** 4.1

**Effective Date:** 02/15/2023

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<b>Name:</b> <u>          Jeff Wade          </u>	<b>Title:</b> <u>          Chief Compliance Officer          </u>
<b>Document Review Requirements:</b> The ESG Policy shall be reviewed periodically.	

Revision	Date	Author/Reviewer(s)	Reason / Comments
2.0	05/01/2021	Jeff Wade, Kathy French	Updated in connection with periodic review of Policy; clarified and elaborated on certain aspects of ESG efforts
3.0	06/27/2022	Jeff Wade, Kathy French, Johanna Lopez Paraizo	Reorganized document; elaborated on certain aspects of ESG efforts
4.0	02/01/2023	Jeff Wade, Kathy French, Johanna Lopez Paraizo	Clarified scope of policy; added Human Rights Policy, Modern Slavery Policy and Investment Restrictions
4.1	02/15/2023	Jeff Wade, Maples Group (Dublin)	Aligned with required SFDR disclosures; updated / expanded Investment Restrictions

LS Power<sup>1</sup> recognizes that Environmental, Social and Governance (ESG) issues continue to increase in prominence, resulting in significant impacts on all areas of our business, including our development and investment related activities.

This policy document sets out LS Power's approach to integrating the consideration of ESG issues and sustainability risks throughout the development, ownership and/or investment cycle. 'Sustainability Risk' means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

As a developer, investor and operator, LS Power focuses on **providing lower cost, more technologically advanced and cleaner energy solutions, as well as improving the functionality, reliability, resiliency and efficiency of energy infrastructure across the U.S.** To do this, we continually strive to:

- Meet the needs of our employees, contractors, customers and neighbors
- Be protective of the environment
- Engage with local communities
- Support competitive markets

## **ENVIRONMENTAL POLICY**

LS Power is committed to protecting the quality of human health, local communities and the environment as it creates value for its investors. LS Power demonstrates this commitment through our business operations, which include:

- Developing, constructing, acquiring and operating facilities in a manner that meets all applicable federal, state and local environmental regulatory standards, as well as going beyond regulatory requirements when financially justified by risks and returns
- Carefully monitoring our power generation and transmission operations and promptly taking appropriate steps to correct any non-compliance and mitigate any resulting adverse environmental impacts
- Training and educating employees and plant staff on the potential environmental impacts associated with plant operations and the procedures for mitigating negative impacts in accordance with all applicable federal, state and local environmental regulatory standards
- Evaluating and monitoring performance by periodically conducting self-assessments and third-party audits of our power plant operations
- Continually seeking to optimize projects and operations to minimize carbon impacts while also reducing the cost of electricity to the grid

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<sup>1</sup> This ESG Policy applies to LS Power Development, LLC, LS Power Equity Advisors, LLC, and LS Power Grid, LLC, including the development companies, operating companies, and private funds owned and operated by such entities.

- Maintaining and expanding our expertise in environmental trends, including distributed generation, renewable energy certificates, carbon pricing, and energy storage, in an effort to improve how our assets impact local communities and broader environmental issues relevant to the power and energy markets
- Customizing our projects to reflect local and regional issues, including design features that promote recycling or conservation of water and co-generation opportunities for neighboring industries

## **HEALTH AND SAFETY POLICY**

LS Power is committed to the health and safety of its employees, customers, contractors and neighbors. We strive to operate industry-leading facilities with respect to the protection of human health and safety, minimize risks to human health and maintain a safe environment in and around our facilities and workplaces. This is a core competency supported by LS Power's leadership at all levels, and is the collective responsibility of all LS Power employees. This commitment is critical in the selection of our contractors and other service providers, all of whom must share these principles and values.

LS Power advocates for the health and safety of our employees and onsite service providers by:

- Educating and training employees to evolve and institutionalize health and safety values
- Requiring contractors and employees to be accountable for understanding and incorporating industry accepted health and safety practices in their daily work
- Requiring operations and maintenance contractors (O&M Contractors) to implement health and safety procedures at each facility
- Meeting or exceeding all applicable regulatory agency health, safety and reporting requirements, including Occupational Safety and Health Administration (OSHA) and other applicable agency requirements
- Fostering an open dialog on health and safety issues with employees and encouraging their ongoing involvement in a process of continuous improvement of health and safety practices
- Establishing and monitoring objectives to improve employee health and safety
- Prioritizing health and safety in the operating practices and procedures of our facilities
- Interacting with our facilities' host communities and local emergency services providers
- Evaluating O&M Contractors' safety performance track records and auditing performance
- Increasing ownership of health and safety matters at each facility by appointing and empowering facility management as the primary point of responsibility for implementation and oversight
- Engaging third-party environmental, health and safety experts to assist in improving site health and safety matters

## **SOCIAL RESPONSIBILITY & COMMUNITY INVOLVEMENT POLICY**

LS Power strives to be a good neighbor and partner in the communities where it operates by minimizing environmental impact, stimulating local economies through tax revenue, creating job and training opportunities, and hiring local talent. Our efforts include:

- Soliciting and implementing local input during development such that projects fit within the plans and goals of the local community
- Partnering with local communities to help mitigate construction impact and seek the best path toward project completion
- Implementing project-level physical security and cybersecurity audit programs to ensure the integrity and reliability of our power and energy infrastructure
- Creating and providing well-paying jobs, along with supporting revenues for schools and local governments
- Strongly supporting and encouraging continuing education, including the sponsorship of technology and science scholarship funds
- Encouraging our employees and local contractors to submit ideas for ways to give back to the communities around our project locations
- Coordinating with local stakeholders for areas where donations can make real impacts to improve the community
- Encouraging greater diversity within the energy industry, including through the creation of internship opportunities for underrepresented populations

## **HUMAN RIGHTS POLICY AND MODERN SLAVERY POLICY**

LS Power is committed to being a responsible corporate citizen, respecting human rights and supporting the protection and advancement of human rights. We strive to uphold global standards for responsible business, including equal opportunity, the freedom to associate and bargain collectively, and the elimination of modern slavery, human trafficking and harmful or exploitative forms of child labor. We exercise our influence by conducting our business operations in ways that seek to respect, protect and promote the full range of human rights.

## **GOVERNANCE POLICY**

LS Power clearly defines our commitment to corporate governance and a culture of compliance in our policies and procedures, and we require employees to conduct business with honesty, integrity and fairness. LS Power's governance is primarily established through the policies contained in our Regulatory Compliance Manual (RCM), Investment Adviser Policies & Procedures (IAPP), Cybersecurity Program Overview, Acceptable Use Policy, North American Electric Reliability Corporation Internal Compliance Program (NERC ICP), Federal Energy Regulatory Commission Internal Compliance Program (FERC ICP), Employee Handbooks and related initiatives.

Our Legal, Compliance and Human Resources groups will not only enforce internal policies and procedures to ensure compliance with applicable laws and regulations, but also identify and

mitigate potential conflicts of interest and other reputational risks. Additional governance principals include:

- Establishment of management teams and committees to oversee and steer certain areas of our business. Committees include:
  - Compliance Steering Committee
  - Conflicts of Interest Committee
  - Cybersecurity Steering Committee
  - ESG Steering Committee
  - Risk Management Committee
- Providing managers with the authority, expertise and resources required to make strategic and operational decisions with respect to the employees, contractors and other third-party service providers they oversee
- Identifying within applicable policies those managers and subject matter experts employees should contact for specific topics of concern
- Working closely with O&M Contractors, including requiring third party audits, to ensure awareness of potential risks and to promptly address such risks
- Encouraging and supporting open and regular communications from Asset Managers to ensure Senior Management is aware of plant operational issues
- Recognizing and appreciating that our success over time is a testament to the quality of our employees
- Seeking to position our employees for success with a stable and fulfilling career path and enhancing our focus on diversity, equity and inclusion (DEI)
- Working with our third-party operators to promote diversity by allocating additional funds at the plant-level to provide internships to women and underrepresented populations
- Maintaining a compliance hotline to allow employees and contractors to anonymously report concerns
- Maintaining an open door policy within our HR, Management and Compliance groups, welcoming all employees to openly raise any concerns or issues
- Diligently reviewing and considering ESG issues and Sustainability Risk with respect to potential asset acquisitions to ensure acquisition and operations plans address any gaps identified (see Investment and Development Activities below)

## **INVESTMENT AND DEVELOPMENT ACTIVITIES**

We are committed to ensuring that our business activities are conducted in a manner that reflects intentional and responsible ESG management. LS Power's overarching goal, whether building or acquiring low cost, efficient forms of generation and enhancing the operations of these facilities, is to reduce the market share of higher cost and less efficient forms of power generation, thereby

reducing the overall carbon footprint of the electric grid and providing the added societal benefit of reducing the cost of electricity for consumers.

To accomplish our goal, we examine ESG factors and Sustainability Risk when analyzing power industry trends, selecting and managing assets where we believe our experience will enable us to operate consistent with industry best practices, reduce risks and impacts to the environment and local communities, increase value for all stakeholders, improve the safety and efficiency of operations and, where possible, expand and modernize assets.

ESG factors and Sustainability Risk are among many factors considered throughout the Fund's investment and operational decision-making processes. Our investment professionals and subject matter experts conduct extensive diligence on project sites and target assets, including diligence of ESG factors. This diligence may be done with the assistance of third-party service providers – e.g., O&M Contractors and environmental experts – and is reflected in Investment Committee documentation. To the extent issues are identified and deemed commercially viable, we will seek to develop action items to minimize future risks to the environment, promote human health, protect local communities, and ensure long-term viability.

## **INVESTMENT RESTRICTIONS**

LS Power avoids certain types of investments in companies that derive revenue from the manufacture, sale, or distribution of alcohol, tobacco (including vaping products), adult entertainment, gambling, for-profit prisons, palm oil production and trading, controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons, depleted uranium ammunitions and nuclear weapons), exploitation of vulnerable people and communities, and coal mines.

## **ESG STEERING COMMITTEE**

LS Power has established an ESG Steering Committee to support LS Power's ongoing commitment to environmental, health and safety, corporate social responsibility and community involvement, sustainability, and corporate governance matters, including Sustainability Risk (collectively, ESG Matters).

The ESG Steering Committee, which is composed of individuals from the Management Committee, Compliance, Environmental Management, Human Resources and Investor Relations, will consider and support ESG Matters by designing LS Power's ESG program; developing, implementing and monitoring initiatives based on that program; overseeing communications with various stakeholders with respect to ESG; and monitoring and assessing developments relating to, and improving LS Power's understanding of ESG.

## **ARTICLE 8 FINANCIAL PRODUCTS**

As at the date of this policy, LS Power acts as the manager to two funds which are classified as Article 8 Financial Products under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector as may be amended, supplemented, consolidated, substituted in any form or otherwise modified from time to time (SFDR).

LS Power Fund V Feeder 1, L.P. and LS Power Fund V Feeder 2, L.P. promote environmental or social characteristics within the meaning of Article 8 of the SFDR.

Consideration of Sustainability Risks, in respect of the Article 8 Financial Products, are integrated into the investment decision making and risk monitoring functions of LS Power to the extent that they represent potential or actual material risks and/or opportunities to maximizing long-term risk-adjusted returns.

LS Power is generally committed to responsible investment, and therefore may in certain circumstances make assessments of potentially adverse impacts in connection with select potential investments, for example consideration of such issues as business ethics, diversity and inclusion, labor conditions and impact on the environment and local communities, in line with its ESG Policy, that it considers reasonable and proportionate to the investment strategy of the Fund and the particular nature of the potential investment. However, LS Power does not consider principal adverse impacts of its investment decisions on sustainability factors at the entity level. LS Power does not consider principal adverse impacts for the following reasons: the investee companies do not provide sufficient or relevant data and LS Power may not always be in a position to obtain sufficient or relevant data in respect of all or some of the investments made by a fund, and a fund may use derivatives to hedge risk for which the treatment of the sustainability indicators in the technical standards made under the SFDR are not clearly defined. LS Power's position on this topic will be reviewed on a periodic basis.

#### **ESG POLICY REVIEW AND ASSESSMENT**

The Chief Compliance Officer will conduct or cause to be conducted periodic reviews of this Policy to ensure the policies set forth herein address contemporaneous risks, global and local social risks and trends, environmental, legal and regulatory developments, and other relevant market factors. The ESG Committee will approve any changes to this ESG Policy.

In addition to the education and training described herein, employees will be required to affirm that they have reviewed, understand and agree to abide by this ESG Policy and any future updates and amendments.

Please contact [compliance@lspower.com](mailto:compliance@lspower.com) with any questions or concerns regarding this policy.