

**sosteneo**

Infrastructure Partners

# INVESTMENT SUSTAINABILITY POLICY

Sosteneo SGR S.p.A.

POLICY



# DOCUMENT INFORMATION

## Document summary

<b>Title</b>	Sosteneo SGR S.p.A. Investment Sustainability Policy
<b>Classification</b>	Policy
<b>Approved by</b>	Board of Directors of Sosteneo SGR S.p.A.
<b>Approval date</b>	07-06-2023
<b>Owner</b>	Investment Management Function

## Versioning and ownership

<b>Version</b>	<b>Date of issuance</b>	<b>Reason for and Extent of Changes</b>	<b>Owner</b>
1	07-06-2023	The first version	Investment Management Function

## References

<b>Main related internal regulatory references</b>	<ul style="list-style-type: none"><li>Sosteneo Investment Process Policy</li></ul>
<b>Attachments</b>	<ul style="list-style-type: none"><li>N/A</li></ul>

# INDEX

<b>1. Glossary and Definitions .....</b>	<b>4</b>
<b>2. Roles and Responsibilities.....</b>	<b>5</b>
<b>3. Introduction.....</b>	<b>6</b>
<b>4. Integration of sustainability risks in the investment process .....</b>	<b>8</b>
<b>5. Sustainability Risk Assessment .....</b>	<b>9</b>
5.1. <i>Identification of Sustainability Risks.....</i>	<i>9</i>
5.2. <i>Sustainability Risk Strategies.....</i>	<i>10</i>
5.3. <i>Governance and Reporting.....</i>	<i>10</i>

# 1. GLOSSARY AND DEFINITIONS

Acronym / Term	Explanation / Definition
AIF	Alternative Investment Fund as defined by the EU Alternative Investment Fund Managers Directive (AIFMD)
BOD	Board of Directors of the Company
CEO	Chief Executive Officer
CRO	Chief Risk Officer
ESG Factors	Environmental, social & Governance factors
Policy	This Investment Sustainability Policy
Sustainability Risk	A sustainability risk can be defined as an environmental, social, or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.

## 2. ROLES AND RESPONSIBILITIES

Corporate Function	Roles & Responsibilities
BoD	<ul style="list-style-type: none"> <li>• Approves and reviews the Sustainability Policy upon proposal of the CEO.</li> <li>• On a regular basis, assesses and reviews the underlying methodology and the outcomes of the implementation of the Policy.</li> <li>• Reviews and approves the level of sustainability ambition</li> </ul>
CEO	The CEO is involved in presenting to the BoD the Sustainability Policy to be approved.
Risk Management Function	Risk Management function performs second level review on sustainability risks on investment decisions and monitors compliance with ESG investment limits.
ESG Function	<ul style="list-style-type: none"> <li>• Directly reports to the CEO</li> <li>• Responsible for defining the sustainability assessment methodology;</li> <li>• Implements ESG initiatives in coordination with the fund management team and monitors ESG parameters;</li> <li>• Supports and collaborates with the other stakeholders and involved functions of the investment process providing ESG opinions, views and research on relevant ESG and climate topics in order to inform the investment decision-making process with updated quantitative and qualitative information;</li> <li>• Publishes on the Sosteneo website the updated version of the Sustainability Policy;</li> <li>• Publishes on the Sosteneo website an explanation of the changes made when the Sustainability Policy is amended;</li> <li>• Informs on an annual basis the Board of Directors about the implementation of the Policy.</li> </ul>
Fund management	<ul style="list-style-type: none"> <li>• Manages the AIF's portfolio and it is responsible for the performance of the AIF;</li> <li>• Undergoes environmental/sustainable due diligence (SDD) with outputs taken into consideration in the investment decision process and ensures the first level of control in related ESG risk monitoring.</li> </ul>

### 3. INTRODUCTION

At Sosteneo SGR S.p.A. (there after “Company” or “Sosteneo”), we believe that proactive consideration of Sustainability factors (such as Environment, Social and Governance) will have a significant positive impact on our long-term investment returns and support achievement of strategic and financial goals.

#### Our Vision

To be the manager of choice in energy transition infrastructure investments.

#### Our Purpose

Accelerate the transition to clean energy by investing in the best greenfield projects.

#### Our Strategy

Investing in energy transition infrastructure assets, driving decarbonisation, use of clean energy and supporting achievement of climate targets.

#### Background Information

On 27 November 2019 the European Parliament and the European Council adopted Regulation (EU) 2019/2088 “Sustainable Finance Disclosure Regulation” (“**SFDR**”).

The Regulation aims at providing homogeneous information to end-investors about sustainability risks and the promotion of ESG factors in financial investment activities.

Sosteneo, fulfilling the requirements laid down by SFDR, adopts and publishes the present document “Investment Sustainability Policy” (“**Policy**”) which details the integration of sustainability risks in the investment decision-making process<sup>1</sup>.

The table below provides guidance examples of ESG factors<sup>2</sup> :

Category of the ESG factor	Example of factor
E – Environmental	Aspects related to the quality and to the functioning of the environment and natural systems, including the greenhouse effect and climate change; the availability of natural resources, including energy and water; changes in the use of soil and urbanization; quality of the air, water and soil; the production and management of waste; the protection of natural habitats and biodiversity.
S - Social	Aspects related to the rights, well-being and legitimate interests of people and local communities, including human rights, diversity and promotion of equal opportunities; demographical changes; occupation and the right to decent working conditions, including child and forced labour, as well as occupational health and safety; the distribution of wealth and inequalities within and among countries; migrations; education and human capital development; digital transformation, artificial intelligence, internet of things and robotics; health and access to social assistance and healthcare; consumer safety; power diffusion and the crisis of traditional elites.
G - Governance	Aspects related to government of the companies and organizations, including transparency; ethics and integrity in business practices and compliance with laws; corruption; tax responsibility; board structure, independence and diversity; mechanisms to incentivize the management; stakeholders and stakeholders rights, protection/distortion of competition.

<sup>1</sup> As laid down by Article 3 of the SFDR.

<sup>2</sup> In accordance with The Group Sustainability Policy.

### **Effective Date**

The Policy was approved by the BoD on 7<sup>th</sup> of June 2023 and is effective from the same date.

The Policy is to be implemented by 1<sup>st</sup> of June 2024.

## **4. INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT PROCESS**

This Policy, as required by art. 3 of SFDR, aims at setting out the rules according to which sustainability risks are integrated into the investment decision-making process through the identification, measurement and mitigation of risks stemming from ESG factors.



## 5. SUSTAINABILITY RISK ASSESSMENT

### 5.1. Identification of Sustainability Risks

The sustainability risk identification process aims to ensure that all material risks to which Sosteneo is exposed are adequately identified, assessed, and considered according to their likelihood of occurrence and severity and that mitigation actions are identified and adequately implemented.

The Company's corporate operations will have a minimal direct impact on the environment, given the small number of people whose primary activity is investment and support of the investments and clients.

This process starts with the identification of material risks affecting energy infrastructure assets, considering the intended use and specific risks of the assets themselves. A Due-Diligence Questionnaire with a section focused on sustainability is performed for each investment.

In order to incorporate ESG factors into the investment evaluation process, the Company adheres to a set of sustainability indicators that enable it to identify the main positive and negative impacts of investment decisions made, including, but not limited to:

- **Climate change and natural disasters:** Carbon emission reduction is the key area where the Company expects to generate a positive impact. Most of the possible events that could occur in relation to climate change, mainly resulting from rising global temperatures, will have a direct impact on the energy infrastructure being invested in; for illustrative purposes, reference is made to increased intensity of storms, increased risk of flash flooding inland, increased frequency of coastal flooding and coastal erosion due to storms, and sea level rise. In addition to these "physical risks", "transition risks" associated with climate change will also be identified, including the adoption of new climate regulations, changing customer behaviour and preferences, development and/or expansion of low-emission goods and services, and reputational risk due to increased stakeholder concerns or negative stakeholder feedback.
- **Pollution, water, and waste:** the scarcity of the planet's resources and the use of water, energy, materials, food, and resources have a significant impact on global environmental and social sustainability and the resulting economic risks. Therefore, the Company recognizes construction and operational risks related to the health and safety of its assets and thus a potential negative impact on the well-being of employees, and the surrounding communities.
- **Biodiversity and other negative land use impacts:** constructing energy transition infrastructure could have some negative impact on the land. This is managed through government regulation and permitting, with which the Company will comply, as well as selecting projects that are less likely to have a negative impact, or such impact is smaller than comparable projects.
- **Risk of involvement in ethical violations** (e.g., human rights, corruption, law enforcement) or controversial areas of business (unconventional weapons, serious environmental damage) through its investments and consequently the reputational risk associated with inadequate responsible engagement.

The process is also guided by the principles underpinning the classification of the funds under management, in particular the SFDR requirements that will drive the due diligence assessment process of the investments depending on the product type.

#### **Measurement and materiality of sustainability risks**

The ESG risk assessment activities are structured on the delegated and own funds, using a look-through approach, also on the energy infrastructure owned by the special purpose vehicles in which the funds' assets will be invested.

Sustainability risks, as ESG factors that can be detrimental to the value of the investment, are identified under the above framework and measured both in a quantitative and qualitative manner to provide the

context of the investment decision-making process with the most updated and reliable figures and information.

Sustainability risk can be measured both in absolute and relative terms. The process relies on internal research, third-party due-diligence reports, sustainability news, and raw data coming from external providers.

The Company's assessment of ESG factors will mainly focus on the ex-ante material risks assessment of assets and counterparties.

Sosteneo aims at identifying and quantifying those factors and insights that can strengthen and better inform the investment decision-making process and strategies based on their financial materiality. The aim is also to create a holistic ESG approach which emphasizes materiality, therefore, focuses on ESG metrics that have a significant financial impact on the investments.

The materiality of risks on managed assets, funds and business returns will be assessed according to a principle of proportionality, considering the complexity, risk profile and business model of the company itself.

The results of these analyses will be used by the Company in making strategic, investment and operational decisions.

## 5.2. Sustainability Risk Strategies

Sosteneo foresees a range of strategies aimed at mitigating sustainability risks, achieving the ESG goals according to the relevant mandates, prospectus and business strategy:

- **Investment exclusions:**
  - aimed at limiting investments based on specific sustainability criteria, such as climate-related risks (whether physical or transition risks), biodiversity;
  - purchase of sanctioned products, goods or services from countries or regions covered by international sanctions;
  - involvement in controversies which potentially infringe the principles of the United Nations Global Compact - companies involved in serious or systematic human rights and/or labour rights violations;
  - assets involved in severe environmental damages;
  - companies implicated in cases of gross corruption and bribery;
  - involvement in controversial sectors such as coal.
- **Counterparties screening:** we look at the involvement of our counterparties in disputes related to a potential violation of UN Global Compact principles and/or involvement in controversial business sectors, and in case of inappropriate ESG behaviours or practices, the company may ask for an amendment plan or consider exiting the cooperation. As part of the process, the company also evaluate the existence of nationally and internationally recognized certifications or compliance with specific national and/or international standards.

## 5.3. Governance and Reporting

### Governance

The Board of Directors is in charge of the approval and review of the Sustainability Risk Policy upon a proposal of the CEO, which is also in charge of the implementation of the Policy.

The Board plays an active policy and governance role in integrating climate and environmental risks into the corporate culture and strategy and into the risk limits of managed portfolios, considering key corporate policies and the adaptation of organizational and management systems.

The ESG Function, report to the CEO, and is in charge of:

- defining the sustainability assessment methodology and ESG parameters;
- implements ESG initiatives in coordination with the fund management team;
- monitors ESG parameters and compliance with this Policy, drafting an annual report on the implementation of the Policy addressed to the Board of Directors;
- monitor the activities carried out by service providers on behalf of the SGR and/or related funds.

The ESG Function supports and collaborates with the fund management on the investment process providing ESG opinions, views and research on relevant ESG and climate issues, in order to inform the investment decision-making process, actively participating in the process to face any sustainability event. It is also responsible and supporting the Board of Directors and the Investment Committee in evaluating strategic investment choices.

The Risk Management function monitors the ESG investment limits.

The Policy will be reviewed at least once a year and updated should any national and international trends, legislation, regulation or practice in responsible investment change substantially.

## **Reporting**

In line with the requirements of Regulation 2088/2019, Sosteneo makes available on its website:

- information about its policies on the integration of sustainability risks into the investment process;
- statement regarding Adverse Sustainability Impact.