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22Infrastructure Partners

INVESTMENT SUSTAINABILITY POLICY

Sosteneo SGR S.p.A.

Sustainable Investments Function

POLICY

EXTERNAL USE

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Part A: General Information

Section 1: Document Information

Section 1.1: Document Summary

Title	Sosteneo SGR S.p.A. Investment Sustainability Policy
Classification	Policy
Approved by	Board of Directors of Sosteneo SGR S.p.A.
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Section 2: Index

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Section 3: Glossary and Definitions

Capitalised terms used in this Policy have the meaning set out in this Section 3: Glossary and Definitions.

Acronym / Term	**Explanation / Definition**
AIF	Alternative Investment Fund as defined by the EU Alternative Investment Fund Managers Directive (AIFMD)
Best Efforts	The standard applied to Sosteneo's data collection process, including obtaining data from Project Companies and, where relevant, further counterparties, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions
BoD	Board of Directors of Sosteneo
CEO	Chief Executive Officer of Sosteneo
Climate Delegated Act	Commission Delegated Regulation (EU) 2021/2139
Disclosures Delegated Act	Commission Delegated Regulation (EU) 2021/2178
Downstream	Refining, distribution and energy generation
EC	European Commission
Environmental Delegated Act	Commission Delegated Regulation (EU) 2023/2486
EPC	Engineering procurement construction
ESAs	European Supervisory Authorities
EU Taxonomy Framework	Means the framework constituted by the Taxonomy, Climate Delegated Act, Environmental Delegated Act and Disclosures Delegated Act
EU Taxonomy Objective	Climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems
Exclusion Policy	The exclusions Sosteneo applies as described in Part B Section 2.1: Exclusion Policy
FMPs	Financial Market Participants
GHG	Greenhouse gas
Investment Manager	Sosteneo acting in its role as management company or portfolio manager for one or several AIFs or direct clients

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Investment Strategy	Building a portfolio of infrastructure equity investments spanning clean energy production (such as solar PV and wind), clean energy enablers (such as battery storage and networks), as well as other infrastructure related to the energy transition such as industrial decarbonisation projects.
KRIs	Key risk indicators
Midstream	Storage and transportation
Minimum Safeguards	Concept defined in Art. 18 Taxonomy
Negative Screening	Process applied to reject investment opportunities associated with relevant incidents as part of the Minimum Safeguards assessment
OECD Guidelines	OECD Guidelines for Multinational Enterprises and Responsible Business Conduct
PAI	Principal adverse impacts of investment decisions on sustainability factors
PAI Indicators	The mandatory PAI indicators (Table 1 Annex I SFDR RTS) and any relevant PAI indicators in Tables 2 and 3 Annex I SFDR RTS
Policy	This Investment Sustainability Policy
Positive Screening	Process to assess whether a company has implemented appropriate procedures to ensure the alignment with the OECD Guidelines and the UN Guiding Principles as part of the Minimum Safeguards assessment
Project	Infrastructure project held in the AIFs or client portfolios for which Sosteneo acts as Investment Manager
Project Company	Infrastructure project company held in the AIFs or client portfolios for which Sosteneo acts as Investment Manager
SFDR	The EU Sustainable Finance Disclosure Regulation (EU) 2019/2088
SFDR RTS	Commission Delegated Regulation (EU) 2022/1288
SFDR Sustainable Investments	Sustainable investments under Art. 2(17) SFDR
SGR	*Società di gestione del risparmio*, an Italian asset management company
Sosteneo, the SGR or the Company	Sosteneo SGR S.p.A.
Sustainability Factors	Environmental, social and governance aspects
Sustainability Indicator	The sustainability indicators set out in Part C Section 2.1:

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	Determining Contribution for SFDR Sustainable Investments
Sustainability Risk	Environmental, social, or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the investment
Sustainable Due Diligence	The due diligence exercise performed for each investment pre-acquisition, including for Sustainable Investments the assessment on the basis of a due diligence questionnaire which was developed by Sosteneo in collaboration with external lawyers
Sustainable Investment	SFDR Sustainable Investments and Taxonomy-aligned Investments
Taxonomy	Taxonomy Regulation (EU) 2020/852
Taxonomy DNSH	No significant harm to other environmental objectives within the meaning of Art. 17 Taxonomy
Taxonomy-aligned Investments	Investments in 'environmentally sustainable' economic activities under the EU Taxonomy Framework as defined in Art. 2(1) Taxonomy
TSC	Technical screening criteria under the EU Taxonomy Framework
UN Guiding Principles	United Nations Guiding Principles for Business and Human Rights
UNGC	United Nations Global Compact
Upstream	Exploration and production

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Section 4: Policy Governance Framework

Section 4.1: Review and Reporting

The Company reviews this Policy regularly to determine whether updates are required to address developments in Sosteneo's profile, growth and investment strategy and in external best practices, business drivers and other relevant regional and global legislation.

Sosteneo ensures that its stakeholders are provided with various reports containing sustainability-related information. In particular, Sosteneo provides or contributes to the following reports:

- Contribution to the periodic reporting by the relevant financial market participant under Art. 11 SFDR for all financial products referred to in Art. 8 and 9 SFDR for which Sosteneo acts as Investment Manager;
- Provision of Principles of Responsible Investment (PRI) reporting (from 2026); and
- Submission to GRESB (an independent organisation that provides validated ESG performance data and peer benchmarks) of an annual assessment of AIFs which have enrolled in one of the GRESB Infrastructure Assessments.

Section 4.2: Scope and Application[1]

This Policy applies to all investment decisions made by Sosteneo in its role as Investment Manager.

[1] The first version of the policy was approved on the 7th of June 2023 and updated afterwards.

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Section 5: Introduction

Section 5.1: Purpose and Strategy

At Sosteneo, the vision is to be the manager of choice in energy transition infrastructure investments. Sosteneo aims to accelerate the transition to clean energy by investing in the best greenfield projects, contributing to climate change mitigation and advancing energy transition efforts.

Sosteneo believes that:

- the transition to clean energy is a greenfield investment opportunity underpinned by building new infrastructure assets;
- the construction and operation of clean energy assets must be aligned with Sustainability Factors, going beyond climate change mitigation;
- integrating Sustainability Factors has a positive impact on long-term investment returns and supports strategic and financial goals; and
- the enablers of clean energy, such as electrification, storage and transmission of energy are at least as important as the generation of clean energy.

Sosteneo recognises that decarbonisation requires vast amounts of new infrastructure. In this context, the Investment Strategy focuses on greenfield infrastructure projects involved in renewable energy and supporting technologies, particularly construction-ready or late-stage development projects related to solar, wind, battery storage, and other GHG mitigation technologies as well as network assets across OECD countries in Asia Pacific and Europe.

As an EU investment management company (Italian SGR), Sosteneo can manage its own AIFs and carry out portfolio management for AIFs managed by other management companies or for direct clients. Sosteneo delivers the Investment Strategy on behalf of these AIFs and clients.

The table below provides guidance examples of Sustainability Factors:[2]

Category	**Examples for Sustainability Factors**
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 urbanisation; 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; demographic changes; occupation and the right to decent working conditions, including addressing child and forced labour, as well as occupational health and safety; the distribution of wealth and inequity within and among countries; migration; education and human capital development; digital transformation, artificial intelligence, internet of things and robotics; health and access to social assistance and healthcare; consumer and worker safety.

[2] In accordance with the Group Sustainability Policy of Generali Group.

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G – Governance	Aspects related to governance of organisations, including transparency; ethics and integrity in business practices and compliance with laws; corruption; tax responsibility; board structure, independence and diversity; mechanisms to incentivise the management; stakeholders and stakeholders rights, protection/ distortion of competition.

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Part B: Integration of Sustainability Risks in the Investment Process

Section 1: Identification of Sustainability Risks

Section 1.1: Definition of Sustainability Risks

Sosteneo looks at Sustainability Risk integration adopting the SFDR approach, which defines “Sustainability Risks” as environmental, social or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the investment.

In general, Sustainability Factors may have negative as well as positive impacts (opportunities) for an investment. This part of the Policy only deals with Sustainability Risks defined as the negative materialisation of such Sustainability Factors.

In this context, Sosteneo aims to identify and quantify those factors and insights that can strengthen and better inform the investment decision-making process and strategies. The aim is also to create a holistic ESG approach which emphasises materiality, therefore, focuses on Sustainability Risks that have a significant financial impact on the investments and a reputational impact on the Company.

Sosteneo's Sustainability Risk identification process aims to ensure that all material Sustainability Risks to which investments in Projects and Project Companies managed by Sosteneo are exposed are adequately identified, assessed, and considered according to their likelihood of occurrence and severity. Mitigation actions are identified and implemented accordingly to protect these investments and Sosteneo's stakeholders.

Section 1.2: Examples for relevant Sustainability Risks

This process starts with the identification of Sustainability Risks affecting the investments in Project and Project Companies for which Sosteneo acts as Investment Manager. Specific Sustainability Risks will vary for each asset, and include but are not limited to the following:

- Climate risks:
  - “Physical risk” as the rising global temperatures, level of sea water and increasing likelihood of extreme weather events might have a direct negative impact on the 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.
  - "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, changing relative market value of commodities and reputational risk due to increased stakeholder concerns or negative stakeholder feedback.
- Environmental risks: Pollution, water, waste and biodiversity risks: The scarcity of the planet's resources and the use of or competition for water, energy, materials, food, and natural resources have an impact on global environmental and social sustainability and can result in economic risks. Greenfield infrastructure investments depend on locations/ lands in which they are established and may be subject to risks/ restrictions that potential regulation might pose on Sosteneo's assets by local/ regional/ national/ international regulators and policymakers.
- Social risk: Demand for the technologies that enable decarbonisation — such as electrification technologies, solar PV, batteries — might be associated with adverse human rights impacts, including conflict over land use, dangerous working conditions, and harm to indigenous people. Therefore, Sosteneo recognises the potential adverse human rights

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impacts that might be associated with supply chains of Projects and Project Companies and the potential negative impacts that infrastructure projects might have on the communities surrounding any plants Sosteneo invests in. All of these impacts may lead to actions by regulators or policymakers as well as reputational issues for and damage claims against the Project or Project Company.

- Governance risk: Projects and Project Companies could become involved in ethical violations (e.g., corruption, law enforcement, tax/ fiscal) or controversial areas of business (serious environmental damage, lack of mandatory controls and compliance measures), leading to regulatory actions, fines, damage claims and/ or withdrawal of business partners of the Project or Project Company.

The materialisation of the risks above might challenge or jeopardise the financial performance of the investments in Projects and Project Companies. For this reason, Sosteneo assesses the likely impacts of these Sustainability Risks on the returns of the respective AIF or client portfolio as follows:

- Direct financial cost: extreme climate events such as flooding/ hail/ hurricane might generate physical damages to the assets and, depending on the project status (i.e. under construction, in operations etc.) might delay construction timing (and thus generate a decrease in cash flow generation capacity) and/ or extra capex/ costs repairment costs and/ or loss from operational downtime. Additional direct financial costs can also be incurred by local community opposition resulting in litigation and thus delay and/ or payments to communities.

- Decrease in value risk: The Sustainability Risks may have an adverse effect on the value of the investments, due to, among other things, changes in the appeal of the assets to prospective buyers. Accordingly, the valuation of the investments may be subject to changes and increased volatility.

- Illiquidity risk: it is possible that the attractiveness of an investment will be reduced due to the occurrence of the Sustainability Risks. Such risks could deter other potential investors in such investment, and this may make it more difficult to sell an investment. All of this may impact the performance of the respective AIF or client portfolio.

- Financing risk: Given the growing attention of financial institutions on ESG/ sustainable investment practices, assets that are not properly addressing ESG related themes might not be financed by banks/ financial institutions.

- Operational risk: The Sustainability Risks may increase the probability of potential inspections/ business interruption which in turn may reduce the cash-flow generation capacity/ financial performance of the investment.

- Legal and tax risk: It may be possible that Sustainability Risks increase the regulatory burden for the management of an investment and that investments not meeting certain regulatory criteria are penalised with additional environmental protection taxes.

- Reputational risk: Sustainability Risks could result in reputational damage due to increased stakeholder concern or negative stakeholder feedback which in turn could negatively affect the attractivity of the investment for potential buyers or finance providers and may also negatively affect the respective AIFs or client portfolio's business relationships.

Section 1.3: Process for Identifying Sustainability Risks

The identification of Sustainability Risks in relation to potential investment opportunities during the pre-investment phase is carried out through initial screening which focuses on exclusions per Sosteneo's Exclusion Policy (see Part B Section 2.1: Exclusion Policy) and an initial assessment of Sustainability Risks, including the relevant dimensions/ risks raised on a preliminary basis.

Prior to final investment decision by the Company, potential investments undergo a comprehensive Sustainability Risk assessment. The outcome of the Sustainability Risk assessment will be considered in investment decisions, and also in shaping the ESG-related focus areas during the holding period and related engagement activities (see Part C Section 3: Engagement).

For AIFs and portfolio management mandates constituting financial products referred to in Art. 8 or 9 SFDR, specific sustainability indicators and KRIs are defined and monitored according to the investment policy of the respective AIF or portfolio management mandate. For Taxonomy-aligned Investments, exposure to physical climate risks is assessed and, if relevant, mitigated in the context of the Taxonomy DNSH assessment based on the TSC set out in Appendix A Annex I Climate Delegated Act (see Part C Section 2.3: Determining Taxonomy DNSH).

Section 1.4: Measurement and Materiality of Sustainability Risks

Sosteneo's Sustainability Risk management process covers all AIFs and client portfolios for which Sosteneo acts as Investment Manager. Using a look-through approach, Sosteneo assesses also the Projects owned by Project Companies in which these AIFs or client portfolios are invested.

Sustainability Risks are measured both in a quantitative and qualitative manner to provide the investment decision-making process with updated and reliable information.

Sosteneo seeks to take a forward-looking and comprehensive approach to considering climate-related risks as well as Sustainability Risks in general. To run climate change scenario analyses and measure climate risks, Sosteneo usually relies on third-party consultants.

Sustainability Risks 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 the Project/ Project Company or external providers.

The materiality of risks for the AIFs and client portfolios for which Sosteneo acts as Investment Manager and the related business returns will be assessed according to a principle of proportionality, considering the complexity, risk profile and business model of the respective investment.

Sosteneo will use the results of these analyses in making strategic, investment and operational decisions.

Section 2: Sustainability Risk Strategies

Sosteneo foresees a range of strategies aimed at mitigating Sustainability Risks which are applied during the Sustainable Due Diligence as well as on an ongoing basis during the holding period.

Section 2.1: Exclusion Policy

Sosteneo excludes Project Companies and Projects from its investment universe which are involved in activities deemed "controversial" by international conventions, accords and certain national laws, or which pose a risk to health or the environment which cannot be adequately addressed.

Exclusion	Applies to Project Companies and Projects which:
Controversial/ unconventional Weapons	• Are involved in controversial/ unconventional weapons (cluster bombs, antipersonnel landmines, nuclear weapons, depleted uranium or biological and chemical weapons, or key components/ services of such weapons); • Offer supplemental services for nuclear weapons, such as nuclear weapon repair and maintenance, stockpiling and stewardship, research and development (R&D), testing, and simulations, among other things; or • Directly or through subsidiary or associated companies carry out construction, production, development, assembly activities, repair, preservation, use, storage, possession, promotion, sale, distribution, import, export, transfer or transport of antipersonnel mines and cluster submunitions, of any nature or composition, or parts thereof or technological research in respect thereof (Italian Law No. 220 of 9 December 2021).
ESG Controversies	• Are involved in systematic human rights and/or labour rights violations (in breach of UNGC principles and/or OECD Guidelines) without undertaking adequate steps to mitigate and remediate such violations; • Are implicated in cases of systematic corruption, bribery, unfair competition or systematic breaches of tax law without undertaking adequate steps to mitigate and remediate such violations; or • Are held liable by a competent court or authority for severe environmental damages without undertaking adequate steps to mitigate and remediate such damages. For Sustainable Investments, the first two bullet points are integrated into the Minimum Safeguards assessment (see Part C, Section 2.4: Assessing Minimum Safeguards)
Tobacco	Are involved in the cultivation and production of tobacco.
Fossil Fuels	• Are involved in the exploration and production of fossil fuels from tar sands, shale oil and gas, tight oil and gas and onshore and offshore oil and gas in the Arctic Circle (i.e. any region 66.5 degrees north of the Equator); • Are active in Upstream, Midstream or Downstream oil greenfield or brownfield projects;

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	• Are active in Upstream greenfield gas projects; • Are active in brownfield or greenfield gas Midstream and Downstream projects unless (i) the respective Project Company Sosteneo directly invest in derives less than 50% of its revenues from such activities (ii) the respective investments do not in aggregate cost at the time of investment exceed 10% of the assets under management of the respective AIF or client portfolio (calculated on the basis of the actual or target size, whichever is larger, of the AIF or client portfolio) and (iii) the respective investments support the transition to decarbonised energy; • Derive 50% or more of their revenues, calculated at the level of the Project Company Sosteneo directly invest in, which may comprise a portfolio of assets, from electricity generation with a GHG intensity of more than 100g CO_2e/kWh; or • Derive 1% or more of their revenues, calculated at the level of the Project Company, from exploration, mining, extraction, distribution or refining of hard coal and lignite.

For Sustainable Investments, in addition to applying its Exclusion Policy, Sosteneo applies Minimum Safeguards as described in Part C, Section 2.4: Assessing Minimum Safeguards below.

Section 2.2: Counterparties Screening

For Sustainable Investments Sosteneo applies the Negative Screening under the Minimum Safeguards as described in Part C, Section 2.4: Assessing Minimum Safeguards below.

For all other investments, the Company screens potential counterparties for violation of UNGC principles as follows: The Company carries out a screening for relevant incidents relating to the following four dimensions: (1) labour and human rights, (2) anti-bribery and anti-corruption, (3) tax governance and (4) fair competition. This screening is carried out on the basis of public databases during the due diligence phase. In case the relationship with a certain counterparty is recurring over-time and the risk of potential negative effects associated with the Project Company or counterparty is deemed material the check is repeated every three years.

The Company applies the screening to the Project Company (in case relevant) or main project counterparties such as joint venture partners, providers of main technical elements for the Project and/or EPC firm (in case relevant).

If relevant incidents are identified and repeated on a regular basis, the Company assesses their significance, their relevance for the investment and possible remedial steps that have been taken or may be taken by the Project Company or counterparty. Those analysis for example can be done also through engagement calls with the relevant counterparty. In case of permanent non-compliance, the Company may consider refraining from establishing the business relationship or exiting the cooperation.

Part C: Sustainable Investment Methodology

GHG emission reduction is the key area where Sosteneo expects to generate a positive impact as Sosteneo investments are focused on greenfield energy transition infrastructure investments that produce clean energy, enable clean energy use or contribute to GHG emission reduction in other ways.

Sosteneo will apply the methodology set out in this Part C to any Sustainable Investments held in the AIFs and client portfolios for which Sosteneo acts as Investment Manager. Sustainable Investments comprise SFDR Sustainable Investments and Taxonomy-aligned Investments.

Section 1: Sustainable Investment Definition

Section 1.1: SFDR Sustainable Investment

Art. 2(17) SFDR defines a ‘sustainable investment’ as “an investment in an **economic activity that contributes to an environmental objective**, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an **economic activity that contributes to a social objective**, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, **provided that such investments do not significantly harm any of those objectives** and that the investee companies **follow good governance practices**, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance”.

In accordance with this definition and subsequent EC guidance, the parameters for a SFDR Sustainable Investment are as follows:

1. Contribute to an environmental or social objective (see Part C Section 2.1: Determining Contribution for SFDR Sustainable Investments);
2. Do not significantly harm any environmental or social objective, demonstrated through a two-fold test:
    a. Taking into account PAI Indicators (see Part C Section 2.5: Taking into account PAI); and
    b. Compliance with Minimum Safeguards[3] (see Part C Section 2.4: Assessing Minimum Safeguards).[4]

The EC and ESAs have clarified that the SFDR does not prescribe minimum criteria for the key parameters for a SFDR Sustainable Investment, requiring FMPs to perform their own assessments and disclose underlying assumptions.

In response, Sosteneo has developed a proprietary methodology to identify SFDR Sustainable Investments that comply with Art 2(17) SFDR, which is explained in Part C

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[3] According to EC and ESAs "alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights" as set out in Annexes II to V SFDR RTS is the same concept as the "Minimum Safeguards" set out in Art. 18 Taxonomy. Therefore, this Policy refers to Minimum Safeguards in respect of both SFDR Sustainable Investments and Taxonomy-aligned Investments.

[4] According to EC, the "good governance" criterion set out in Art. 2(17) SFDR is met if the investee company complies with the Minimum Safeguards in relation to all of its business activities. Since the Company assesses the Minimum Safeguards at Project Company level, no additional good governance assessment is required under this Policy.

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Section 2: Sustainable Investment Assessment Methodology.

Section 1.2: Taxonomy-aligned Investment

In accordance with the requirements set out in Art. 3 Taxonomy, the parameters for a Taxonomy-aligned Investment are as follows:

1. Substantial contribution to an EU Taxonomy Objective, to be measured by using the relevant TSC from the Climate Delegated Act or the Environmental Delegated Act (see Part C
2. Section 2.2: Determining Substantial Contribution for Taxonomy-aligned Investments);
3. No significant harm to other EU Taxonomy Objectives, to be assessed by using the relevant TSC from the Climate Delegated Act or the Environmental Delegated Act (see Part C Section 2.3: Determining Taxonomy DNSH); and
4. Compliance with Minimum Safeguards (see Part C Section 2.4: Assessing Minimum Safeguards).

The EC has clarified that fully Taxonomy-aligned Investments constitute SFDR Sustainable Investments without any further requirements (so-called "safe harbour"). If Sosteneo (1) manages a partially Taxonomy-aligned investment in a Project Company which carries out environmentally sustainable activities in accordance with Art. 3 Taxonomy as well as other activities and (2) the use of proceeds of the investment is not restricted to these environmentally sustainable activities, Sosteneo will take into account the environmental PAI Indicators at Project Company level (see Part C Section 2.5: Taking into account PAI) in addition to the Taxonomy DNSH assessment

Section 2: Sustainable Investment Assessment Methodology

Section 2.1: Determining Contribution for SFDR Sustainable Investments

The SFDR Sustainable Investments held in the AIFs and client portfolios for which Sosteneo acts as Investment Manager have the objective of contributing to climate change mitigation.

The Company determines contribution to this objective by collecting and analysing data from the (potential) Projects and Project Companies on a range of Sustainability Indicators, including indicators such as: percentage of investments in relevant asset classes, GHG emissions saved or avoided, electricity generation capacity from renewable energy sources and electricity storage capacity.

The methodology used to calculate the Sustainability Indicators might be different from Project to Project mostly to take into account the characteristics/ status of the project. Please note that these indicators are primarily based on the Project's technical and engineering data when available, with reasonable estimates used where specific data is not yet accessible.

Section 2.2: Determining Substantial Contribution for Taxonomy-aligned Investments

The Taxonomy-aligned Investments held in the AIFs and client portfolios for which Sosteneo acts as Investment Manager contribute substantially to the EU Taxonomy Objective "climate change mitigation". As required by Art. 3 Taxonomy, the Company determines substantial contribution to climate change mitigation pre-investment and on an ongoing basis by applying the relevant TSC set out in Annex I Climate Delegated Act.

The Company measures substantial contribution both prior to making the investment and post-investment throughout the holding period on an annual basis by collecting and analysing data from the Project Companies on the relevant TSC.

Section 2.3: Determining Taxonomy DNSH

As required by the EU Taxonomy Framework, the Company carries out the Taxonomy DNSH assessment for Taxonomy-aligned Investments pre-investment by applying the TSC set out in Annex I Climate Delegated Act. The Company checks on a regular basis during the holding period of the relevant Taxonomy-aligned Investment whether the assessment has changed.

Section 2.4: Assessing Minimum Safeguards

Section 2.4.1: Negative Screening

As part of the Minimum Safeguards, the Company carries out a Negative Screening for relevant incidents relating to the following four dimensions: (1) labour and human rights, (2) anti-bribery and anti-corruption, (3) tax governance and (4) fair competition.

The Company applies the Negative Screening relating to labour and human rights as well as anti-bribery and anti-corruption to the Project Company, joint venture partners (if any), providers of main technical elements for the Project and/or EPC firm (if any). In line with the OECD Guidelines, the Negative Screening relating to tax governance and fair competition is only applied to the Project Company.

Section 2.4.2: Positive Screening

The Positive Screening complements the Minimum Safeguards assessment. The Company assesses the existence of appropriate policies and procedures relating to the four dimensions (1) labour and human rights, (2) anti-bribery and anti-corruption, (3) tax governance and (4) fair competition. To the extent relevant for its business, the Project Company must have its own policies and procedures or be covered by the policies and procedures of the entity by which it is managed. For (1) and (2), the Company also assesses relevant business partners in the value chain of the Project Company, including the developer/ project manager, joint venture partner (if any), provider of main technical elements for the Project and/or EPC firm (if any).

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Section 2.4.3: Controversial Weapons Prohibition

The Company ensures compliance with the controversial weapons prohibition for all investments held in the AIFs and client portfolios for which Sosteneo acts as Investment Manager by applying Sosteneo's Exclusion Policy (see Part B Section 2.1: Exclusion Policy). Given the scope of Sosteneo's Investment Strategy this prohibition is unlikely to have any relevance for the investment activities Sosteneo carries out on behalf of the AIFs or portfolios for which Sosteneo acts as Investment Manager.

Section 2.4.4: Diversity-related PAI Indicators

For SFDR Sustainable Investments and partially Taxonomy-aligned Investments the Company takes into account all mandatory PAI Indicators in Table 1 Annex I SFDR RTS (see below Part C Section 2.5: Taking into account PAI). For fully Taxonomy-aligned Investments the Company at least takes into account PAI Indicators no. 12 and 13 Table 1 Annex I SFDR RTS.

Section 2.5: Taking into account PAI

For SFDR Sustainable Investments and partially Taxonomy-aligned Investments (see Part C Section 1.2: Taxonomy-aligned Investment), the Company takes into account the PAI Indicators as described below. The Company has defined quantitative and qualitative criteria for this purpose. The Company will use Best Efforts to collect information on the PAI Indicators on each relevant Sustainable Investment both pre-investment and during the holding period on an annual basis.

PAI Indicator	Description
Climate and other environment-related indicators	
1. GHG emissions[5]	Scope 1 GHG emissions
	Scope 2 GHG emissions
	Scope 3 GHG emissions
	Total GHG emissions
2. Carbon footprint	Carbon footprint
3. GHG intensity of investee companies	GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non- renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector
7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/ operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average

[5] Based on estimates which rely on the assumptions reasonably made and the underlying data reasonably available to us at the time of the assessment.

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Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters	
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons

Information on the consideration of adverse impacts by Sosteneo in accordance with Art. 4 SFDR is available on Sosteneo's website. Some of the AIFs and client portfolios for which Sosteneo acts as Investment Manager may consider PAI at product level according to Art. 7 SFDR.

Section 3: Engagement

When Sosteneo acts as Investment Manager of Sustainable Investments, the Company takes an active approach to engagement with a focus on milestones, Sustainability Indicators and follow-up activities identified in the Sustainable Due Diligence. The Company also engages with Project Companies to discuss deviations from SFDR Sustainable Investment or Taxonomy-aligned Investment status and it agrees milestones/ actions/ next steps in case of deviations.