BALTCAP INFRASTRUCTURE FUND

SUSTAINABILITY POLICY

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I. GENERAL

Purpose

The purpose of this Sustainability policy is to set the direction for Usaldusfond BaltCap Infrastructure Fund ("**Fund**") work with sustainable and responsible investments, and Fund actions as investor and owner. The objective of this Policy is to govern Fund's approach to sustainable investments while ensuring adherence to applicable laws and regulations such as the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services ("**SFDR**"), the Regulation (EU) 2020/852 On the establishment of a framework to facilitate sustainable investment ("**Taxonomy**") and other sectoral regulations.

The Fund aims to realize potential in private markets and create sustainable returns with a lasting, positive impact for all of its stakeholders, in line with its fiduciary duty and return-generating goals. Appropriate consideration of environmental ("**E**"), social ("**S**") and governance ("**G**") factors in investment activities can be a key enabler of value creation for the Fund. Value can be created for the Fund by acting on ESG opportunities, as well as by mitigating ESG related risks.

The Fund aims to substantially contribute to the climate change mitigation and climate change adaptation goals, as established in the Taxonomy.

Scope of application

Provisions of Policy are always binding and apply to the entire portfolio of the Fund. The Fund shall apply its best efforts to encourage Fund's portfolio companies ("**Portfolio companies**") to agree with this Policy, and to commit to pursuing its ESG values. The Fund expects that each Portfolio company will adhere to this Policy by adopting relevant decision at the Portfolio company level.

With regard to the Portfolio companies, it is acknowledged that some ESG factors will be relevant to all Portfolio companies, but the nature and materiality of others will vary according to the nature and activities they are involved in, as well as the nature of assets they hold.

Each Portfolio company is therefore considered on its individual merits, however the principles followed to integrating ESG are consistent across all Portfolio companies.

Applicable principles

The Fund's commitment to ESG is demonstrated by its longstanding support of the United Nations Principles for Responsible Investment ("**UNPRI**"). The Fund is committed to integrate ESG factors into its active ownership practices and believes this will lower the risk of Fund's investments and improve the returns for the investors.

In addition to being committed to UNPRI, the Fund supports the United Nations Sustainable Development Goals ("**SDG's**") and comply with international conventions and norms, including, but not limited to:

- The United Nations Global Compact
- The OECD Principles of Corporate Governance
- The OECD Guidelines for Multinational Enterprises
- The Universal Declaration of Human Rights
- The UN Guiding Principles on Business and Human Rights

II. SUSTAINABILITY RISK INTEGRATION

Climate change and other sustainability risks can materialize at many levels, from global and regional risks, to Portfolio company and projects level risks. Therefore, it is pivotal to carefully assess the financial materiality of sustainability risks, following a proportionate and risk-based approach.

The current sustainability risk integration principles are outlined in this Policy. The integration of sustainability risks is however an evolving field. The available data, expertise and technology to identify, measure and mitigate sustainability risks and the related ability to deepen Fund's understanding and measure sustainability risk will probably increase over time. Therefore, the Fund will regularly review and, where relevant, recalibrate our sustainability risk integration principles to ensure that these remain fully in line with these developments.

Sustainability risk integration means that the Fund shall apply the following:

- analysis of financial information and ESG information
- identify material financial and sustainability factors
- assess the potential impact of material financial and sustainability factors on economic, country, sector, and Portfolio company performance, and thus assess the likely impact of sustainability risks on the return of the Fund's investment
- make investment decisions that consider all material factors, including sustainability factors

Sustainability factors

Sustainability[1] factors – such as environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters – may have a positive or negative impact on the financial performance of Fund's investments. While sustainability factors can also have positive impacts (opportunities), the sustainability risks for the purpose of integration are defined as the negative materialization of the factors. Sustainability as a risk factor is relevant to all investments, while sustainability opportunities are typically relevant to the targets/projects that have an ESG objective.

Integrating sustainability factors in investment decisions is vital in determining risks and opportunities, and ensuring long-term, sustainable value creation for the investors, Fund, for its Portfolio companies, their management and employees, the environment, and society as a whole.

[1] As defined in Article 2(24) of the SFDR.

As applicable and material to any given investment, the ESG factors that may be incorporated into Fund's investment evaluation and monitoring processes include, but are not limited to, the following:

Environmental Considerations	Social Considerations	Governance Considerations
Climate change and carbon emissions	Human rights	Anti-Bribery and Anti-Corruption
Air and water pollution	Child labour – supply chain and own operations	Integrity and ethical behaviour
Biodiversity	Forced labour – supply chain and own operations	Information security and data protection
Deforestation	Controversial weapons – land mines and cluster bombs	Regulatory compliance
Energy efficiency	Community Engagement	
Waste management	Customers	
Water scarcity		

Target investments

The Fund targets investments which contribute to a low-carbon economy and facilitate the mitigation or adaptation of climate change.

Sustainability risks must be incorporated into the investment process as factors alongside financial factors for all investment decisions. The analysis must also include an assessment of how those sustainability risks are likely to impact the return of the Fund.

The Fund directly assesses the performance and risk exposure in terms of E, S and G at the individual Portfolio company/project level. This is done both:

- At point of target Portfolio company selection/project implementation, and
- During the monitoring of Fund's investments.

Screening Phase

The Fund seeks to identify potential Portfolio companies, projects and properties that accord with Fund investment ethos and ensure the Portfolio companies/projects are not subject to ESG restrictions, as defined in this Policy, as well as other documents governing Fund's activities. Other sensitive sectors such mineral resource extraction, agriculture or forestry, carbon intensive fossil fuel energy generation or mining/extraction will be subject to enhanced scrutiny and consideration of ESG mitigation/adaptation strategies. The Fund will work as appropriate to identify the relevant ESG opportunities and risks of target Portfolio companies.

Negative screening. The Fund, during its investment decision-making process, applies overall restrictions across the Fund's investment activities. These restrictions support the overall sustainability integration approach and mitigate sustainability risks. In addition, overall investment restrictions apply to targets targeted by sanctions.

Restriction covers certain activities restricted from the investment areas in order to address sustainability risks and for future purposes adverse sustainability impacts.

Some examples of excluded activities (non-exhaustive list):

- Production or activities involving harmful or exploitative forms or forced labour/harmful child labour
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements
- Any business relating to pornography or prostitution
- Production or trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES)
- Production or use of or trade in hazardous materials such as radioactive materials, unbounded asbestos fibres and products containing PCBs
- Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations
- Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans
- Destruction of Critical Habitat
- Commercial concessions over, and logging on tropical natural forest; conversion of natural forests into a plantation

Positive screening. Investment is encouraged in potential Portfolio companies/projects that are enabling or driving the shift towards sustainable business practices, such as those improving energy efficiency, etc.

Due Diligence Phase

Fund views sustainability as an important element in forward-looking strategic positioning rather than a backward-looking compliance consideration. Therefore, *ex-ante* screening is an important tool for identifying and understanding different sustainability related risks. The Fund oversees the due diligence process on relevant sustainability risks of target Portfolio companies and projects that qualify for further investment evaluation after the initial screen phase.

The Fund takes a risk-based review, specific to inherent sector and geographic risks. Sustainability due diligence adapted to the asset class and investment type is required before an investment decision is made. This may, where available, include obtaining ESG and sustainability-related data points as well as principal adverse impacts ("**PAIs**") metrics.

The Fund aims to identify and assess the economic impacts of any significant harm caused by the potential target Portfolio company products, services, or business practices, and will take into account the indicators for PAIs, as well as material sustainability factors or topics, as these are expected to be indicators of potential investment risks.

Through appropriate due diligence procedures, it is ensured that, at the time of the investment, each Fund's investment complies with applicable national laws and European Union environmental and social legislation.

High sustainability risk targets undergo a more comprehensive review to ensure proper controls and systems are in place before qualifying for the next phase of the investment process. The Fund aims to analyse long term factors and trends including climate change, as well as other E (as defined in Section III), S and G factors (as defined in Section IV).

For each target Portfolio company (project) the Fund prepares:

- the project description, including the physical characteristics of the whole project and, where relevant, its area of influence, during the construction and operational phases
- a description of the location of the project, where relevant, might also incorporate description of environmental sensitivity of the geographical area likely to be affected and/or social aspects
- a description of the environmental and social aspects, including impacts on human rights, likely to be significantly affected by the proposed project
- an analysis of the communities likely to be impacted by the project, and of other relevant stakeholders of the project
- an assessment of the likely significant effects of the proposed project on the environment, population and human health resulting from: (i) the expected residues, emissions and the production of waste, (ii) the use of natural resources, in particular soil, land, water, and biodiversity changes, (iii) any expropriation, land acquisition and easements and/or involuntary resettlement of people and likely restrictions on access to land, shelter and/or livelihood and subsistence strategies
- a description and justification of the measures foreseen to avoid, prevent or reduce any significant adverse effects on the environment, human health and well-being.

Investment Phase

ESG terms will be negotiated and integrated into the legal investment/projects agreement(s) as feasible. Specifically, ESG guidelines, action plans with targets, recommendations, and reporting requirements should be considered and established with potential Portfolio companies (projects) and relevant representations stipulated in the legal investment agreement(s) to mitigate potential sustainability risk exposure in the future before the investment is finalized.

Monitoring

The Fund's monitoring model applies a risk-based approach. The Fund collects from its Portfolio companies' data and information necessary to access Portfolio companies PAIs indicator performance and to determine the alignment with the technical screening criteria established in Commission Delegated Regulation (EU) 2021/2139, as well as further legal acts (if any), concerning the technical screening criteria under the Taxonomy, ("**Delegated Regulation**") is assessed.

The Fund team must review financial and sustainability data and research for each Portfolio company. Data can be sourced from multiple data sources (including but not limited to the Portfolio company reports and third-party investment research).

The worst performing Portfolio companies will be further analysed by the Fund team, who will identify and decide on the appropriate action. The range of possible actions consists of the following:

- *Engagement.* The Portfolio company is identified as a candidate for an engagement case. This can be due to various reasons such as the company's PAIs performance overall or on certain indicators or technical screening criteria, or low data coverage for the Portfolio company. The Fund team engages with the portfolio company and tracks performance after the engagement based on key performance indicators related to the challenges at hand relevant for PAIs, as well as for relevant Taxonomy technical screening criteria;
- *No action.* The PAIs indicator level and Taxonomy technical screening results of the Portfolio company is deemed acceptable or judged not to reflect the actual ongoing performance of the Portfolio company, and no further action is needed at this point. The Portfolio company will continue to be assessed on an ongoing basis;
- *Exclusion.* The Portfolio company is deemed not eligible for investments across the Fund's portfolio. Exclusion is a last resort measure.

III. ENVIRONMENTAL CONSIDERATIONS

Applicable standards

Through assets that have a demonstrated contribution to climate-related SDGs, including, Goal 7 (Renewable Energy), Goal 9 (Industry, Innovation and Infrastructure) and Goal 13 (Climate Action). The Fund applies learnings made in the quantification of the impact of Fund's investments to improve its approach to measuring the positive impact of individual initiatives.

The Fund is equally committed to managing its investment portfolio towards the Paris Agreement objectives as the Fund recognize Fund's investment activity can have a positive impact through Fund's transformational investing strategy. In this context, it is crucial that the Fund continue to assess and understand its portfolio carbon footprint in detail as this will enable to develop meaningful and efficient GHG reduction programs.

The Fund is working on adopting the following strategy:

- Analysing climate-related investment risks
- Raising awareness about climate change risks and engaging for change with the Portfolio companies
- Integrating financially material climate change-related issues into the Fund's regular investment processes, where relevant for the business model
- Decarbonizing activities of the Fund as well as Fund's portfolio companies and aligning investments with an emissions reduction pathway that would limit global warming to 1.5°C

The Fund promotes an integrated approach to impact assessment and risk management by ensuring that environmental considerations are addressed and taken into account in the decision-making, as well as monitoring processes.

These impacts and risks need to be taken into account at the earliest possible stage of planning and decision-making processes, including to ensure consistency with Do Not Significant Harm principles and requirements.

Carbon avoidance

The Fund is committed to avoiding GHG intensive activities in the Fund's direct investment universe. This generally includes the following investments, which the Fund will avoid in principle unless the Fund can develop a carbon reduction strategy to positively influence them towards a low-carbon transition through Fund's transformational initiatives:

- Businesses whose main product or service supports thermal coal extraction, transportation, or use for energy generation, and which have no plans to reduce this percentage
- Businesses whose main product or service supports crude oil exploration, production, refining, transportation, or storage; or the transportation and storage of refined product (specialist derivatives production is not excluded)

- Service providers to the coal and oil upstream industry, such as drilling rig operators, fracking sand suppliers and oilfield service providers, treatment and logistics services for Canadian oil sands
- Businesses whose main product or service requires deforestation or the burning of vast natural ecosystems for the purpose of land clearance

Measuring the portfolios' carbon intensity

Transparency of Fund's carbon footprints contributes positively to tackling climate change. The Fund is committed to measuring and publicly disclosing the carbon footprint of Portfolio companies on an annual basis.

For Portfolio companies, the Fund calculates a Weighted Average Carbon Intensity (WACI), which is in line with the recommendations of the Non-Financial Reporting Directive and TCFD and measures a portfolio's exposure to carbon-intensive companies.

WACI represents the asset-weighted average tons of Co2 per millions of turnovers (sales) for the companies in Fund's portfolio. The carbon intensity for each Portfolio company is weighted by the Fund's exposure to the Portfolio company.

Each Portfolio company shall report to the Fund the following information on GHG emissions:

- **Scope 1 emissions.** This one covers the GHG emissions that a Portfolio company makes directly – for example while running its boilers and vehicles.
- **Scope 2 emissions.** These are the emissions the Portfolio company makes indirectly – like when the electricity or energy it buys for heating and cooling buildings, is being produced on its behalf.
- **Scope 3 emissions.** In this category go all the emissions associated, not with the Portfolio company itself, but that the organisation is indirectly responsible for, up and down its value chain. For example, from buying products from its suppliers, and from its products when customers use them.

Taxonomy alignmenth

Fund portfolio Taxonomy alignment determination involves the five separate steps below, performed by the Fund:

Step One	Identify eligible revenue, CapEx and OpEx of eligible economic activities (those listed in the Taxonomy).
Step Two	Demonstrate substantial contribution to one or more of the six Taxonomy environmental objectives – screening tests for Taxonomy are carried out based on a collection of thresholds by economic activity. Some economic activities have no screening criteria, i.e., are automatically eligible and so all revenue in that activity would qualify, subject to meeting DNSH screening criteria and minimum safeguards ("**MS**").
Step Three	Carry out a DNSH assessment to environmental objectives and validate that no significant harm criteria are met on the remaining Taxonomy environmental objectives in accordance with the Taxonomy technical screening criteria.

Step Four	Carry out a due diligence for social objectives and safeguards to ensure there are no negative impacts on MS referred to in Article 18 of the Taxonomy. For Taxonomy aligned products, the Fund needs to ensure that any negative impacts on the MS stipulated in the Taxonomy, the OECD guidelines, the UN Guiding Principles on Business and Human Rights and Labour Rights conventions are avoided.
Step Five	Calculate revenue, CapEx, OpEx of the activities that meet all of the above steps and are aligned with the Taxonomy.

Substantial contribution

The Fund aims to substantially contribute to the climate change mitigation or adaptation goals, as established in the Taxonomy regulation. The substantial contribution of each economic activity to the said environmental objective shall be identified and assessed by applying the detailed technical criteria provided in the Delegated Regulation.

Do no significant harm (DNSH)

Using the technical screening criteria set out in the Delegated Regulation, each activity shall be assessed for compliance with the DNSH principle, i.e., the activity must not harm any of the other five environmental objectives:

- climate change adaptation
- the sustainable use and protection of water and marine resources
- the transition to a circular economy
- pollution prevention and control
- the protection and restoration of biodiversity and ecosystems

What shall be treated as a significant harm?

Climate change adaptation. An activity is considered to do significant harm to climate change adaptation if it leads to an increased adverse impact of the current climate and the expected future climate, on the activity itself or on people, nature or assets.

Sustainable use and protection of water and marine resources. An activity is considered to do significant harm to the sustainable use and protection of water and marine resources if it is detrimental to the good status or the good ecological potential of bodies of water, including surface water and groundwater, or to the good environmental status of marine waters.

Circular economy. An activity is considered to do significant harm to the circular economy, including waste prevention and recycling, if it leads to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources, or if it significantly increases the generation, incineration or disposal of waste, or if the long-term disposal of waste may cause significant and long-term environmental harm.

Pollution prevention and control. An activity is considered to do significant harm to pollution prevention and control if it leads to a significant increase in emissions of pollutants into air, water or land.

Protection and restoration of biodiversity and ecosystem. An activity is considered to do significant harm to the protection and restoration of biodiversity and ecosystems if it is significantly detrimental to the good condition and resilience of ecosystems, or detrimental to the conservation status of habitats and species, including those of Union interest.

Climate change mitigation

Climate change mitigation is the process of holding the average global temperature increase from pre-industrial levels to well below 2 degrees, with an ambition of keeping it to 1.5 degrees, as set out in the Paris Agreement. Under the Taxonomy, an activity will qualify as substantially contributing to this objective via the avoidance of emissions of greenhouse gases (GHGs)[2], reduction of GHG emissions or removing GHGs from the atmosphere.

The Fund will use technical screening criteria for determining whether an economic activity contributes substantially to climate change mitigation, as defined in Delegated Regulation. Those technical screening criteria refer to thresholds or performance levels that the economic activity should achieve in order to qualify as contributing substantially to climate change mitigation. The same technical screening criteria are also applicable in order to ensure that the economic activity has no significant negative environmental impact.

Climate change adaptation

Climate change adaptation is the process of adjustment to actual and expected climate change and its impacts.

Climate change adaptation solutions:

- includes adaptation solutions that either substantially reduce the risk of the adverse impact of the current climate and the expected future climate on that economic activity or substantially reduce that adverse impact, without increasing the risk of an adverse impact on people, nature or assets. The adaptation solutions shall be assessed and ranked in order of priority using the best available climate projections and shall, at a minimum, prevent or reduce (i) the location-specific and context-specific adverse impact of climate change on the economic activity; or (ii) the potential adverse impact of climate change on the environment within which the economic activity takes place.
- provides adaptation solutions that, in addition to being enabling activity, contribute substantially to preventing or reducing the risk of the adverse impact of the current climate and the expected future climate on people, nature or assets, without increasing the risk of an adverse impact on other people, nature or assets.

The Fund will use technical screening criteria for determining whether an economic activity contributes substantially to climate change adaptation, as defined in Delegated Regulation. Those technical screening criteria refer to thresholds or performance levels that the economic activity should achieve in order to qualify as contributing substantially to climate change adaptation. The same technical screening criteria are also applicable in order to ensure that the economic activity has no significant negative environmental impact.

[2] As listed in Annex I to Regulation (EU) No 525/2013 of the European Parliament and of the Council.

Approach to Biodiversity and Ecosystem protection

Biodiversity, or the variety of life on earth, is declining and is projected to deteriorate faster and further if humans fail to change the status quo. Forestry, agriculture and energy extraction are just a few of the industries causing damage to ecosystems that we rely on and, in some cases, the damage may be irreparable. A continued loss of biodiversity could lead to environmental destabilization and, ultimately, ecological collapse. Protecting and conserving biodiversity and ecosystems and maintaining the ecological functions and processes of such ecosystems are fundamental to environmental and social sustainability.

The Fund supports projects that are compatible with maintaining the integrity of areas important for biodiversity as well as the core natural functions, processes, and resilience of ecosystems to halt and reverse biodiversity loss, increase biodiversity and ecosystem benefits and, where required, achieve a Net Positive Impact on biodiversity.

Biodiversity includes plants, animals and other organisms and is defined in the Convention on Biological Diversity (CBD) as the variability among organisms from all sources including terrestrial, marine and other aquatic ecosystems, and the ecological complexes of which they are part; it includes diversity within species, between species and of ecosystems.

Ecosystem services are the goods and services that biodiversity provides. They include the provisioning services that supply the goods we harvest and extract (food, water, fiber, timber, medicines) and cultural services, such as the gardens, parks and coastlines. But nature's processes also preserve and regenerate soil, control floods, filter pollutants, assimilate waste, pollinate crops, maintain the hydrological cycle, regulate the climate, and fulfil many other functions. Without these regulating and maintenance services, our economy and society as we know it would not be possible.

Approach to Critical Habitats

Critical habitat refers to areas of high biodiversity value, which considers both global and national priorities and builds on the conservation principles of 'vulnerability' (threat) and 'irreplaceability' (rarity/restricted distribution). It is identified based on five criteria that address habitat of significant importance to threatened, endemic, congregator and migratory species, threatened or unique ecosystems, and key evolutionary processes.

In areas of critical habitat, nor the Fund, nor the Portfolio companies, shall implement project activities unless all of the following conditions are met:

- No other viable alternatives for the project exist either in terms of location or design, and there is rigorous justification of overriding public interest based on human health, public safety considerations and/or beneficial consequences of primary importance for the environment
- The project does not lead to measurable adverse impacts that will result in any detrimental effect on the ecological and conservation status of the critical habitat, and impacts are avoided and minimised to the extent possible through changes in footprint or design
- The project does not lead to a net reduction in the population of any vulnerable
- Positive conservation outcomes (Net Positive Impact) and continued ecological functionality are achieved though appropriate compensation measures for residual impacts that would otherwise occur despite impact avoidance, minimisation and restoration measures

- A robust, appropriately designed and long-term biodiversity monitoring and evaluation programme aimed at assessing the status of the critical habitat is integrated into the Portfolio company's adaptive management programme.

Approach to the sustainable use and protection of water and marine resources

The Fund ambition is to minimise potential water-related impacts from its operations and provide fair and equitable access for all water users.

Understanding and managing water risk may be fundamental to the Fund's and its Portfolio companies' ability to continue as a going concern. As a result, the water intensity of the Fund's and its Portfolio companies' operations, scarcity in the regions in which operate and strategies to manage use all feature in our ESG analysis. The Fund also engage Portfolio companies on water risk.

The Fund commits and its Portfolio companies shall commit to evaluate energy and water consumption pre-investment by reviewing historical data, where available, and overall performance indicators including third-party certifications. In addition, to monitor and reduce energy, water consumption and waste to landfill of our direct investments and developments.

IV. SOCIAL AND GOVERNANCE CONSIDERATIONS

Applicable standards

The Fund and its Portfolio companies shall carry out their activities in compliance with the minimum safeguards. This means that the Fund and its Portfolio companies carry out their economic activities by ensuring the alignment with:

- The OECD Guidelines for Multinational Enterprises; and
- the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

The Fund and its Portfolio companies shall perform a periodical Taxonomy screening based on applicable S and G standards, supported by the adopted tools for scoring, research and monitoring.

Human rights

The Fund endeavours to:

- Protect the fundamental human rights of all individuals
- Observe fair and ethical labour practices in Fund's business and communities where the projects are implemented by the Fund or its Portfolio companies, including relationships with third-party vendors and suppliers
- Respect the human rights of minority and disadvantaged groups
- Promoting fair and ethical labour relations with all employees

The Fund has zero tolerance regarding illegal and immoral practices involving child labour, forced labour and modern slavery, including human trafficking.

The Fund respects and promotes and its Portfolio companies shall respect and promote human rights by complying with all the applicable local laws and supporting the internationally accepted principles set by the UN. This includes the UN Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, and UN Global Compact.

Adverse Human Rights impacts

Human rights due diligence is a way for the Fund to proactively manage potential and actual adverse human rights impacts with which they are involved. It involves four core components:

- Identifying and assessing actual or potential adverse human rights impacts that the Fund or Portfolio companies may cause or contribute to through its own activities, or which may be directly linked to its operations, products, or services by its business relationships and (or) the Fund's portfolio companies
- Integrating findings from impact assessments across relevant processes and taking appropriate action according to its involvement in the impact
- Tracking the effectiveness of measures and processes to address adverse human rights impacts in order to know if they are working

- Communicating on how impacts are being addressed and showing that there are adequate policies and processes in place

Social and employees matters

The Fund recognizes and carefully manages the social impacts along its value chain. Topics such as employee engagement and satisfaction, diversity, and equal opportunity as well as data privacy, since this represents the large part of the sustainability impacts. The Fund operates strictly in line with local and international regulations regarding the health and safety of the employees as well as protection of fundamental human rights.

Occupational and public health, safety and security

The Fund recognises and its Portfolio companies shall recognise the need to safeguard the safety and health of workers, and to address rapid changes in the economy (notably the pathway towards green growth), demography and work patterns.

Project activities, equipment and infrastructure can expose workers and community to hazards, risks and impacts in terms of occupational and public health, safety and security.

The Fund recognises:

- The right of workers to fair and just working conditions
- The right of workers and affected people and communities to life and to integrity
- The responsibilities of both workers and employers to securing a safe and healthy working environment

The Fund follows and its Portfolio companies shall follow all regulatory health and safety requirements and offers periodic training to employees, including first-aid courses. Additionally, the Fund monitors and constantly improves environmental conditions within an office, such as air quality, healthy snacks, and resting areas.

Employees are encouraged to share information on safe working methods and make suggestions for improving ergonomics and safety at work

Diversity, equity and inclusion

The Fund is committed, and its Portfolio companies shall be committed to diversity, equity, and inclusion (DEI) in its corporate practices and investment processes.

The Fund provides and its Portfolio companies shall provide equal employment opportunity on all open positions regardless of race, gender, sexual orientation, ethnicity, religion, or disability.

The Fund supports and its Portfolio companies shall support equal opportunity in their employment practices, including the selection, hiring, promotion, transfer, and compensation of qualified applicants and employees without regard to any characteristic protected by applicable law, including, but not limited to, race and/or ethnicity, colour, gender, gender identity, gender expression, sexual orientation, age, religion or belief, national origin or ancestry, citizenship status, language, political affiliation, social or economic status, veteran or military status, marital status, familial status, pregnancy, physical or mental disability, medical conditions, genetic information.

Further, the Fund requires its Portfolio companies to:

- Share in Fund' commitment to human rights and equal opportunity in the workplace
- Conduct their employment practices in compliance with applicable employment and labour laws and regulations

Anti-bribery & Corruption

The Fund takes a zero-tolerance position on bribery and corruption and operates according to the highest industry standards based on values which call upon the Fund to act professionally, fairly and with integrity in Fund's business dealings and relationships. The principle of zero tolerance for corruption applies in relations with both the public and private sectors, including relations with foreign public officials, whether or not there is liability for acts of a corrupt nature in the foreign state

The Fund does not tolerate any forms of corruption irrespective of the form or degree of their occurrence. Any employee who has committed a corrupt act, regardless of his/her current position, functions or merits to the company, shall be held liable in the manner prescribed by law.

The Fund does not tolerate any corruption, or any form and / or unacceptable conduct specified in this Policy and legal acts and undertakes to take preventive measures to prevent and combat corruption or its manifestations and / or unacceptable conduct in the portfolio companies.

In carrying out its activities, the Fund and its portfolio companies comply with requirements of all laws and other legal acts applicable to the Fund and portfolio companies including the prevention of corruption. In situations where the Policy, laws or other legal acts do not establish appropriate standards of conduct, the Fund and portfolio companies shall act in a manner that complies with the highest standards of reliability, fairness, honesty and transparency acceptable to the public.

The provisions of this section of the Policy should be followed by the Fund's and Portfolio companies' business partners, beneficiaries / providers, contractors, persons acting on behalf of the Fund and its Portfolio companies, including consultants and intermediaries, and other third parties. If the persons referred to in this item do not follow the principles of ethical and responsible business and their activities do not fully comply with the principles and implementation of the principles specified in this Policy, the Fund and its Portfolio companies shall assess with reasonable expeditiousness the criticality of identified violation against the Policy and interest and values of the Fund and its Portfolio companies and take a reasoned decision if the further business relation with such person to be maintained or terminated.

Activities of the business partners of the Fund and its Portfolio companies, beneficiaries/providers, contractors, persons acting on behalf of the Fund and its Portfolio companies, including consultants and intermediaries and other third parties having relations with the Fund and its Portfolio companies must also be based on ethical and responsible business principles, comply with the anti-corruption provisions of the applicable legislation.

Employees of the Fund and its Portfolio companies must avoid conflicts of interest that may affect the impartial performance of duties and functions or the development of activities. The Fund and its Portfolio companies do not tolerate the provision of support, which may be understood as bribery or other illegal activities.

The Fund and its Portfolio companies may accept and / or provide only such gifts and hospitality that do not exceed the standards of normal business relations and transparency.

The Fund supports and its Portfolio companies shall support employees who report possible corruption, unacceptable conduct and other violations of this Section of the Policy.

Reporting a breach of the Policy in the Fund and its Portfolio companies is considered appropriate and ethical conduct. The Fund and its Portfolio companies undertake to protect the anonymity of the employee and otherwise ensure the security of the person and information, and to take measures to protect the persons informing about violations from any negative consequences, and to take measures to protect the persons informing about violations from any negative consequences. The Fund and its Portfolio companies ensure full confidentiality and protection of personal identity, as provided for in the relevant legal acts.

Engagement

Engagement with the Fund's Portfolio companies occurs across all of the Fund's investment, management and development activities. From the very early stages of an investment, engagement provides an opportunity to gather information that supports the decision-making process. The Fund engages with the Portfolio companies to screen for unethical business conduct, collect information, discuss material sustainability factors and encourage good ESG governance.

The Fund works closely with Portfolio companies to advance ESG performance at the property level. To ensure alignment of expectations, the Fund seeks to incorporate ESG requirements into Portfolio companies' activities, set sustainability-related performance metrics, and actively work to increase the number of agreements where these occur. The Fund monitors in particular the Portfolio companies' strategy, financial and non-financial performance and risk, capital structure, ESG factors, remuneration practices, among other things. When needed, the Fund strives to influence the Portfolio companies and to promote a better corporate governance structure, risk management, performance or disclosure standards with respect to a wide range of ESG related issues of these companies.

The Fund commits to making its best efforts to having the following management actions with the leadership team of each Portfolio company:

- To support on an ongoing basis the timely implementation of ESG factors by each Portfolio company (e.g., through dedicated workshops and practice sharing with other Portfolio companies)
- At least annually to assess progress made and to update as necessary the ESG action plan (through PAIs assessment and Taxonomy technical screening performance)
- To ensure of each portfolio company that ESG considerations are regularly raised and discussed, and action plans approved at least annually

V. MONITORING AND REPORTING

Grievance mechanism

Some complaints may be related to factors not connected to the Fund. In these cases, the Fund will send a written explanation of why it considers the complaint does not require further action by the Fund. In all other cases, the Fund will investigate the complaint and determine whether it is responsible for or has contributed to the issues that led to the complaint. If the investigation finds the Fund has failed to comply with the standards to which it is legally held and/or to which it has committed, or if the Fund finds there are unintended or unforeseen impacts that have not been properly mitigated, the Fund will identify options for resolution and present an approach to the complainant. The Fund will further work to identify measures that could prevent the issue from recurring.

Reporting to the Fund

The identified and evaluated sustainability risks for the Fund's investment strategies are integrated within the framework of internal risk reporting, as part of existing reporting channels. The typical characteristics of sustainability risks, e.g., a medium to long-term horizon, are taken into account.

The Fund is encouraging its Portfolio companies to evaluate their business challenges and opportunities related to ESG standards, GHG emissions, as well as climate risks related to their business operations, products and services. The Fund also encourages them to improve their climate related disclosures.

Portfolio companies shall commit to provide the Fund, at minimum, with a summary that includes a description of implemented ESG standards, risk, and impacts. In addition, Portfolio companies, on an annual basis will report to the Fund GHG emission levels (Scope 1, Scope 2, Scope 3 emissions), as well as other relevant information related to mandatories PAIs indicators defined by the SFDR and additional voluntary indicators defined by the SFDR (if the Fund decides to include additional voluntarily indicators).

Portfolio companies shall be obliged to report to the Fund material breaches of the Policy when Portfolio companies' management gets acquainted with that issue. If there are any material breaches during the year, each Portfolio company has to ensure in writing that there have been no material changes since its last report.

PAIs

Through the consideration of PAIs, the Fund is monitoring and reporting on 18 mandatory PAI indicators defined by the SFDR. The Fund may decide to include some additional voluntary indicators defined by the SFDR as well.

The Fund provides Fund's investors with PAIs reports by June 30 each year.

Taxonomy alignment reporting

The Fund annually discloses the proportion of investments that contribute to the climate change mitigation or adaptation objective of the Taxonomy, as well as other information concerning Fund's alignment with Taxonomy.

Each of the Fund's Portfolio companies pledges to comply with certain ESG obligations on an on-going basis and to notify to the Fund any breaches thereof.

At least the following shall be included in the periodic disclosure:

- The extent to which the sustainable investment objective of the Fund was met during the reference period
- The top investments of the Fund
- The proportion of sustainable investments versus non-sustainable
- Actions taken to attain the sustainable investment objective during the reference period.

VI. OVERSIGHT AND REVIEW

The Fund's general partner is responsible for the control and compliance with this Policy, as well as annual Policy review to ensure it continues to operate as intended and continues to comply with applicable national and international regulations, principles and standards.

The Policy shall be approved and amended by the decision of the general partner of the Fund, in accordance with the Fund's incorporation documents.