GENERALI GLOBAL INFRASTRUCTURE

Generali Global Infrastructure

Sustainable Investment Policy

October 2021

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1. GGI's Commitment

1.A FOUNDING PRINCIPLES

Infrastructure is widely recognised as an asset class with major potential to contribute to sustainable development, providing (reliable) access to basic services such as power, energy, heat, public and individual transport, (clean) water, waste collection/treatment, telecommunications, health, education and other social services.

Investing in infrastructure is a long-term commitment and requires investors to consider financial and ESG characteristics over a long-term horizon. At Generali Global Infrastructure ("GGI") we believe that our role, as an asset manager specialized in infrastructure investments, is to unlock the asset class potential for positive impact.

Our vision of sustainability is primarily underpinned by two pillars: **the achievement of the Paris Agreement** and, more broadly, of **the UN Sustainable Development Goals'** ("SGDs") [1], complemented by **the integration of the EU Taxonomy**[2] as it develops. As such our ambitions and views of sustainability for infrastructure investments go beyond the energy transition and the climate challenge, and extend to wider environmental and social goals, supporting resilient and inclusive economies and societies.

However, infrastructure assets may also carry relatively high social and environmental risks, including ***adverse impacts*** [3] on major global challenges such as climate change or loss of biodiversity.

We recognise the principle of double materiality, considering both the risks and impacts of infrastructure assets on sustainability, as well as the sustainability risks impacting our investments such as the consequences of climate change on infrastructures, Our third sustainability pillar is the belief that the positive impact potential of the asset class can only be unlocked if investments are underpinned by robust ESG standards, including adequate risk management and monitoring.

In applying our sustainable investing philosophy, we reconcile financial and ESG performance, with the conviction that our approach enhances the risk/return profile of our investments.

1.B OUR COMMITMENTS

Following GGI founding principles, we have set forth three commitments regarding sustainability:

#1 We invest for net positive impact, targeting investments compatible with, and making net positive contribution to, our holistic understanding of sustainability:

- contribution to UN SDGs,
- alignment with Paris Agreement, and
- adequate ESG standards including minimum social safeguards and no significant harmful impact on sustainable development

#2 We act as a responsible investor and fully integrate ESG considerations within our activities:

- we systematically assess ESG impacts, risks and/or opportunities to inform investment decisions,
- we engage with our investee companies and exercise our rights to drive or monitor the achievement of our sustainability targets throughout the life of our investments, and
- we monitor and report on sustainability objectives including the ESG performance and climate impact of our portfolios.

#3 We seek for our organization as a whole to understand and support our approach to sustainability:

- we train our professionals to embed sustainability in our culture and to deliver our ESG ambitions

2. ESG Approach

2.A OVERVIEW

To support our intention to invest for net positive impact ("NPI")[4] and transform our commitments into concrete actions, GGI has designed a specific approach to ESG integration throughout its processes.

Our ESG and impact investing approach is based on selecting investments

[1] Goals included in the sustainable program adopted by the United Nations
[2] European classification system which established a list of environmentally sustainable economic activities
[3] "Entity's negative impact on environmental and social issues"
[4] A net gain to society and the environment

- for their impacts on
- contribution to the UN SDGs
- the Paris-Agreement climate trajectory[5]
- and meeting adequate ESG standards / risk mitigation, including minimum social safeguards and no significant harmful impact on sustainable development.

This approach is designed to ensure that investments comply with our holistic view of sustainability. This notably means that investments, beyond their contributions to SDGs and climate trajectory alignment, need to demonstrate adequate/progressive governance standards and environmental & social safeguards.

In order to do that, GGI uses a proprietary framework and a climate trajectory methodology, which we apply at different stages of our investment process, from origination / screening of assets to monitoring and reporting. These assessments inform our investment decisions, allow the monitoring of ESG performance and sustainability objectives, and form the basis of our ESG reporting to investors.

GGI has established a Sustainability Committee to steer GGI's sustainable investment practices and oversee ESG performance.

2.b RESPONSIBLE INVESTMENT PROCESS

Asset origination / screening

We target investments compatible with, and making positive contribution to, sustainable development and seek to align our portfolios with the Paris Agreement. This goes beyond deploying capital in renewable energy projects. Our main investment themes are central to address global challenges and fundamental to well-functioning societies and the fostering of inclusive economies:

- **Environmental & Energy Transition**: investments contributing to the energy transition, including renewable energies, green mobility and energy efficiency; as well as investments in environmental sectors such as water and waste management
- **Digital Transformation**: communication infrastructures providing fair access to information, notably bridging the digital gap in rural areas (i.e. fiber networks, etc…)
- **Social Infrastructures**: investments providing essential services to territories and populations, in particular in the health and education sectors

In order to reach these objectives, we perform at this stage:

- an impact analysis based on a proprietary framework developed with a leading ESG advisory services firm, which is based on the contribution of investments to the UN Sustainable Development Goals. SDG contributions are analyzed per asset categories according to a rating grid ranging from strong obstruction to strong contribution. We also assign a preliminary ESG score providing guidance on the potential for an investment to achieve scores evidencing high ESG standards.
- a high-level assessment of the carbon footprint and Paris Agreement alignment of potential investments on relevant portfolios alignment with the Paris agreement.

GGI is also committed to integrating an assessment of the eligibility of investments to the EU green taxonomy, including "Do No Significant Harm" analysis. At origination/screening stage, this may take the form of a preliminary assessment.

In addition, the investment team applies GGI's exclusion policy at origination/screening stage. This exclusion policy is based on excluded sectors (including those causing strong obstructions to the SDGs), controversy analysis, and minimum ESG scores.

Due diligence

ESG due diligence is performed by the investment team with the support of our sustainability experts (including our Head of Sustainability and our Senior ESG Advisor as required), through engaging with investment counterparties and through the analysis of due diligence reports. GGI may engage consultants to support this process and validate final ESG scores and investment recommendations from a sustainability perspective. At this stage of the process, any necessary final confirmation of

[5] An agreement within the United Nations Framework Convention on Climate Change (UNFCCC)

compliance with exclusion policy (including controversies and adequate risk mitigation) will be produced.

Finally we seek to obtain a final assessment of the investments carbon footprint and alignment with the Paris Agreement.

Investment decision

All analysis conducted during the asset origination and the due diligence phases are then synthetized, with a recommendation endorsed by the Head of Sustainability, in order to inform the decision-making, and submitted the investment committee.

Upon closing of an investment, key sustainability targets and indicators to be monitored are recorded.

Holding period / Asset monitoring

During the monitoring phase, impact targets / sustainability objectives as well as main ESG issues / KPIs are monitored. This leads to the regular revisions of ESG scores and to the tracking of their evolution. ESG scores are reviewed at least once a year and more often if necessary.

While holding debt or equity investments, GGI engages with investee companies and exercise its rights. This can span from monitoring adequate information reporting to enforcing specific ESG covenants on the debt side, to designing agreed-upon action plans to deliver sustainable performance on certain equity positions with sufficient level of control.

3. Reporting on ESG performance

3.a INVESTMENT MONITORING

During the holding period, GGI monitors and reports to our investors on ESG performance and sustainability objectives. We follow the relevant KPIs, review periodically the ESG scores of the assets (at least on a yearly basis) and their contribution to UN SDGs, as well as the portfolios' average scores, re-evaluate the assets' and the portfolios' climate trajectory when relevant and follow-up on relevant issues identified.

3.b ESG REPORTING

A quarterly ESG report is published for each Fund under management. This report includes:

- When the Funds maturity and thematic warrant it a detailed assessment of each asset's and the portfolio's alignment with the Paris agreement. KPIs such as tons of CO_2 avoided or added with respect to the 2°C scenario and the investment carbon footprint (tons of CO_2 / M€ invested) are presented for each asset and for the portfolio.
- The identification of the SDGs to which the assets contribute.
- The ESG scoring of each asset, based on our scoring methodology and the average portfolio score.
- Specific ESG KPIs relevant to each asset which may be reported by the investee companies.

We integrate and report on relevant Principal Adverse Impacts and the green share (as defined by the EU taxonomy) of our portfolio.

As a signatory of the Principles for Responsible Investment, GGI provides the necessary data for the PRI annual reporting.

4. Annexes

4.a Annex II – GGI's adhesion to sustainable finance initiatives

Our Commitments are further anchored in GGI's adhesion to high profile initiatives, including:

- Signatory of the United-Nations Principles for Responsible Investment ("PRI")
- **Member of Finance for Tomorrow**, the Paris-based organization promoting sustainable finance
- **Sponsor of the 2 Infra Challenge** initiative providing a tool to measure the climate trajectory of infrastructure assets
- **Member of CDC Biodiversité Global Biodiversity Score**, an initiative aiming at providing a tool measuring the biodiversity footprint of activities/investments

4.b Annex III – ESG assessment methodology

Our current ESG assessment is based on a proprietary industry-specific ESG rating methodology developed with ISS-ESG. It allows to identify and assess the impact of investments considering the SDGs, and more broadly their ESG performance. This analysis is fully integrated in the investment process.

A high-level summary of this methodology is provided below:

- **Contribution to SDGs:** the sectors that are not excluded from the outset are assessed according to their potential contribution to SDGs. The main SDGs targeted by our strategies are SDG 3 (Good Health and Well-being), SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation, and Infrastructure), SDG 10 (Reduced Inequalities), SDG 11 (Sustainable Cities and Communities), SDG 13 (Climate Actions).
- **Governance Performance:** assessment focused on governance. Analysis of shareholders and key stakeholders in the project, through controversy checks and review of applicable governance policies to ensure that key issues, including anti-corruption, anti-trust, tax and accounting fraud, have been appropriately addressed.
- **Environmental and Social Performance:** assessment focused of Environmental and Social performance. Analysis of E and S policies and their implementation based on sector-specific indicators. Risk factors are subject to strict requirements to ensure they are sufficiently mitigated.

Each investment is attributed a score. Investment not reaching a minimum score at the time of investment decision will be rejected.

4.c Annex IV – Climate methodology

Through the 2-infra challenge initiative, GGI has sponsored the development by Carbone 4, a leading energy transition & climate change advisory firm, of an innovative and independent methodology, dedicated to the infrastructure asset class (CIARA – Climate Impact Analytics for Real Assets) This methodology, based on scopes 1, 2 and 3 emissions, allows not only to calculate carbon emissions and avoided emissions, but also to evaluate the alignment of our portfolios with the Paris Agreement climate trajectory.

The approach is comparable to Sector Decarbonization Approach (SDA) which are used to set carbon-intensity reduction targets based on sectoral carbon budgets. For CIARA, the core assumption is to compare carbon-intensity metrics of a portfolio (such as CO2/kWh for the Power) vs. what should be the value of that same metric in a given "climate scenario" based on the performance of the infrastructure end-uses. That approach has been adapted and customized to fit specifically the infrastructure sector. Climate scenarios take into account country specificities and range from a 1.5°C to a 6°C trajectory. This methodology allows to assess the forward-looking carbon performance of infrastructure portfolios.

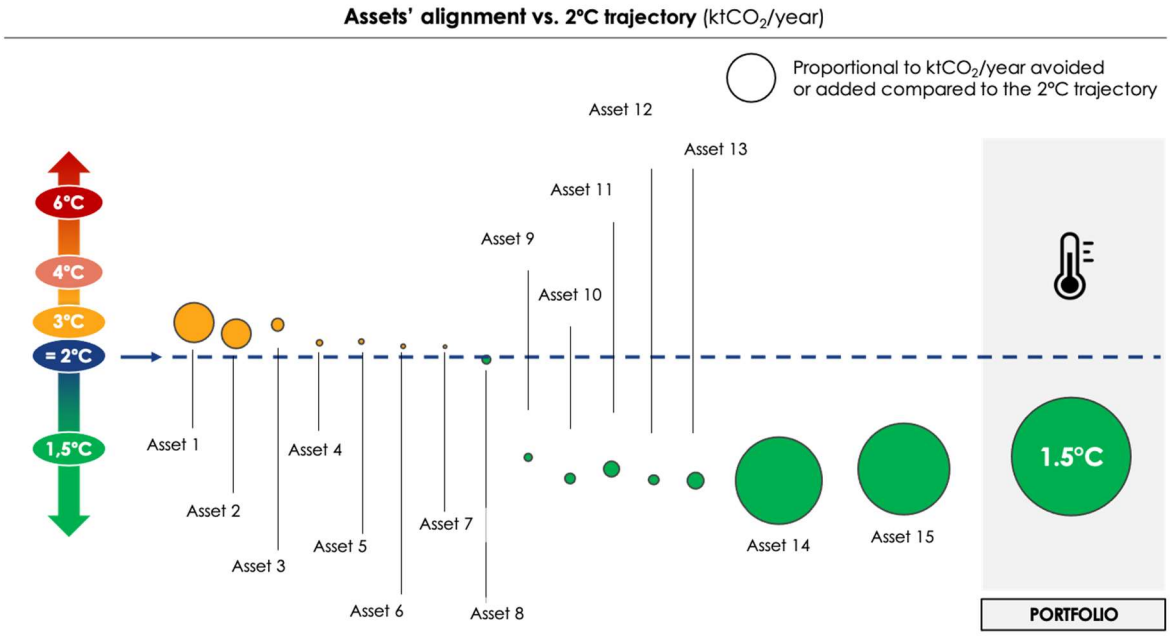
The bottom-up analysis is conducted as much as possible with the real physical data associated to each asset included in the portfolios.

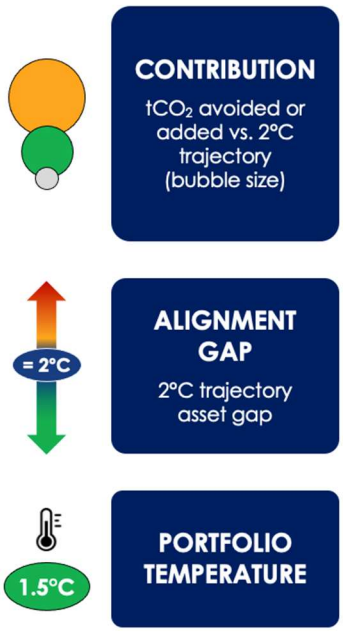
It is a 6-steps process:

- **Step 0**: the forward-looking performance of assets is assessed
- **Step 1:** the end-use of assets are identified

- **Step 2:** assets' end-uses have defined carbon performances that may be compared against that of the 2°C scenario
- **Step 3:** end-uses are projected over time in order to calculate their average weight for the asset
- **Step 4:** each asset is rated against a given scenario
- **Step 5:** performance is aggregated to deliver a final rating at portfolio level

The result of these assessment leads to metrics and representations such as:





- This metric evaluates the **asset contribution to the 2°C trajectory in absolute terms: avoided** or **added emissions** in tCO_2
- If you **add all these contributions** (positive or negative),
  - **0 means that the portfolio is perfectly 2°C aligned**
  - **< 0**, indicates that the portfolio is more than 2°C aligned: portfolio temperature is **below 2°C**
  - **> 0** means that the portfolio is not 2°C aligned: portfolio temperature is **above 2°C**

- The **gap** between an **asset carbon performance** and the **2°C trajectory** for its category is **measured in %.** It **explains the exact position of each asset above or below the 2°C line**.
- For instance (illustrative only), the 2°C trajectory asks for a carbon performance of 200 gCO_2/kWh for the end-uses served by electricity. A coal-fired power plant at 1000 gCO_2/kWh will have a gap of 500% (1000/200); on the contrary, a wind power plant at 10 gCO_2/kWh will be 5% (10/200).

- **The portfolio temperature is mostly derived from the 2°C contribution and the 2°C gap for all assets.**
- Besides, since **global warming temperature is not linear in terms of absolute emissions**, the **formula takes it into account** in a manner to get results coherent with the temperature scale.

6 http://www.carbone4.com/wpcontent/uploads/2020/09/Carbone4_2infra_challenge_methodological_guide_july2020.pdf