Generali Global Infrastructure

# Sustainable Investment Policy

February 2022

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# 1. GGI's Vision

## 1.a Infrastructure investor for positive impact

We are long-term investors with commitments extending beyond economic cycles. As an asset manager specialized in infrastructure investments, we seek to unlock potential for positive impact on the economy and society, achieving financial and sustainability performance.
Our approach to sustainable investing extends to broad environmental and social dimensions. Beyond the fight against climate change, we aim at supporting resilient, inclusive and sustainable economies, notably through the rational use of resources, biodiversity protection, mitigation of pollution, and access to essential services.

## 1.b Acting as a responsible investor

Aware of the high social and environmental risks infrastructure assets may also be exposed to, we adopted the concept of double materiality: we not only assess and manage the risks associated with pressing socio-environmental challenges on our assets, especially climate change, but we consider the potential adverse impacts of our investments on people, society, and the environment.

## 1.c A holistic vision of sustainability

We endorse initiatives and frameworks that support a holistic vision of sustainability. This approach, for the asset class is based on applying the following three principles:

1. Aiming at aligning the climate trajectory of our portfolios with the Paris Agreement objectives
2. Seeking to contribute to the UN Sustainable Development Goals (SDGs) with a focus on key themes that can be meaningfully addressed through infrastructures
    a. **Sustainable and resilient infrastructures** (SDG 9)
    b. **Environmental transition**, through climate action, green mobility, efficient waste and water management (SDGs 6, 7, 11, 12, 13)
    c. **Social progress and inclusive economies**, through investments in digital transformation & accessibility, and investments in social infrastructures in the health and education sectors (SDGs 3, 4, 10, 11)
3. Setting ESG standards including meeting minimum social safeguards and DNSH principles (no significant harmful impact on sustainable development)

## 1.d Sustainability at the heart of our investment process

Our sustainability ambitions are transposed into our practices, with sustainability considerations integral to GGI's investment cycle, from the investment decision and portfolio constructions, all the way through to the holding period, by engaging with our investees, monitoring and reporting on performance.

## 1.e We are a corporate citizen and an active member of the sustainable finance community

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 positive impact ambitions.

We strive to be at the forefront of innovative thinking on sustainability-related issues in the financial world. We dedicate time and effort to support industry initiatives, and collaborate and share knowledge with stakeholders to advance our practices and contribute to making Finance part of the solution.

# 2. Sustainability Risk Policy

## 2.a Purpose and scope

The Sustainability Risk Policy summarizes the activities Generali Global Infrastructure S.A.S. ("GGI") performs when handling and monitoring of sustainability risks during the investment decision-making process.

Since the sustainability risks can impact the performance of the funds under management, GGI, as Management Company subject to Chapter 15 of the law of 17 December 2010 and AIFM subject to the Law of July 12, 2013, applies the approach described in this Policy to strengthen its fiduciary duties towards the investors of its funds and to comply with the SFDR requirements.

## 2.b Sustainability risk assessment

Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could negatively impact the value of GGI's investments. Sustainability Risks can result in increased running cost, decreased revenues, potential need of capital expenditures (Capex)/ Extraordinary Expenses, loss of value and/or contingent liabilities & provisions.

Sustainability risk assessment is fully integrated in the investment decision-making process of GGI, and takes into account as required specific clients' agreements, fund rules, prospectuses and other documents of products managed by GGI.

ESG analysis performed at fund and asset level is intended to detect sustainability risks and opportunities that can impact investment and fund performance. In particular, the identification of sustainability risks aims at ensuring such material risks are properly identified, assessed and considered based on their likelihood of occurrence and severity, and where possible mitigating actions are identified and properly implemented. In addition, the on-going analysis and monitoring performed by GGI aims at capturing the evolution of such risks over time.

## 2.c Sustainability risk measurement

Sustainability risks are measured in a qualitative and quantitative manner where data is available to meaningfully support such quantitative assessment.

Sustainability risks can be measured both in absolute and in relative terms. GGI's performs such analysis in-house based on its own expertise as well as the expertise of external expert advisors and data providers. Where possible GGI takes advantage of its direct access to the companies it invests in to collect data and develop granular knowledge of its exposure.

## 2.d Sustainability risk screening

GGI may use a range of sustainability screening criteria informing GGI's investment selection and ensuring compliance with guidelines of funds and accounts under management, including:

- Negative / exclusionary screening, aimed at limiting investments based on specific sustainability criteria. Within GGI investment universe, as far as sectors and asset type are concerned, climate-related risks (whether physical or transition risks) as well as biodiversity-related risks are chief considerations and primary sources of exclusions.
- Norms-based screening, to restrict investments in financial instruments issued by issuers not meeting minimum international sustainability/ESG standards;
- Positive screening, where investments are selected for positive/superior sustainability performance.

# 3. Sustainable investing Approach

## 3.a Overview

To support our intention to invest for net positive impact ("NPI")[1] and transform our commitments into concrete actions, GGI has designed a specific approach to ESG integration throughout its processes.

GGI's ESG and impact investing approach is based on selecting investments

- for their impacts on
  - contribution to the UN SDGs
  - the Paris-Agreement climate trajectory[2]
- 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 developed with ISS-ESG[3], a climate trajectory methodology developed with Carbone 4[4], as well as its asset-class specific sustainability risk analytical framework, which are applied at different stages of the investment process, from origination / screening of assets to monitoring and reporting. These assessments inform investment decisions, allow the monitoring of ESG performance and sustainability objectives, and form the basis of ESG reporting to investors.

This approach and associated methodologies are consistently applied across our investments. However, certain strategies or funds may have specific sustainability objectives which may involve specific selection criteria and/or more restrictive focus. This may be the case for thematic funds for example.

## 3.b Responsible Investment process

*Asset origination / screening*

We target investments compatible with, and making positive contribution to, sustainable development and

[1] A net gain to society and the environment
[2] an agreement within the United Nations Framework Convention on Climate Change (UNFCCC)
[3] ESG solutions enable investors to develop and integrate responsible investing policies and practices, engage on responsible investment issues, and monitor portfolio company practices through screening solutions.
[4] leading independent consulting firm specialized in low carbon strategy and climate change adaptation.

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 ISS-ESG, 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.
- an analysis of the key sustainability risks associated with the investment and the mitigation strategies

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 and at the due diligence stage if all necessary information is not available at the time of the origination of investment opportunities. This exclusion policy is based on excluded sectors (including those causing strong obstructions to the SDGs), controversy analysis, and minimum ESG scores. The preliminary assessment also takes into consideration additional measures when they are defined in the funds documentation.

The results of these preliminary assessments are presented in screening memoranda.

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

Finally, where possible, we seek to obtain a final assessment of the investments carbon footprint and alignment with the Paris Agreement. This final assessment may also be performed at a later stage, depending on consultants' availability and criticality of the impact of particular investment on portfolios climate trajectories.

*Investment decision*

All analysis conducted during the asset origination and the due diligence phases are then synthetized in an Investment Committee memorandum, with a recommendation endorsed by the Head of Sustainability, in order to inform the decision-making, and submitted the investment committee. This committee's members are ultimately responsible for the investment decision.

In the post investment committee phase, certain additional due diligence may be conducted on the basis of the Investment Committee recommendations, as well as potentially certain negotiations on ESG objectives with the investee companies. This may include finalizing commitments on transition trajectory / phase out of excluded activities or negotiation of ESG reporting obligations.

Upon closing of an investment, key sustainability targets and indicators to be monitored are recorded in the scorecards and/or in the monitoring slides.

*Holding period / Asset monitoring*

During the monitoring phase, impact targets / sustainability objectives as well as main ESG issues / KPIs, contribution to UN SDGs, climate trajectory 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, subject to the approval of the investment committee.

GGI reports regularly to its investors on ESG performance, sustainability objectives, climate trajectory of the assets as well as the portfolios. (see details of ESG reporting below)

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.c 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.

A reporting protocol defines the ESG data collection and its implementation is under the responsibility of the Head of Sustainability. Examples of indicators collected for the annual ESG reports are detailed below.

- Emissions to water
- GHG emissions
- Share and quantify of non-renewable energy produced and/or consumed
- Activities negatively affecting biodiversity-sensitive areas
- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) guidelines for multinational enterprises
- Board gender diversity

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

## 4. Governance & Sustainability Organisation

Sustainability is at the heart of GGI's activity and has been placed at the highest level of the organization. A Managing Partner oversees GGI's Sustainability strategy and practices, a dedicated Sustainability function steers and implements the sustainability strategy of the firm, and a Sustainability Committee including the executive committee members of the firm has been established.

In addition, GGI Board of Directors approves the Sustainable Investment Policy, and receives regular reporting on Sustainability matters.

## 5. Glossary and Definitions

| Acronym/Term | Explanation/Definition |
|---|---|
| GGI | Generali Global Infrastructure S.A.S. |
| GGI BoD | The Board of Directors of GGI |
| CEO | Chief Executive Officer |
| ESG factors | Environment Social and Governance |
| SDGs | Sustainable Development Goals |
| PAI | Principal Adverse Impacts |
| SFDR | Sustainable Finance Disclosure Regulation, EU regulation 2019/2088 |
| TCFD | Task Force on Climate-related Financial Disclosure |
| PRI | Principles for Responsible Investment |
| Article 173 | Article from the French Law relative to energy transition and green growth (7 August 2015) |
| GHG | Greenhouse gas |

## 6. Annexes

### 6.a Annex I – Concordance tables with standards and regulations (PRI, SFDR, Art. 173, TCFD)

**SFDR (related to Art 3. and art 4.)**

SFDR related policies are integrated through GGI sustainable investment policy. The table below provides indications regarding the identification of SFDR requirements.

| | |
|---|---|
| Inclusion of sustainability risks | Sustainability risks policy [2. Sustainability Risk Policy]<br>Controversies analysis – cf. Asset origination [3.b Responsible Investment process] and Exclusion policy [6.e Annex V – Exclusion policy]<br>Exclusion policy – cf. Asset origination [3.b Responsible Investment process] and Exclusion policy [6.e Annex V – Exclusion policy]<br>Asset-level ESG KPIs – cf. Due Diligences [3.b Responsible Investment process]<br>Climate transition risk – cf. Reporting/alignment with Paris agreement [3.c ESG Reporting] |
| Information on PAIs | Exclusion policy – cf. Asset origination [3.b Responsible Investment process] and Exclusion policy [6.e Annex V – Exclusion policy]<br>ESG indicators – cf. Reporting [3.c ESG Reporting] |

**PRI**

| | |
|---|---|
| Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes. | Sustainability risks policy [2. Sustainability Risk Policy]<br>Our approach to ESG integration [3 Sustainable investing Approach] |
| Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices. | Our approach to ESG integration – cf. Holding period [3 Sustainable investing Approach] |
| Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest. | ESG indicators – cf. Reporting – [3.c ESG Reporting] |
| Principle 4: We will promote acceptance and implementation of the Principles within the investment industry. | Signatory commitments – Cf. Founding principles [GGI's Vision] |
| Principle 5: We will work together to enhance our effectiveness in implementing the Principles. | Policy update – Cf. Founding principles [1. GGI's Vision] |
| Principle 6: We will each report on our activities and progress towards implementing the Principles. | As a PRI signatory, GGI will answer to PRI annual questionnaire. |

**TCFD**

| | |
|---|---|
| Governance | Cf. Governance and organization [4. Governance & Sustainability Organisation] |
| Strategy | Cf. Founding principles [1. GGI's Vision] |
| Risk management | Sustainability risks policy [2. Sustainability Risk Policy]<br>Controversies analysis – cf. Asset origination [3.b Responsible Investment process] and Exclusion policy [6.e Annex V – Exclusion policy]<br>Exclusion policy – cf. Asset origination [3.b Responsible Investment process] and [6.e Annex V – Exclusion policy]<br>Asset-level ESG KPIs – cf. Due Diligences [3.b Responsible Investment process]<br>Climate transition risk – cf. Reporting/alignment with Paris agreement [3.c ESG Reporting] |
| Metrics and targets | Alignment with Paris agreement – cf. ESG reporting [3.c ESG Reporting]<br>ESG indicators – cf. Reporting – [3.c ESG Reporting] |

## 6.b Annex II – GGI's adhesion to sustainable finance initiatives

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

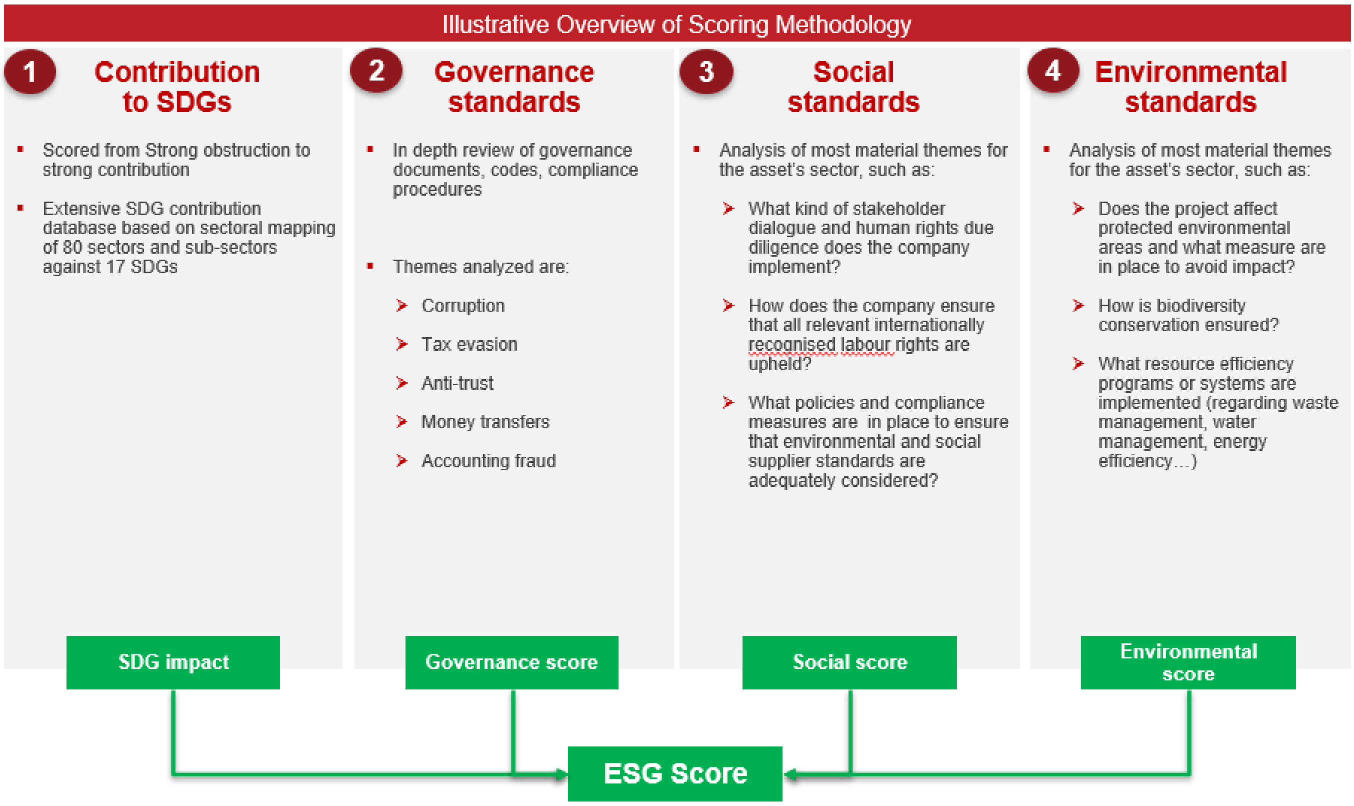
- **Signatory of the United-Nations Principles for Responsible Investment** ("PRI")
- **Member of Finance for Tomorrow**, the Paris-based organization promoting sustainable finance
- **Sponsor of the 2 Infra Challenge** initiative providing a tool to measure the climate trajectory of infrastructure assets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

## 6.c 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 (i.e. non-conventional fossil fuels, coal, etc. see exclusion policy) 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 standards:** 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.
- **Social and environmental standards:** 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 of 25 at the time of investment decision will be rejected. Investments will be deemed making a contribution to sustainable development if they combine contributions to SDGs and a score of at least 50 as per the methodology.

## 6.d 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 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. Therefore, 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.

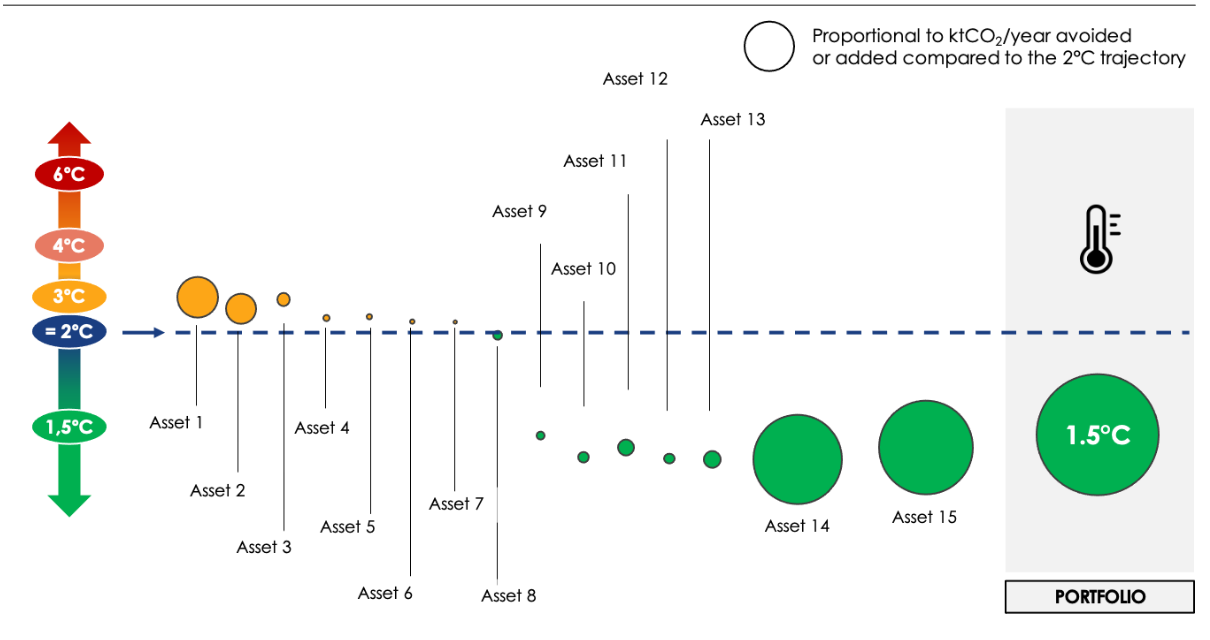
It is a 6-steps process:

- **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:

| | |
|---|---|
| **CONTRIBUTION**<br>$tCO_2$ avoided or added vs. 2°C trajectory (bubble size) | ➤ This metric evaluates the **asset contribution to the 2°C trajectory in absolute terms**: **avoided** or **added emissions** in $tCO_2$<br>➤ If you **add all these contributions** (positive or negative),<br>▪ **0 means that the portfolio is perfectly 2°C aligned**<br>▪ **< 0**, indicates that the portfolio is more than 2°C aligned: portfolio temperature is **below 2°C**<br>▪ **> 0** means that the portfolio is not 2°C aligned: portfolio temperature is **above 2°C** |
| **ALIGNMENT GAP**<br>2°C trajectory asset gap<br>(= 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**.<br>➤ 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). |
| **PORTFOLIO TEMPERATURE**<br>1.5°C | ➤ **The portfolio temperature is mostly derived from the 2°C contribution and the 2°C gap for all assets.**<br>➤ 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. |

**Assets' alignment vs. 2°C trajectory** ($ktCO_2$/year)




*Legend for CIARA's T°C alignment evaluation*

A methodological guide of the 2 Infra Challenge can be downloaded (here[5]). .

A simplified, high-level assessment methodology is used to screen investments in order to check their compatibility with GGI's investment policy. The full assessment is carried out when the asset is booked in portfolios and updated yearly if relevant. In particular updates may be performed when an asset has undergone impacting changes or when the Cabone4 climate scenarios are updated (at least every 3 years)

[5] http://www.carbone4.com/wp-content/uploads/2020/09/Carbone4_2-infra_challenge_methodological_guide_july2020.pdf

## 6.e Annex V – Exclusion policy

### Ethics

We apply the Generali Group ethical filter and exclude a number of controversial sectors. Even though not all sectors are included in GGI's investment universe, the following activities are excluded: tobacco, cannabis, weapons and ammunitions, gambling, adult entertainment, genetic engineering, embryonic stem cells research, animal testing.

In addition, GGI applies further exclusions which are specific to the asset class and the company's ambition to contribute to sustainable development and climate change mitigation. This results in the following exclusions summarized below:

- Investments associated with controversies which potentially infringe the principles of the United Nations Global Compact or the OECD principles for responsible business conduct (including human and/or labor rights violations, environmental damages and gross corruption and bribery)
    - Controversy monitoring is based on information providers such as NormBase
    - Controversy severity is assessed on intensity and level of accountability.
- Investments in coal, oil and unconventional fossil fuels (shale gas, shale oil, tar sands, coalbed methane, extra heavy oil, ultra deepwater drilling, Arctic drilling, as defined by the GOGEL[6]) as follows:
    - Perimeter: exploration/mining/extraction, combustion for the production of energy or heat, and dedicated infrastructures
    - Threshold: 5% of revenues in total for all excluded fossil fuels
    - No further expansion CAPEX in these excluded fossil fuels activities
    - As far as coal is concerned, a full phase out of coal at the latest by 2030 in OECD countries, and by 2040 in non-OECD countries.
- No further expansion CAPEX in upstream gas activities

### Financing the energy transition

We recognize that certain companies/assets are engaged in the energy transition. This takes efforts and financial support. We believe that it may be beneficial to finance companies which have exposure to certain excluded fossil fuels i.e. coal, oil and shale gas, beyond the standard exclusion thresholds described above, provided that they are engaged in a credible transition away from these activities, including alignment on relevant decarbonation scenarios. We have set the following strict (cumulative) criteria to making these investments eligible:

- the aggregate direct exposure to the above-mentioned excluded fossil fuel-related activities is no more than 30% of revenues to start with,
- the direct exposure to coal is no more than 20% of revenues (applying the same perimeter as above) and a full phase out of coal at the latest by 2030 in OECD countries, and by 2040 in non-OECD countries is engaged.
- the direct exposure to unconventional fossil fuels is no more than 5% (applying the same perimeter as above)
- there is no further expansion CAPEX in these excluded fossil fuel activities, and
- the company is engaged in a credible transition (including through successive investments and decommissioning of excluded activities) which puts it back in line with a climate trajectory compatible with the Paris Agreement, as assessed through our 2°C alignment methodology described in ANNEXE IV.

In such a situation, GGI's intention in investing would be to support and contribute to the company's transition and the effective transition trajectory of these investments would be closely monitored. Should a company's trajectory clearly deviate from the agreed-upon roadmap, GGI would engage with this company and not provide any further financing as long as the situation is not rectified. In the case of debt investments, GGI would pursue its engagement as long as necessary and let the financing amortise over its tenor. In the case of equity investment, if the company is not back on track after 3 years, GGI would sell its participation.

[6] https://gogel.org

Regarding conventional gas, we believe that the transition will require more time. However, if a company derives more than 30% of its revenues from gas we ensure that they are engaged in gradually changing their business mix through investments in green energies and that as a result are aligned with a 2°C or below trajectory, as assessed through our 2°C alignment methodology described in ANNEXE IV. This position will be reviewed regularly.

## ESG performance

*Minimum ESG Score:*
As aforementioned, our ESG scoring allows us to identify and de facto leave out all assets whose ESG standards are considered insufficient. This corresponds to a scoring of below 25 points out of 100 which can be the result of a combination of factors including no contribution to SDGs, controversies, and insufficient ESG standards or ESG risk mitigation.
The ESG scoring methodology is described in ANNEXE III.

*Further PAI analysis:*
The KPIs analyzed under the ESG scorecards represent the most material social and environmental issues, including adverse impacts, for the investments considered.
Beyond the scorecards KPIs, the integration of PAIs under SFDR requires a full adverse impact analysis. An unsatisfactory PAI analysis may lead, should it not be capable of being adequately remediated, to the rejection of a contemplated investment. This is irrespective of the final ESG score which may be above 25 (although the ESG scorecard is expected to capture most PAI and as such penalize the final ESG score). This is a similar approach to controversies which may lead to the rejection of a contemplated investment irrespective of its final ESG score.