SFDR Periodic Disclosure and PAII for Infranode I (No. 1)

Product name: Infranode I (No.1) AB

Legal entity identifier: 556982-5283 (corporate identity number)

Product type: Article 8 (1), (2), and (2a) of the Regulation (EU) 2019/2088 (SFDR)

Reporting period: Full Year 2023

Regulatory reference: This report contains a periodic disclosure for the fund as required by Article 6 of Regulation (EU) 2019/2088 (SFDR) for SFDR Article 8 products. The report is based on the template provided in Annex III of the Commission Delegated Regulation (EU) 2022/1288. The annex to this report contains the principal adverse impact indicators (PAIIs) based on Annex I of Commission Delegated Regulation (EU) 2022/1288 (corrigendum published 27 December 2022).

Environmental and/or social characteristics

Figure 1: Fund's environmental and/or social characteristics.

Did this financial product have a sustainable investment objective?	
☐ **Yes**	☑ **No**
☐ It made **sustainable investments with an environmental objective:** ___%	☑ It **promoted Environmental / Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of **74% of sustainable investments**[1].
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☑ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** ___%	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

[1] The indicated EU Taxonomy-alignment implies solely substantial contribution to climate change mitigation as defined in applicable regulation. The indicated share is based on turnover for the reporting period. The assessment was conducted by independent third party experts, and verified by portfolio companies for the respective reporting period.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

The fund promotes environmental and social characteristics by investing in infrastructure assets and projects that enable sustainable and efficient functioning of the environments, economies, communities, and people that they serve. The fund manages a diverse portfolio of infrastructure companies, such as energy utilities, renewable power generation, transport, and digital infrastructure. Sustainability in a broader sense – and climate considerations in particular – are integral to every stage of the fund's investment journey, from screening for opportunities through investment and active ownership.

During the reporting period, the fund achieved progress and met the environmental and social characteristics it promotes, as presented in the sub-sections below.

How did the sustainability indicators perform?

The table below summarises sustainability progress measured by selected key indicators. In light of Infranode's commitment to Net Zero 2040 (discussed and presented in further detail in further chapters of this report), additional indicators have been added to the progress disclosure.

Table 1: Selected sustainability indicators, presented considering share of investments in the fund.

Selected sustainability indicators	FY 2023	FY 2022	FY 2021
Scope 1 GHG emissions, tonnes CO2e/year (PAII 1.1)[2]	1 940	5 244	n/a
Scope 2 GHG emissions, tonnes CO2e/year (PAII 1.2)[2]	28 053	17 602	n/a
Scope 3 GHG emissions, tonnes CO2e/year (PAII 1.3)[2]	16 474	78 704	n/a
Proportion of assets subject to Infranode Net Zero 2040 commitment[3]	100%	n/a	n/a
Overall SFDR PAII data coverage for this fund	93%	94%	88%
Proportion of investments with satisfactory sustainability performance traced by SFDR PAII, as confirmed by industry experts[2]	97%	n/a	n/a
Proportion of investments subject to satisfactory pre-investment ESG due diligence	100%	100%	100%
Proportion of assets covered by a code of conduct	100%	100%	100%
Proportion of assets contributing to SDGs 4, 7, 9, 11, 12, and 13	100%	100%	100%

... and compared to previous periods?

Compared to the previous year, the fund made substantial progress with regard to data quality, especially considering GHG Scope 2 and 3. This reflected in year-on-year GHG emission change for all scopes as allocation, and emission factors used for calculation became more precise. Also, sustainability performance of the portfolio has been assessed by independent industry experts who confirmed that the portfolio's performance is fully satisfactory. Finally, the fund's sustainability approach has been shifted to a progress-oriented approach with decarbonisation in focus in line with Net Zero 2040 commitment of Infranode.

[2] Indicator added during FY 2023 disclosure.

[3] For FY 2023 disclosure, the indicator "Proportion of assets (weighted by investment value) with emissions reduction targets" has been re-formulated to reflect Infranode climate commitment Net Zero 2040.

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

The financial product has not committed to making any sustainable investments, and the fund is fully invested. Still, it systematically integrates sustainability aspects at each investment phase, as outlined in the Figure 2 below. Also, the fund has high EU Taxonomy-alignment share, as presented in the Figure 3 below.

Figure 2: Integration of Sustainability at investment and ownership phases

1.

Screening

Ensures that we only invest in assets that are expected to be essential and value creating over the long-term. We assess and exclude assets that have difficulties managing physical- and transition-related risks such as high exposure to fossil fuels.

2.

Due diligence

For investments aligned with our responsible investment approach, a due diligence process is initiated where ESG, technical, commercial, and legal aspects are analysed. The due diligence process identifies and assesses relevant risks and opportunities as well as the governance model to make sure the asset can deliver on the business plan during our ownership. The assessment is usually conducted by industry experts, with Infranode taking overall responsibility.

3.

Contracting phase

For assets in line with our overall investment strategy, the preparation of the investment decision starts. Relevant aspects related to environmental and social factors are part of both the shareholders' agreement and the associated business plan. Including provisions regarding environmental and social aspects, in addition to other important content, in the transaction documents allows for governance of key aspects during the ownership phase and is a key pre-condition for our active ownership model.

4.

On-boarding phase

When an asset enters our portfolio, the on-boarding process begins, and continues for about a year, ensuring appropriate governance considering the nature of business. Infranode offers portfolio companies a governance package to share best practice and integrate the company into our reporting and benchmarking processes. During this phase, regular reporting from the management is established, and board work is formalised which includes, among other things, monitoring of sustainability performance. This phase also includes initiating activities identified during the due diligence phase.

5.

Active ownership

We are active owners, offering our expertise in infrastructure to all our portfolio companies. Representation on the boards of our portfolio companies allows us to manage our assets in a way that is in line with best industry practice from a long-term perspective, and in the interest of our investors. Portfolio companies report regularly on their performance, including on sustainability.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

The business activities of the portfolio companies were subject to EU Taxonomy assessment by independent experts. Eligible business activities were subject to assessment and verification against EU Taxonomy criteria on Do No Significant Harm. The verified EU Taxonomy-aligned investments therefore do not cause significant harm. The fund's EU Taxonomy-alignment shares are presented in Figure 5.

In addition, all ESG reports by portfolio companies in line with SFDR PAII have been subject to independent expert assessment with a target to identify sustainability performance of concern. The expert review confirmed that no companies reported performance that can be seen as concerning. With this, no harm has been confirmed.

How were the indicators for adverse impacts on sustainability factors taken into account?

See section below on consideration of principal adverse impacts on sustainability factors.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

The business activities of the portfolio companies have been subject to EU Taxonomy assessment by an independent third party. Eligible business activities were subject to assessment and verification against EU Taxonomy criteria on Minimum Safeguards – which (among other things) are based on the OECD MNE Guidelines and the UNGP on Business and Human Rights. The verified EU Taxonomy-aligned investments are therefore considered to be aligned with the OECD MNE and the UNGP. Furthermore, portfolio companies participate in the GRESB benchmark, which (among other things) conducts an extensive assessment of companies' governance against best practice. It is therefore considered that all investments adhere to good governance as assessed in the due diligence and monitored during the holding period.

How did this financial product consider principal adverse impacts on sustainability factors?

Consideration of principal adverse impacts on sustainability factors is an integrated part of the ESG due diligence and sustainability monitoring of the portfolio, and represents an integral part of the active ownership approach exercised by Infranode.

During Due Diligence phase, principal adverse impacts (PAI) on sustainability factors are considered by Infranode with respect to target company's sustainability performance as well as quality of sustainability data management and ability to report. This leads to an assessment of training needs for the company in order to be integrated to Infranode processes.

During ownership, Infranode uses PAI directly reported by the portfolio companies for monitoring of their sustainability performance. For this, independent industry experts (for FY 2023, from Sweco) are engaged to assess the portfolio PAII reports to identify outliers and segments of concern. The assessment of FY 2023 reports confirmed that no matters requiring for immediate attention and high concern were identified, confirming that portfolio caused no significant harm on sustainability aspects traced by PAII.

The annex to this report presents SFDR PAII for the fund for the reporting period.

What were the top investments of this financial product?

Top investments of the fund are presented in Table 2.

Table 2: Top investments of the fund

Largest investments	Main sector(s)	% AUM	Country
Oslofjord Varme	District heating and cooling	31%	Norway
Loiste	Distribution of electricity, district heating	17%	Finland
Vandel III	Production of electricity (solar PV)	13%	Denmark

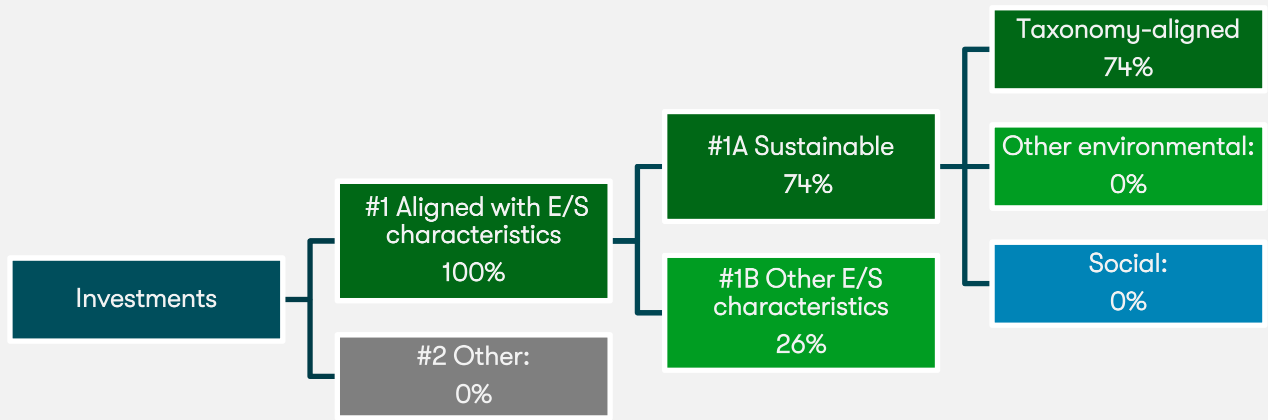
What was the proportion of sustainability-related investments?

The reported proportion of sustainability-related investments is based on EU Taxonomy-alignment of this financial product.

What was the asset allocation?

The asset allocation is presented in Figure 3 below.

Figure 3: SFDR asset allocation



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

The investments in this fund were made in the following sectors:

- Steam and air conditioning supply (NACE: D35.30)
- Production of electricity (NACE: D35.11)
- Distribution of electricity (NACE: D35.13)
- Service activities incidental to water transportation (NACE: H52.22)
- Buying and selling of own real estate (NACE: L68.10)

The fund did not make any new investments during the reporting period.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

In 2022, Infranode engaged independent industry experts (Position Green) to assess businesses of portfolio companies with regards to their eligibility and alignment to EU Taxonomy, solely focused on substantial contribution to climate change mitigation as defined in the applicable regulation. Substantial contribution to other objectives of the EU Taxonomy was not assessed and as such is not included.

The independent experts conducted evidence-based assessment for all components of EU Taxonomy:

1. Documented substantial contribution to climate change mitigation;
2. Documented absence of causing significant on other environmental objectives (DNSH; Do No Significant Harm criteria);
3. Conduct of business with due consideration of human and labour rights (Minimum Safeguards criteria).

Business activities meeting all three components of the EU Taxonomy criteria were concluded EU taxonomy-aligned.

For the reporting period, the companies reported verification of the taxonomy assessments, as well as reported related shares of turnover, Capex and Opex for their respective business activities. The reported shares were then aggregated to the fund level in compliance with the applicable regulation. As such, no assumptions have been done when it comes to the reported shares.

The fund's EU Taxonomy alignment shares are presented in Figure 5 below.

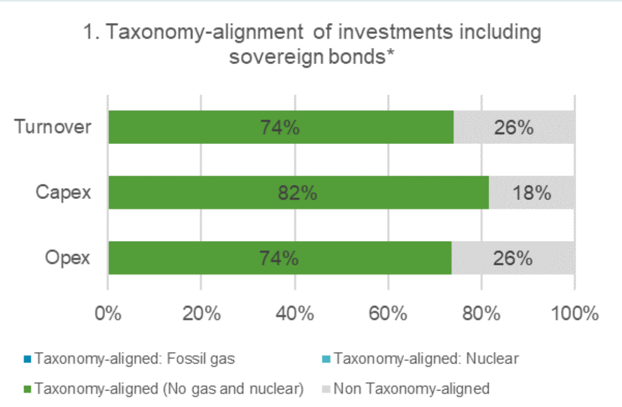
Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy?

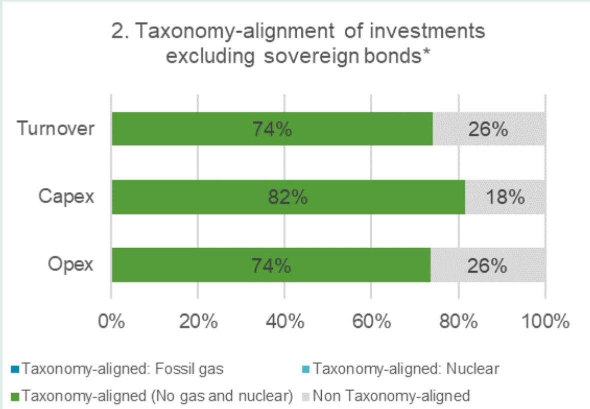
Figure 4: Did the fund invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy.

☐ Yes ☑ No	☐ In fossil gas	☐ In nuclear energy

Figure 5: Fund's EU Taxonomy alignment for the reporting period.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds**, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

What was the share of investments made in transitional and enabling activities?

Following classification established by the EU Taxonomy, the following shares are applicable for the reporting period:

- Enabling: 20% (based on turnover FY 2023),
- Transitional: 0% (based on Capex FY 2023).

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

Comparing to FY 2022, the EU taxonomy-alignment has changed in the following manner:

- Turnover-based EU Taxonomy alignment <u>increased</u> by 1 percentage point;
- Capex-based EU Taxonomy alignment <u>increased</u> by 3 percentage points;
- Opex-based EU Taxonomy alignment <u>decreased</u> by 1 percentage point;

The change is caused by allocation of respective turnover/Capex/Opex among the business activities. No business activity changed its classification or alignment status comparing to previous reporting period.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

The fund has not assessed whether any of the investments not aligned with the EU Taxonomy can be considered as sustainable investments under SFDR criteria. As such this share is 0%.

What was the share of socially sustainable investments?

The fund has not assessed whether any of the investments meet criteria of socially sustainable investments. As such this share is 0%.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

No investments are classified as "other".

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

During the reference period, Infranode conducted the following key actions:

- Developed and approved climate commitment (Net Zero 2040).
- Ensured portfolio companies have best-practice sustainability governance.
- Conducted expert assessment of portfolio reports on SFDR PAII with the purpose to identify sustainability performance concerns or confirm lack thereof.

Further details on these actions are listed below.

Net Zero 2040

During the reporting period, Infranode focused on developing and anchoring its climate commitment. In this effort, the following aspects have been considered:

- Current GHG emissions profile of Infranode portfolio;
- Decarbonisation strategies of infrastructure sectors in which Infranode invests;
- Market situation for decarbonization;
- Decarbonisation as a factor for future-proofing business and assuring infrastructure asset value long-term;
- Governmental pressure for decarbonization;
- Agreements with Infranode investors;
- Risks, including legal and regulatory risks;
- International frameworks for decarbonization.

As a result, Infranode's commitment to Net Zero 2040 has been developed and approved by Board of Infranode in December 2023. By making long-term investments in infrastructure in the Nordics, Infranode has been promoting the green transition of Nordic societies since the establishment. By providing financial partnerships to companies, Infranode can support them on their journeys to transform to infrastructure fit for a carbon-neutral future.

Specifically, Infranode committed to:

1. **Dedicate our efforts towards net zero greenhouse gas emissions by 2040.** We commit to work internally and externally on decarbonisation, consistent with an ambition to reach net zero emissions by 2040 or sooner, for all assets under our management, existing and future. This entails dedicated work across our portfolio, engaging in dialogue with our partners, and updating the governance structures that oversee investment and ownership activities, among other actions.
2. **Develop a net zero roadmap and establish interim targets.** Each portfolio company will design their own roadmap to reach net zero by 2040. Starting in 2024, we will support our portfolio companies with access to expert guidance in developing asset-specific roadmaps. On the basis of all asset roadmaps, we will develop an Infranode Net Zero 2040 roadmap. The Infranode roadmap will specify actions and intermediate targets. We will use relevant methods – such as the IPCC guidelines, the Net Zero Investment Framework, and Science-Based Targets where applicable – to develop our roadmaps.
3. **Address greenhouse gas emissions across all scopes.** Our net zero commitment accounts for greenhouse gas emissions in Scopes 1 and 2. With respect to Scope 3, recognising our dependency on new technologies, we commit to actively explore viable solutions for decarbonisation and closely monitor this scope of emissions.
4. **Seek solutions for decarbonisation.** We commit to seek feasible and value-adding solutions to decarbonise our assets ensuring that these solutions align with our business objectives for each asset and each fund, existing and future.
5. **Implement true emission reduction measures.** We commit to prioritise true emission reduction measures over carbon offsetting. Carbon offsetting will only be used in cases where there are no technologically and/or financially viable alternatives to eliminate emissions.
6. **Maintain transparency through annual progress disclosures.** We will publish annual disclosures of our progress to Net Zero 2040. We will also continue to develop and improve our ESG data approach that is based on information from our portfolio companies.

Infranode acknowledges that external factors, such as the evolution of science and innovation, can impact the progress of our Net Zero 2040 commitment. Therefore, we remain open to continuously revising and updating our strategy as progress unfolds.

Infranode's Net Zero 2040 commitment has been developed considering the latest scientific insights on climate change, which conclude that decarbonisation efforts should be implemented faster than the Paris Agreement's 2050 timeline. We look forward to working on the commitment and continuing to create value in our current and future portfolio.

Best-practice sustainability governance

Infranode has used GRESB to assess and improve sustainability governance for portfolio companies and the Fund since 2020. GRESB is an international assessment and benchmark for sustainability governance – which analyses and rates extensive submission by portfolio companies.

During the reporting period, this product scored 95/100 which placed it 2nd in the peer group of 25 similar financial products. As high as 82 % of AUM of this product achieved above 90/100 in the score. This result shows that the portfolio has strong sustainability governance in place.

Going forward, companies that scored 90/100 or higher will be monitored regarding their sustainability governance with a less administrative effort. With this, their focus shifts towards progress towards net Zero 2040.

Expert assessment of SFDR PAII portfolio reports

Independent industry experts (for FY 2023, from Sweco) were engaged to assess the portfolio PAII reports to identify outliers and segments of concern. The assessment of FY 2023 reports confirmed that no matters requiring for immediate attention and high concern were identified, confirming that portfolio caused no significant harm on sustainability aspects traced by PAII.

Verification of SFDR PAII calculations

Infranode engaged experts from Ernst & Young to verify calculation methods behind the SFDR PAII disclosure, which was verified.

How did this financial product perform compared to the reference benchmark?

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product.