

1. INTRODUCTION

As part of the European Commission's Action Plan on financing sustainable growth, the European Parliament and the European Commission adopted the Sustainable Finance Disclosure Regulation (SFDR) ((EU) 2019/2088) in December 2019. The disclosure regulation intends to increase transparency on sustainability characteristics and sustainable investments for the end consumer.

Infranode supports this initiative from the EU and will continue our efforts to contribute to a sustainable development.

It is our belief that sustainable infrastructure investing coupled with responsible asset management will reduce risks and enhance value for investors. High standard of business conduct as well as a responsible approach to ESG makes good business sense and is more likely to create sustainable value over the long term.

2. SUSTAINABILITY RISK

2.1 Policy on integration of sustainability risk in investment decision-making

The integration of sustainability risks in Infranode's investment decision-making process is described in our ESG Policy. This includes that we are using a standardized ESG due diligence framework through which we evaluate the environmental, social and governance risks of the companies and assets targeted for investment utilising both quantitative and qualitative methods. The framework furthermore tries to identify, weigh and explain to what extent the target investment is mitigating the ESG risks or capitalising on existing ESG opportunities. Also, we have a structured dialogue with the companies targeted for investment on how ESG risks identified can be mitigated. It is our policy that we do not invest in companies directly involved in the extraction of fossil fuels (oil, coal and gas) or investments where a material percentage of the revenues stem from fossil fuel related activities. The ESG risk assessment is conducted in collaboration with expert consultants and the companies targeted for investment. The ESG risk assessment is reviewed and evaluated by Infranode. Post-investment decision, sustainability risk is furthermore a key consideration in asset management. Our active ownership is described in more detail further down in this disclosure.

2.2 Integration of sustainability risks into remuneration policies

Sustainability risk is integrated in Infranode's remuneration policy, where it is included that both financial and non-financial criteria shall be taken into account in the assessment of individual performance. Achievement of environmental, social or other ESG-related targets and the adherence to the ESG policy with regards to sustainability risk are integrated in Infranode's remuneration policy as non-financial evaluation criteria. The performance is assessed based on the adherence to the standardized ESG due diligence framework applied in all of our investments, which includes identification and prioritisation of principal adverse impacts and assessment of sustainability risks on financial returns, and tries to identify, weigh and discuss to what extent the target investment is mitigating the ESG risks or capitalising on existing ESG opportunities.

3. PRINCIPAL ADVERSE IMPACT STATEMENT

3.1 Description of policies to identify and prioritize principal adverse sustainability impacts

Infranode considers principal adverse impacts on sustainability factors in investment decisions. Infranode's process for prioritization and identification of principal adverse impacts on sustainability factors is addressed in Infranode's ESG Policy. Each investment team and management team or Board of a specific asset are obliged to analyse those sustainability areas, incl. adverse sustainability impacts, that are the most relevant or material to their specific situation.

3.2 Description of principal adverse sustainability impacts

It is Infranode's policy that we do not invest in companies directly involved in the extraction of fossil fuels (oil, coal and gas) or investments where a material percentage of the revenues stem from fossil fuel related activities. The due diligence process also includes multiple sections, identifying the ESG objectives of the assets, their principal adverse impacts such as GHG emissions, air pollution, energy efficiency, water use, waste generation, and biodiversity, and information on in which ways those are monitored and followed up on.

3.3 Engagement policies

Team members of Infranode are responsible for the acquisition and management of the investments held by the funds. Board representation is a strategic objective for every investment and combined with active engagement with the management and/or operating partners, Infranode works to ensure appropriate ESG integration. Depending on ownership size and variation in synergies among and between assets and owners – the possibility to influence change varies. That is why Infranode has adopted a two-tiered approach: One where Infranode has sole control over the company (“sole control stance”) and one where control is shared with other shareholders (“co-control stance”). Infranode's sole control stance involves formalizing an ESG roadmap, developing a code of conduct, or similar, and ensuring that the company has clear organizational and functional ESG capabilities and responsibilities. Infranode's co-control stance involves stimulating and demanding ESG value creation activities in a similar way as under the sole control stance but also working with and impacting the other owners to fully align on sustainability related matters.

3.4 References to international standards

As a signatory of the United Nations Principles for Responsible Investment (UNPRI) (2016), the Swedish Sustainable Investment Forum (SWESIF) (2016) and a member of the Long Term Infrastructure Investors Association (LTIIA) (2017), these organisations and related international conventions, standards and guidelines – notably the Paris Agreement, TCFD (Task Force on Climate related Financial Disclosures), Global Compact and the Sustainable Development Goals (SDGs) – form the departure point for how Infranode understands and deals with ESG issues. Infranode's ESG due diligence framework is based on the framework provided by GRESB, the global ESG benchmark for real assets.

4. PRODUCTS WITH ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

Infranode II AB promotes environmental and social characteristics and thereby classifies as an Article 8 products in the classification of the SFDR regulation.

4.1 Environmental and social characteristics of Infranode II AB

The Fund's strategy is to invest in equity and/or equity-like debt instruments of infrastructure assets and companies providing essential and long-term sustainable services within the transportation, digital infrastructure, energy and utilities and social infrastructure sectors.

We are encouraging the portfolio companies to set emission reduction targets that keep the total climate impact for the portfolio within the Paris Agreement objectives. Our investments aim to contribute to the UN Sustainable Development Goals (SDGs), for example SDG 7 by providing clean energy in district heating, and SDGs 9 and 11 by investing long term in infrastructure. We exclude companies directly involved in the extraction of fossil fuels (oil, coal and gas) or investments where a material percentage of the revenues stem from fossil fuel related activities. We also exclude arms, tobacco, pornography and alcohol sectors and sectors involving harmful or exploitative forms of forced labour/harmful child labour, and any operation or project engaged in destruction of Critical Habitats etc. These characteristics are assessed by Q&A sessions with management of asset companies and exclusions are assessed by desktop analysis during our due diligence. The extent of how environmental or social characteristics are met are followed up on once yearly. This information will be published in the annual report.

4.2 Governance

We assess governance practices of any potential investment as part of our standardized ESG due diligence process. Furthermore, we ensure good governance of each investee company through including requirements related to governance in all Shareholders Agreements. This includes requirements such as for example reserved matters in relation to pre-agreed long-term business plan, responsibility for ESG performance is placed with a dedicated ESG committee or person on the Board of Directors), requirements for quarterly ESG reporting presented to Infranode by company management, and requirements that ESG performance is part of the performance evaluation of management.