

# Sustainability-related disclosure

30 June 2022

Disclosures covered by this document

Policy on integration of sustainability risk in investment decision-making	SFDR Art. 3	p. 1
Integration of sustainability risks in remuneration policies	SFDR Art. 5	p. 2
Statement on principal adverse impacts of investment decisions on sustainability factors	SFDR Art. 4	p. 2
Products with environmental or social characteristics (Infranode I AB & Infranode II AB)	SFDR Art. 10	p. 10

## 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)<sup>1</sup> 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 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

This section covers the disclosure required by Article 3 of SFDR.

The integration of sustainability risks in Infranode's investment decision-making process is described in our ESG Policy.

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<sup>1</sup> Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector

Prior to making an investment, we are using a systematic 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 aims 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 identified ESG risks can be mitigated. The ESG risk assessment is conducted in collaboration with expert consultants and the companies targeted for investment. Results of ESG risk assessment are considered by Infranode and its Investment Committee in decision-making regarding investments.

Post-investment decision, the identified sustainability risks and outlined mitigation factors form the ESG approach to asset management. Our approach to active ownership is described in more detail in section 3.4 on page 9.

## 2.2 Integration of sustainability risks in remuneration policies

This section covers disclosure specified by Article 5 of SFDR.

Sustainability risk is integrated in Infranode's remuneration policy, where it is stated that both financial and non-financial criteria shall be taken into account in the assessment of individual performance of Infranode employees. 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 in a form relevant to each function of each employee.

## 3. STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

This section covers disclosure specified by Article 4 of SFDR.

### 3.1 Summary

Infranode considers principal adverse impacts (PAI) of investment decisions on sustainability factors. This section is the entity level disclosure in accordance with Article 4 of the SFDR regulation and section 1 of the regulatory technical standard (RTS)<sup>2</sup> covering the reference period of 2021.

Infranode considers all PAI indicators in Table 1 of Annex I of the RTS. In addition, indicator 13. *Non-recycled waste ratio* from Table 2 and indicators 2. *Rate of accidents* and 4. *Lack of a supplier code of conduct* from Table 3 are considered.

Infranode considers principal adverse impacts in investment decisions, through obligatory application of the ESG due diligence framework where SFDR PAI indicators are integrated. During the asset management phase, monitoring of SFDR PAI indicators is part of our active

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<sup>2</sup> Commission Delegated Regulation (EU) .../... of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in precontractual documents, on websites and in periodic report

ownership. Our ESG integration approach is described in detail in our ESG Policy, which can be found on our webpage.<sup>3</sup>

### 3.2 Description of principal adverse sustainability impacts

The information presented below contains the principal adverse impact (PAI) indicators as defined in the Regulatory technical standard (RTS)<sup>2</sup> supplementing the SFDR regulation covering the reporting period of full year 2021. It is the first time that Infranode reports these indicators for our portfolio.

The data collection was conducted in collaboration with ESG consulting firm *Klinkby Enge*<sup>4</sup> before the EU Commission adopted the RTS. Therefore, the disclosure is based on the final draft RTS provided by the European Supervisory Authorities (ESA's)<sup>5</sup> on 22 October 2022.

The data collection was facilitated by the Infranode asset management team, following the template developed by *Klinkby Enge*. Portfolio companies provided data on "best effort basis", due to the ambiguity of requirements and a challenging set of KPIs. The data was not verified by *Klinkby Enge*.

The collected data shows room for improvement for both response rate and quality of data. Therefore, comparisons with PAI indicators of other financial products should be done with extreme care to avoid inadequate comparisons. Infranode's asset management team and portfolio companies continuously work on improvement of data quality for future reports.

The columns "Impact [year n-1]" and "Actions taken, and actions planned, and targets set for the next reference period" from the RTS template are not included, due to the lack of data.

#### 3.2.1 Principal adverse impacts for Infranode

This section contains the PAI data at the entity level (Infranode AB) for the reporting period FY 2021. The corresponding tables for Fund I and Fund II individually can be found in the Sustainability Report available to download at the bottom of Sustainability section of Infranode webpage.<sup>6</sup> For further details on methodology, contact the Infranode sustainability team.

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<sup>3</sup> Accessible at <https://infranode.eu/sustainability-2>

<sup>4</sup> Klinkby Enge is an independent advisory firm specialized in ESG due diligence, ESG data for private assets and consulting on sustainable investing. [www.klinkbyenge.com](http://www.klinkbyenge.com)

<sup>5</sup> Final Report on draft Regulatory Technical Standards (JC 2021 03)

<sup>6</sup> Accessible at <https://infranode.eu/sustainability-2>

**Principal adverse impacts statement – Tables 1-3<sup>7</sup>**

Adverse sustainability indicator	Metric	Impact 2021	Unit	Explanation	Response rate <sup>8</sup>	
<b>Table 1: Indicators applicable to investments in investee companies</b>						
<b>Climate and other environment-related indicators</b>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	16,250	Tonnes CO2e/year		96%
		Scope 2 GHG emissions	992	Tonnes CO2e/year		87%
		Scope 3 GHG emissions	No data	Tonnes CO2e/year	Data not disclosed due to quality issues	N/A
		Total GHG emissions	17,243	Tonnes CO2e/year	Includes scope 1 and scope 2	N/A
	2. Carbon footprint	Carbon footprint	28	Tonnes CO2e/EURm invested	Includes scope 1 and scope 2	96%
	3. GHG intensity of investee companies	GHG intensity of investee companies	256	Tonnes CO2e/EURm revenue/year	Includes scope 1 and scope 2	96%
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0.0%	%	This includes real estate assets, and thereby also covers PAI metric 17	100%
	5. Share of nonrenewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	6.7%	%	Share of non-renewable energy production for production assets and energy consumption for non-production assets	96%

<sup>7</sup> Tables are in accordance with Annex I of the final RTS (C (2022) 1931)

<sup>8</sup> Sum of portfolio weights from holdings that have values for all required datapoints

Adverse sustainability indicator		Metric	Impact 2021	Unit	Explanation	Response rate <sup>8</sup>
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per EURm of revenue of investee companies, per high impact climate sector	Sector D: 1.5 Sector H: N.D. Sector L: N.D.	GWh/EURm revenue/year	Energy consumption for energy production assets are calculated as ("Energy imported" + "energy that originates on-site" - "Energy exported" in line with GRESB EN1. N.D: Not disclosed.	96%
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.0%	%		96%
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per EURm invested, expressed as a weighted average	0.01	Tonnes/EURm invested/year		96%
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	2.85	Tonnes/EURm invested/year		89%
<b>Social and employee, respect for human rights, anti-corruption and anti-bribery matters</b>						
Social and employee matters	10. Violations of UNGC <sup>9</sup> principles and OECD <sup>10</sup> Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.0%	%		96%

<sup>9</sup> United Nations Global Compact

<sup>10</sup> Organisation for Economic Cooperation and Development

Adverse sustainability indicator	Metric	Impact 2021	Unit	Explanation	Response rate <sup>8</sup>	
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	21,4%	%	Based on the assessment of the minimum safeguards criteria in the EU Taxonomy performed by third party experts. The asset management team is working on improvement of this KPI.	96%
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	13.5%	%	Weighted by the individual size of each investment. In one company, the average hourly earnings is higher for female employees. If this company is excluded from the calculation, the average is 16.5% for the entity. Companies without direct employees are excluded.	36%
	13. Board gender diversity	Average ratio of female to male board members in investee companies	16.7%	%	Weighted by the individual size of each investment.	96%
	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.0%	%		100%
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets	N/A	%	Not calculated at entity level since there is only one real estate asset.	N/A

Adverse sustainability indicator	Metric	Impact 2021	Unit	Explanation	Response rate <sup>8</sup>	
<b>Table 2: Climate and other environment-related indicators</b>						
Water, waste and material emissions	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per EURm invested, expressed as a weighted average	3.05	Tonnes/EURm invested/year		82%
<b>Table 3: Social and employee, respect for human rights, anti-corruption and anti-bribery matters</b>						
Social and employee matters	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	4.1	Rate of accidents per million hours worked	Data from direct employees. Companies without direct employees are excluded. No fatalities and no serious injuries were reported. Only recordable work-related injuries.	60%
	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	0.0%	%		96%

### 3.2.2 Actions taken and planned

Infranode actively engages with all assets in its portfolios to assess and improve societal and environmental impacts. To do it, we apply the Infranode ownership approach which among other implies board representation and active asset management. Read more about our engagement policies in section 3.4 on page 9.

ESG is integral to our ownership practices. This can be exemplified by the following:

- ESG is included to annual board wheels
- Infranode employees (who are also Board members at portfolio companies) have ESG factors included in performance evaluation
- ESG is included in regular reporting by portfolio companies
- ESG risks are included to risk management practices
- Portfolio companies participate in a comprehensive ESG benchmarking (GRESB), which provides a comprehensive comparable score, as well as supports identification of improvement areas.
- ESG is part of status cards of portfolio companies developed by the asset management team
- Short-and long-term ESG goals are defined by asset management team of Infranode for portfolio companies.
- Annual collection of ESG data for portfolio companies for both reporting according SFDR as well as for tracing the ESG performance

The asset management team works on improvement of the above-described approaches, and on integration to the portfolio companies to every subject of the described practices.

In addition, in 2021 we have taken a number of specific actions. These include:

- EU SFDR and Taxonomy readiness project, during which experts from *Klinkby Enge* supported the ESG team of Infranode in being ready for SFDR and Taxonomy reporting
- EU Sustainability Taxonomy assessments conducted by consulting company *Klinkby Enge*. This effort among other included a review of human- and labour rights considerations in governance documents of portfolio companies
- Screening for physical climate risks of the portfolio conducted by the consulting company *Carbon 4*

Based on the outcome of the above initiatives, including PAI, Infranode asset management team together with the ESG team aims to identify concrete improvement actions for each portfolio company.

### 3.3 Description of policies to identify and prioritize principal adverse sustainability impacts

Infranode's process for prioritization and identification of principal adverse impacts on sustainability factors is addressed in Infranode's ESG policy (published on our webpage<sup>11</sup>) which was latest approved by the Board on 26 April 2021.

Infranode considers sustainability factors at all stages of our investment process. During origination and screening, the investment team checks the exclusion and restriction lists that among other include ESG factors. The exclusion and restriction lists are developed in

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<sup>11</sup> Accessible at <https://infranode.eu/sustainability-2>

compliance with Infranode's ESG Policy and agreements with Infranode's investors. Projects that pass to the next step are subject to ESG due diligence. Consideration of principal adverse impacts on sustainability factors is integrated part of the ESG due diligence framework.

In 2021, we updated our due diligence tool to cover the PAI KPIs defined in the RTS. The framework includes identification and prioritisation of principal adverse impacts and assessment of sustainability risks on financial returns and seeks to identify and explain to what extent target investments are mitigating the ESG risks or capitalising on existing ESG opportunities.

Each member of investment team and asset management team are obliged to consider those sustainability areas, incl. adverse sustainability impacts, that are the most relevant or material to their specific situation.

Considerations of principal adverse impacts are also an integrated part of our asset management. We pursue active ownership on all investments and require regular ESG reporting from the investee companies to Infranode, which also covers principal adverse impacts.

The PAIs included from Table 2 and 3 of RTS Annex I were chosen in collaboration with an expert ESG advisor, *Klinkby Enge*. The selected indicators represent impacts that we, in consultation with our advisors, consider relevant and important.

The data used is sourced directly from the portfolio companies. We also work with expert ESG consultants in collecting and processing data provided on an ongoing basis, included related to SFDR disclosure, who assist in obtaining the highest data quality possible.

We continuously work on improving our methods for assessing and addressing potentially adverse impacts while we acknowledge potential short comings that we might have due to imperfect visibility, knowledge, and information.

### 3.4 Engagement policies

Infranode's engagement policy is laid out in our ESG policy (can be found on our webpage)<sup>12</sup>.

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.

As the quality of the PAI data improve and the ability to compare data across companies and financial products improve we will consider incorporating the PAI data explicitly in our

<sup>12</sup> Accessible at <https://infranode.eu/sustainability-2>

engagement policy. This includes provisions regarding how we will address portfolio companies where there is no reduction of the principal adverse impacts over more than one reporting period.

### 3.5 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.

Infranode has participated in GRESB for the past three years. The GRESB assessment has a substantial overlap with the PAI indicators. The data used for the GRESB assessment is collected directly from the assets with the help from expert ESG consultants, who assisted in developing a systematic data collection template, as well as in data quality review and systematisation of the related indicators ultimately aiming at the highest possible data quality.

We actively work with our assets with an aim to ensure they are aligned with the requirements in the OECD Guidelines for Multinational Enterprises. This has included that we are conducting a review of their policies and procedures as part of our efforts help the assets become aligned with the EU Sustainability Taxonomy.

## 4. PRODUCTS WITH ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The section covers both Infranode I AB and Infranode II AB. The two funds follow the same policy and investment strategy and have the same characteristics. Where there are any differences, it is clearly stated.

### 4.1 Summary

It is our understanding that *Infranode I AB* and *Infranode II AB* promote environmental and social characteristics as used in article 8 in SFDR.<sup>13</sup>

The environmental and social characteristics of both funds are defined by that they invest in infrastructure assets and projects that promote a sustainable and efficient functioning of the environments, economies, communities, and people that they serve.

Furthermore, the E and S characteristics are defined by the fact that the funds apply an ESG integration strategy, which is implemented throughout the lifetime of the investments.

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<sup>13</sup> Infranode I AB was closed for capital commitments before March 10, 2021, where SFDR entered into force. As such, based on advice from our legal advisor it is our understanding that we are not required to update the "pre-contractual" information given to investors (this also applies to Infranode II AB in terms of compliance with the RTS). As such Infranode I AB was not promoted as an "article 8 fund" when it was marketed to investors. But given that the funds are covered by the same ESG policies and approach we consider both funds as article 8 funds, and we will treat both funds as such in terms of article 10 (website disclosure) and 11 (periodic reporting) in SFDR. We have chosen to combine the disclosure of both Infranode I AB and Infranode II AB in this disclosure.

The ESG integration strategy is composed by a number of measures including pre-investment ESG screening and exclusions, pre-investment ESG due diligence, active ownership, and ongoing monitoring and reporting. ESG activities of Infranode are governed by our ESG Policy.

The attainment of the characteristics is measured and monitored through a number of sustainability indicators, being:

- Proportion of investments subject to pre-investment ESG due diligence
- Proportion of assets (weighted by investment value) with emissions reduction targets
- Proportion of assets contributing to respectively SDG 4, 7, 9, 11, 12, and 13
- Proportion of assets (weighted by investment) covered by a code of conduct
- In addition to these sustainability indicators, Infranode will be publishing the PAI indicators for each fund each year in the annual report. See more details further down.

We monitor the attainment of the E/S characteristic on an ongoing basis, and we publish these indicators each year in our Sustainability report.

We report on the alignment of our assets with the EU Sustainability Taxonomy in our annual Sustainability report (published on our webpage<sup>14</sup>).

#### **4.2 No sustainable investment objective**

These financial products promotes environmental or social characteristics but does not have as their objective a sustainable investment.

#### **4.3 Environmental and social characteristics**

The funds' 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. The investments in *Infranode I AB* seek to contribute to the UN Sustainable Development Goals (SDGs), especially SDG 7, 9, 11, 12, and 13 by providing clean energy in solar as well as in district heating and by investing long term in infrastructure including ports. It moreover seeks to contribute to SDG 14 by investing in social infrastructure in Norway. The investments in *Infranode II AB* seek to contribute to the SDGs, especially SDG 7, 9, 11, 12, and 13 by providing clean energy in solar as well as in district heating and 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. The extent of how environmental or social characteristics

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<sup>14</sup> Accessible at <https://infranode.eu/sustainability-2>

are met are followed up on once yearly. This information will be published in the annual Sustainability report (published on our webpage<sup>15</sup>).

#### 4.4 Investment strategy

Our ESG integration strategy is informed by a range of internationally recognised frameworks and standards (see also section 3.5 on page 10).

Our ESG integration strategy consists of the following overarching elements:

- Pre-investment ESG screening and exclusions
- Pre-investment ESG due diligence
- Active ownership
- Ongoing monitoring and reporting

Each these elements are described in detail in our ESG policy<sup>15</sup>.

#### ***Policy to assess good governance practices of investee companies***

We assess governance practices of any potential investment as part of our systematic 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 plans, that responsibility for ESG performance is placed with a dedicated ESG committee or person on the Board of Directors (BoD), requirements for regular ESG reporting presented to Infranode by company management, and requirements that ESG performance is part of the performance evaluation of management.

#### 4.5 Proportion of investments

For the reference period FY 2021, we have not been able to verify that any of our investments meet the criteria under Article 3 of the EU Taxonomy<sup>16</sup> for being taxonomy-aligned or under article 2(17) of SFDR<sup>17</sup> for being sustainable investments. The taxonomy-alignment for both funds is therefore 0% for the reference period.<sup>18</sup> After the reference period, Infranode initiated a project on reviewing taxonomy alignment of our portfolio. This implies verification of documented practices of our portfolio companies by third party ESG experts with the purpose of assessing taxonomy alignment of their business activities. As of the date of publishing this report, the work is ongoing. For the avoidance of doubt, this does not imply that the taxonomy-alignment for the reference period is higher than 0%.

It shall be noted that both funds were closed for further capital commitments before the regulatory technical standard (RTS) supplementing SFDR were published. Therefore, the pre-contractual

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<sup>15</sup> Accessible at <https://infranode.eu/sustainability-2>

<sup>16</sup> Regulation (EU) 2020/852

<sup>17</sup> Regulation (EU) 2019/2088

<sup>18</sup> As such we have not included the sections related to the EU Taxonomy in the RTS in this report.

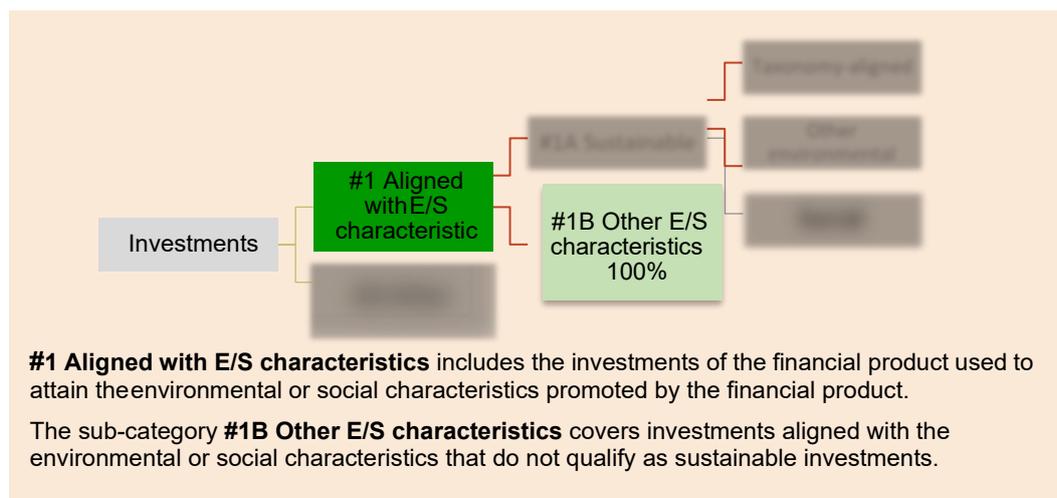
disclosure for the funds was not developed according to the RTS requirements. As such, the funds has not committed to any specific level of sustainable investments as defined in SFDR article 2(17).

Fund I is fully invested, and all assets are covered by the E/S characteristics of the fund.

Fund II is not yet fully invested, but likewise the planned asset allocation is that 100% of the assets will be covered by the E/S characteristics. The current assets in the fund are covered by these characteristics.

All investments in the funds are direct exposures.

*Asset allocation for Infranode I AB & Infranode II AB:*



#### 4.6 Monitoring of environmental or social characteristics

We require that investee companies conduct regular reporting on ESG matters to Infranode. Furthermore, ESG is on the agenda at board meetings of the assets.

Another way in which we monitor the environmental and social characteristics is by participating in the GRESB infrastructure assessment each year. The GRESB assessment identifies areas for ESG improvement which can lead to an adjustment of the operational strategy and governance work on asset and fund level. Long-term, this creates value for society, ultimately leading to an enhanced value for our portfolio and investors.

We do not have any formal external controls, in terms of assurance.

#### 4.7 Methodologies

We track the performance of the sustainability indicators defined for measuring the attainment of the environmental and social characteristics of this product ourselves, based on data from the assets and different types of publicly available information (see below).

We follow this development on an ongoing basis and publish the progress each year in our Sustainability report.

We use the sustainability indicators as part of our engagement with the assets, in an attempt to create continuous improvement.

#### **4.8 Data sources and processing**

The data used for assessing ESG performance and progress is generally sourced directly from the assets. This data can be supplemented by publicly available data from e.g., authorities, industry data (e.g., for benchmarking), news outlets, and other publications.

We also work with expert ESG consultants in conducting due diligence as well as in collecting and processing data provided on an ongoing basis, included related to the SFDR PAI indicators.

The investment team is responsible for the quality of the data in the due diligence phase, while the asset management team is responsible for the quality of the data in the asset management phase.

Data used in assessing the attainment of the characteristics is not estimated.

#### **4.9 Limitations to methodologies and data**

In general, the data and the methods used to evaluate sustainability factors are subject to uncertainty. As described in the above sections we are continuously working to improve our understanding of sustainability factors and our ways to measure their impacts. It is our assessment that our current methods and data sources provides a sufficiently accurate picture of the sustainability impacts, and as such do not affect our ability to attain the environmental and social characteristics of the fund.

#### **4.10 Due diligence**

Infranode applies ESG due diligence framework for all potential investments. The framework includes ESG aspects, including identification and prioritisation of principal adverse impacts and assessment of sustainability risks on financial returns, and seeks to identify, and explain to what extent the target investment is mitigating the ESG risks or capitalising on existing ESG opportunities. The ESG assessment is conducted in collaboration with expert consultants and the target companies. The ESG risk assessment is reviewed and evaluated by Infranode. Both quantitative and qualitative methods are utilised as part of the ESG due diligence. The due diligence results in a qualified judgment by the responsible investment professional, to be incorporated into the investment memorandum that forms the basis for investment decisions by the Investment Committee.

#### **4.11 Engagement policies**

Read about our engagement policies in section 3.4 on page 9 and in our ESG Policy available on our webpage.<sup>19</sup>

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<sup>19</sup> Accessible at <https://infranode.eu/sustainability-2>