



17 SUSTAINABILITY POLICY

INFRANODE AB
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1 Background

Infranode's vision is to be a leading, long-term infrastructure investment platform in the Nordics, an approach which constitutes a cost-efficient way for institutional investors to access essential infrastructure assets with attractive long-term returns while offering the public sector a sustainable and reliable business partner.

Infranode believes that a responsible investment approach, which integrates sustainability factors in its investment process and as part of its asset management, is a critical ingredient to capitalise on business opportunities, as well as handling sustainability-related risks. Simply put, Infranode believes that a high standard of business conduct and promoting sustainability characteristics in its funds makes good business sense and is more likely to create sustainable value over the long term. Conversely, poor management of sustainability factors and risks may pose a risk both to Infranode's reputation and to the value of the businesses and portfolio companies in its funds.

For Infranode, a responsible approach to the integration of sustainability risks and factors is to invest in infrastructure assets and projects that promote a sustainable and efficient functioning of the environments, economies, communities and people that they serve. As an illustration, this means that infrastructure with a low, zero or negative carbon footprint (climate friendly) can absorb disturbances, for example climate change or a financial crisis, and still retain its basic function and structural capacity (resilient), while also providing cross-system complementarity (connected) and bringing improved health, safety, education, and social inclusiveness (inclusive).

1.1 Purpose

The purpose of this Sustainability Policy is to:

- outline the responsible investment philosophy and Infranode's commitments under it;
- describe the integration of principal adverse impacts in the investment decision making process;
- describe Infranode's management of sustainability factors and risks;
- outline how Infranode views its sustainability-related responsibilities and how they apply in a practical way during the investment journey and in the daily running of the business.

This policy also serves as a vehicle for transparent communication to those investors, employees, advisors, stakeholders, regulatory authorities and members of society at large who are interested in understanding how Infranode strives to promote and integrate sustainability in its infrastructure investments.

1.2 Regulatory framework

In all its sustainability work, Infranode closely follows evolving regulatory developments, both at the European Union (EU) level, and at the level of applicable national regulation.

The Sustainable Finance Disclosure Regulation (EU) 2019/2088 ("SFDR"), entered into force in 2021, stipulating certain disclosure requirements within the financial services sector that are applicable to alternative investment fund managers such as Infranode. The SFDR is part of a wider regulatory framework commonly known as the EU Sustainable Finance Framework. As part of this framework the amended delegated regulation to the AIFM Regulation (EU) 231/2013 contains certain requirements on integrating

sustainability risk in the overall governance framework and specifies the responsibility of boards in this regard. The regulations governing sustainability are hereafter jointly referred to as the “**sustainability framework**”.

Under the sustainability framework, Infranode is obliged to adhere to certain requirements and obligations, part of which is the adoption of this Sustainability Policy covering all its sustainability work. This includes information on the integration of sustainability risks and Infranode’s processes for integrating principal adverse impacts on sustainability factors as part of its investment and due diligence process. The policy also contains information on Infranode’s principles for active ownership and the choice to adhere to international standards as part of the sustainability framework.

2 Sustainability risks

2.1 General

Sustainability risks are defined under the sustainability framework as environmental, social or governance-related events or conditions that, if they occur, could cause an actual or a potential material negative effect on the value of an investment asset. In Infranode’s business operations sustainability risks are identified and managed as part of the following processes:

- Investment decision making process, including due diligence;
- Asset management during the holding period of an investment;
- Divestment decision making process; and
- Overall risk management framework.

Infranode is also aware that the integration of sustainability risks could entail certain risks of conflict of interest, which are further described in Infranode’s policy on managing conflicts of interest.

2.2 Identifying sustainability risks

Infranode identifies sustainability risks within four main categories: climate, environment, social sphere, and governance. These are further elaborated below.

Climate-related risk categories, including but not limited to:

- Lack of climate change mitigation;
- Lack of climate change resilience and adaptation;
- Transition risks, including risks related to policies and legal matters, technology, market and reputation;
- Physical climate risks.

Environment-related risk categories, including but not limited to:

- Pollution to air, water, soil;
- Waste and hazardous materials management and recycling;
- Impact on biodiversity, habitat and ecosystem services.

Social risk categories, including but not limited to:

- Threats to health and safety of employees and contractors;
- Lack of diversity and inclusion, and fair treatment;
- Lack of procedures to safeguard human and labour rights, code of conduct, whistleblowing and grievance mechanisms;
- Lack of stakeholder engagement, including local communities.

Governance-related risk categories, including but not limited to:

- Weakness related to shareholder rights, including minority positions and misalignment of interests among shareholders;
- Board inefficiency;
- Lack of e.g. competence, resources or procedures to ensure regulatory and legal compliance;
- Cyber threats and risks related to data;
- Lack of transparency related to financial and non-financial reporting;
- Misconduct, including in relation to anti-bribery, anti-money laundering and taxation;
- Insufficient diligence, such as corporate structures for control and responsibility are not clear, and risk management not being thorough.

2.3 Integration of sustainability risks

In the overall risk management framework and governance structure, sustainability risks are fully integrated into Infranode's overall risk management processes, as well as being integral to the second and third lines of defence as a specifically identified risk area. With regard to investment and ownership processes at Infranode, sustainability risks are integrated into all relevant decision steps, and thus are an inherent part of Infranode's regular processes, as set out in Section 3 below, which describes the integration of both sustainability risks and other sustainability factors.

3 Integration of sustainability factors

3.1 General

Infranode considers sustainability risks and factors in each step of the investment process, from the preliminary screening of assets in the due diligence process, through the investment phase, the asset management phase, and finally in a potential exit situation. Sustainability is approached from the perspective of risk mitigation, as well as identifying value creation opportunities. Infranode's approach as described below has been developed in line with the sustainability framework, and in accordance with voluntary commitments under the Principles for Responsible Investment (PRI) principle 1.

Sustainability principles are applied in the context of the asset sectors in which Infranode invests. This means that if a potential investment promises similar financial returns as a competing investment but has relative sustainability advantages, Infranode will always choose the more sustainable of the two investment opportunities. This is based on the conviction that companies that understand and utilise sustainability in their business strategy will outperform their counterparts over the longer term.

3.2 Screening through exclusions and restrictions

Infranode's investment guidelines include several areas and sectors that are excluded from investment. These guidelines are consistent with Infranode's long-term strategy of investing in essential infrastructure, as well as being in line with relevant investor agreements. Among the exclusions, several relate to this sustainability policy. For example, it is Infranode's policy not to invest in companies directly involved in the extraction of fossil fuels, oil, coal, or gas, and to avoid investments where a material percentage of revenues stem from fossil fuel-related activities.

3.3 Due diligence

For investment opportunities aligned with the responsible investment approach, a due diligence process is initiated where climate, environmental, social, and governance factors are analysed following Infranode's systematic sustainability due diligence framework. This framework also includes the identification of principal adverse impacts and the assessment of sustainability risks on financial returns; and assesses to what extent the target investment is mitigating sustainability risks or capitalising on existing opportunities. Further, it assesses both governance structures and the ability to report on sustainability KPIs and principle adverse impact indicators, in line with Infranode's ESG data approach.

The assessment is usually conducted by industry experts, with Infranode taking overall responsibility. Both quantitative and qualitative methods are utilised as part of the ESG due diligence.

The due diligence results are incorporated into the business plan for the investment, and into the investment memorandum that forms the basis for investment decisions made by the Investment Committee. They are also considered in shareholder agreements and create the basis for integration of the company during the onboarding phase.

3.4 Investment execution

For assets that are in line with Infranode's overall investment strategy, as assessed by the Investment Committee, preparation of the investment decision starts. Relevant sustainability factors and the results of due diligence, combined with Infranode best practice, are incorporated into shareholder agreements, service agreements and other key governance agreements. Due attention to sustainability is applied at this stage based on a conviction that well-established sustainability governance at the highest ownership level sets the tone for sustainability progress during the ownership phase and is a key pre-condition for Infranode's active ownership model.

3.5 Onboarding phase

When an asset enters the portfolio, the onboarding process begins, and continues for around a year. During this process, Infranode ensures appropriate sustainability governance at the asset company, considering the nature of the business and established governance agreements. During this phase, board work is formalised and regular reporting from company management is established, including, among other things, the monitoring of sustainability performance and risks. Furthermore, Infranode ensures the clear delegation of sustainability responsibilities across company management and staff, as well as the inclusion of sustainability targets in performance incentive schemes if they exist. Also, the company is integrated into Infranode's reporting and benchmarking processes. Finally, this phase includes initiating any activities identified during the due diligence phase.

3.6 Active ownership

Infranode is an active owner, offering its expertise in infrastructure to all portfolio companies. Representation on the boards of portfolio companies allows Infranode to manage the assets in line with industry best practice from a long-term perspective, and in the interests of the investors. Portfolio companies report regularly on their performance, including on sustainability performance.

The active ownership phase is governed by relevant Infranode policies and procedures, which among other things cover sustainability factors. Among these, the following factors are essential:

- Consensus regarding sustainability among shareholders;
- Regular inclusion of sustainability factors on the board agenda;
- Regular management reporting on sustainability risks and performance including on principal adverse impact indicators; this ensures Infranode's ability to report as required by the sustainability framework and maintain active ownership of sustainability;
- Inclusion of sustainability targets in performance incentive schemes if they exist;
- Systematic inclusion of sustainability factors into Infranode's internal performance follow-up processes, risk management and performance improvement processes;
- Monitoring and improvement of company assets' governance set-up regarding sustainability.

Infranode's scope to influence the management of portfolio companies varies depending on ownership shares and consequently the Infranode's governance position. In a co-controlling situation with limited shareholder rights, Infranode's sustainability stance involves stimulating sustainability work via available board representation; and by establishing dialogue, offering best practice on sustainability and explaining its value-add potential to other co-owners and company management.

4 Voluntary commitments and international standards

4.1 Infranode net zero 2040 commitment

Infranode acknowledges the urgent need for decarbonisation across sectors as outlined in the Paris Agreement, and considering the latest scientific insights on climate change, Infranode seeks to do its part as a responsible owner of infrastructure assets. On this basis, Infranode makes the following commitment.

Infranode commits to work on decarbonisation, consistent with an ambition to reach net zero emissions by 2040 or sooner, for all assets under management, existing and future.

Infranode's full pledge under this commitment is outlined in a separate document, the Infranode Net Zero Commitment, which has been adopted by the Board and is available on the Infranode website under the Sustainability section.

The implementation and monitoring of progress in line with this commitment is governed by this policy in the same way as other sustainability factors and risks.

4.2 Sustainability signatories

Infranode is a signatory of the following initiatives:

- UNPRI: United Nations Principles for Responsible Investment (since 2016);
- SWESIF: Swedish Sustainable Investment Forum (since 2016);
- LTIIA: Long-Term Infrastructure Investors Association (since 2017).

4.3 Sustainability standards and other initiatives

In all its sustainability work Infranode takes inspiration from and adopts the following international conventions, standards, and guidelines:

- TCFD: Task Force on Climate-related Financial Disclosures;
- UN Global Compact and Sustainable Development Goals (SDGs);
- Greenhouse Gas (GHG) Protocol;
- Sustainability practices and initiatives adopted by the European Investment Bank (EIB) and European Bank for Reconstruction and Development (EBRD).

5 Implementation and monitoring responsibility

Overall responsibility for the oversight and implementation of this policy lies with Infranode, as subject to the regulatory requirements under the sustainability framework. The section below outlines the hierarchy and structure of sustainability responsibility within Infranode.

5.1 Responsibility structure

5.1.1 Board

The Board of Directors is ultimately responsible for Infranode's adherence to the sustainability framework and is responsible for adopting all relevant steering documents within this area. As part of this responsibility, the Board adopts this Sustainability Policy and ensures that sustainability risks are integrated in the overall governance framework, including but not limited to the due diligence processes. Finally, the Board ensures that Infranode has the resources necessary to carry out requirements under the sustainability framework.

5.1.2 CEO

The CEO is responsible for ensuring that this Sustainability Policy is available to all employees at Infranode and is appropriately monitored, and that disclosure requirements under the sustainability framework are fully met.

5.1.3 Head of Sustainability

The Head of Sustainability is responsible for integrating this Sustainability Policy into relevant processes within Infranode, and for ensuring it is adhered to in day-to-day operations, including Infranode's investment and asset management processes.

5.1.4 Investment Committee

Infranode's Investment Committee is responsible for considering findings relating to sustainability due diligence in its decision making regarding Infranode investments.

5.1.5 Sustainability Committee

Infranode's Sustainability Committee, which is led by the Head of Sustainability, is a regular discussion forum that addresses strategic, challenging and complex matters within the area of sustainability; and aims to define the optimal approach in line with Infranode's strategy, investor agreements and policies, and with the sustainability framework.

5.1.6 Heads of departments

Heads of Infranode departments are responsible for the practical integration of relevant sustainability factors and risks into the daily operations of their departments, as recommended by the Head of Sustainability and the Sustainability Committee.

5.1.7 All employees

It is the responsibility of each Infranode team member to consider sustainability factors of Infranode investments and more broadly in their daily work, with support and guidance from the Head of Sustainability and Sustainability Managers.

5.2 Reporting commitments

Infranode commits to disclose the status of its sustainability performance as follows:

- In both manner and regularity, in full compliance with the sustainability framework;
- Annually in the Sustainability Report;
- As an integral part of regular reports to investors, in line with related agreements.

6 Policy review

This policy is reviewed and formally adopted at least annually, to ensure that it remains relevant in a changing world, and consistent with regulatory requirements and best practice.