

infrantry



Exclusion Policy

June 2024

01. Ethics

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

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.

02. Fossil Fuels

In addition, Infrantry 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 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 GOGEL¹) as follows:

- » Perimeter: upstream (exploration/mining/extraction), mid-stream (distribution and storage) and downstream such as the 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:
 - No investments in companies with coal production > 10Mt/year or developers of new mines
 - No investments in companies with coal share of power generation >20% or coal-fired power capacity > 5GW
 - a full phase out of coal at the latest by 2030 in OECD countries, and by 2040 in non-OECD countries;

Investments in gas as follows:

- » **Upstream:** no further expansion CAPEX in upstream gas activities;
- » **Mid-stream:** no further CAPEX in greenfield projects, unless it complies with the Technical screening criteria of section 4.14 Transmission and distribution networks for renewable and low-carbon gases of the EU Taxonomy (Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation).
- » **Downstream:**
 - No further CAPEX in greenfield baseload gas-fired power generation.
 - No further CAPEX in infrastructure using gas as a fuel to produce hydrogen in the absence of carbon capture, utilization and storage (CCUS)
 - No further CAPEX in greenfield gas-fired power generation unless it complies with the Technical screening criteria of section 4.29. Electricity generation from fossil gaseous fuels of the EU Taxonomy (Delegated Regulation (EU) 2021/2139 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation).

The above gas exclusions are project oriented. For investment at corporate level, CAPEX associated to the above exclusions shall be limited to 5% of the total CAPEX.

¹ <https://gogel.org/>

03. 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 (**coal, oil and unconventional fossil fuels**) 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);
- » The CAPEX requirements outlined above in the excluded fossil fuel activities and gas sections are still met; 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 2°C climate trajectory.

In such a situation, Infranity'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, Infranity 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, Infranity would pursue its engagement as long as necessary and let the financing amortize over its tenor. In the case of equity investment, if the company is not back on track after 3 years, Infranity would consider other options including selling its participation.

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 have a climate trajectory compatible with a 2°C global warming trajectory in 2100. This position will be reviewed regularly.

04. Biodiversity-related exclusions

Biodiversity preservation is another key topic in particular for infrastructure investments. Infranity is set on taking this into account when making investment decisions. As such, specific exclusions have been defined.

First of all, Infranity **excludes investments based on their sector**. Even though not all of the following sectors are part of Infranity's investment universe, they have been included in this exhaustive list of sectors having a major impact on biodiversity and ecosystems, in which Infranity will not invest directly: pesticides, chemical products, plastics, agricultural raw material linked to deforestation, palm oil production, GMOs.

Besides, Infranity is to date not considering mining companies as target investments. This position may evolve in the future under specific conditions to be defined.

As climate change and pollution are key pressures on Biodiversity, all aforementioned **fossil fuel exclusions** also have a direct impact on biodiversity preservation (see paragraph 02 Fossil Fuels).

Finally, Infranity implements a set **of specific exclusions of investments which have a direct impact on biodiversity and ecosystems**:

- » Activities located in areas at high risk for deforestation²³
- » Activities using palm oil for energy generation purposes, unless it complies with RSPO (Roundtable on Sustainable Palm Oil) standards and commits to not engage in deforestation
- » Activities using biomass as energy source which could have a high risk of contributing to deforestation

² The change from forest to another land cover or land use, such as forest to plantation or forest to urban area.

³ These areas will notably be identified in the European Union deforestation country benchmarking system that is defined under the EU Deforestation Regulation EU 2023/1115

05. 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 the Sustainable Investment Policy.

Further PAI analysis:

The criteria analyzed under the ESG scorecards represent the most material social and environmental issues, including adverse impacts, for the investments considered.

Beyond the scorecards criteria, the integration of PAIs under SFDR requires an 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.