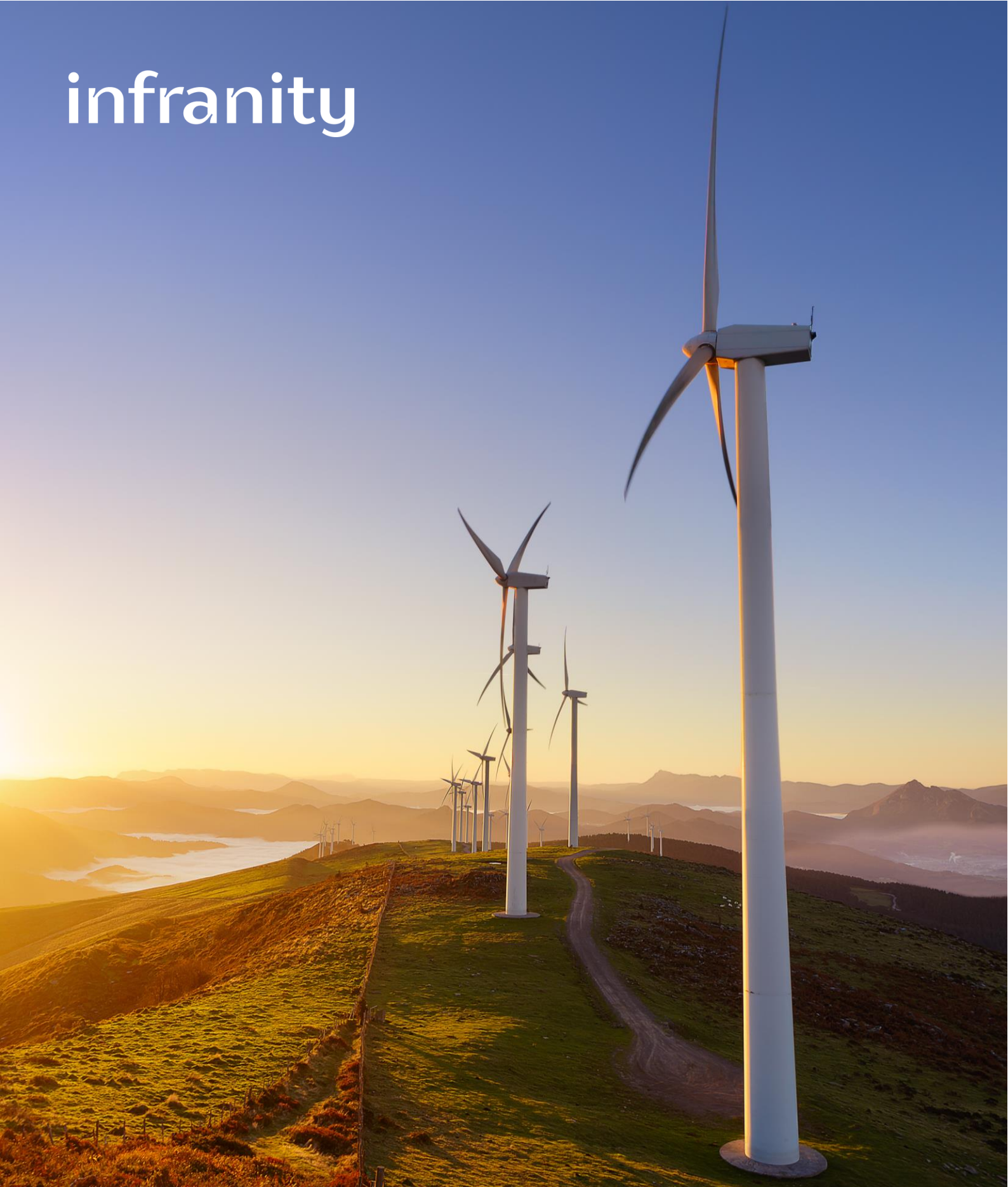


infranifty



# Net Zero Methodology

July 2024

## 01. Methodology description

Infranity, with the support of expert consultants Blunomy, has developed a methodological framework that is used to assess its assets and new deals, its portfolios, and set and monitor targets with respect to a 1.5°C trajectory, consistent with the objectives of the Paris Agreement to maintain global warming well below 2°C and a Net Zero goal.

The designed methodology is state-of-the-art, in line with the recommendations of the reference groups, as well as transparent and scientifically robust. The methodology keeps the number of assumptions to a minimum and allows to analyze assets with only a minimal amount of information, which they will most likely need to carry forward as a basis for their transition strategy. Amongst other things, it allows to take into account efforts made by companies with other recognized frameworks (e.g. SBTi). The methodology is scientifically robust and the efforts it requires from assets are based on scenarios validated by the scientific community, recognised and used by financial institutions.

The methodology consists in comparing the emission trajectories of the assets' activities with the sectoral trajectories of the international reference transition scenarios. In concrete terms, this methodology analyses the emissions reduction targets of the assets and assesses their ambition in relation to what would need to be done, sector by sector, to limit global warming to 1.5°C. It is therefore a combinatorial choice that links the emissions reduction objectives of the activities, their material emissions perimeters, the reference scenarios (International Energy Agency, OECM etc.), the available metrics and the appropriate calculation methods to estimate the alignment of the assets. One of the key assumptions is that any and all activities must be able to align with a 1.5°C scenario except those which are considered inherently not compatible (such as unabated coal-fired plants for instance) and must be transformed or fully phased out by 2050.

The metrics to be used will depend on the sector and the existence of reference scenarios produced by recognized institutions. Two main families of metrics can be available in the scenarios and used in the alignment methodology: absolute and intensity. The first family includes absolute emissions, measured in units of weight (e.g. MtCO<sub>2e</sub>) or production and capacity units (e.g. GW, gas bcm). The second one includes physical intensities (e.g. CO<sub>2e</sub>/kWh) and economic intensities (e.g. CO<sub>2e</sub>/€m revenue or EV).

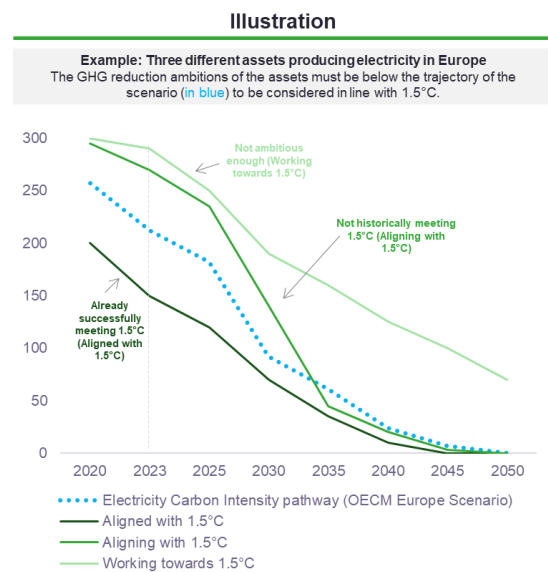
Alignment methods are methods used to create specific reduction trajectories for a given activity to allow a comparison between the activity emissions projections and the scenario pathways, that ultimately determines whether the activity is aligning or not with a 1.5°C scenario. Three main methods exist, with respective advantages and disadvantages:

- » **Convergence:** All activities in a given sector must converge to a sector average at a certain time horizon. This approach is based only on intensity metrics.
- » **Contraction (or rate-of-reduction):** All activities in a given sector must reduce their emissions at the same rate. This approach can be expressed in absolute or in intensity but is generally employed when no physical intensity pathway is available, either on absolute emissions or on economic intensity.

The methodology uses a "Maturity Scale" assessment which assigns to the assets within the portfolio different maturity categories. This approach, developed according to the most recent recommendations from the Glasgow Financial Alliance for Net Zero (which includes the NZAMI – Net Zero Asset Managers Initiative and the NZAOA – Net Zero Asset Owners Alliance) and the NZIF (Net Zero Investment Framework published by the IIGCC – Institutional Investors Group on Climate Change), links quantitative and qualitative criteria to finely categorise assets and indicate their alignment status. Amongst other things, this approach does not permit the offsetting between assets in a portfolio, in compliance with recognized frameworks, since a 1.5°C target requires ultimately all entities to reach that level of alignment.

At portfolio level, the maturities of the assets are consolidated to provide a picture of the share of investments in the different maturity levels

This maturity scale also serves as a reference point for our engagement policy. We encourage portfolio companies to climb this maturity scale by sharing market standard requirements to support them in their transition journey.



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## 02. Data Sources and Processing

To ensure data robustness in our systems, our in-house Sustainability team works closely together to assess the data quality and consistency. Systematic controls and specific analysis are performed on external ESG data, and a periodic quality review is performed. To that extent, Infranity Sustainability's team is in ongoing contact with the assets in order to collect and challenge the data provided.

In case of doubt, an asset will be conservatively placed in the category below rather than above.

Infranity does not estimate climate data but uses exclusively data provided by the assets. Should the data be absent the asset will not be considered in the most mature categories, as reporting on GHG emissions is a requirement to demonstrate maturity on the climate transition topic.

### Limitations to methodologies and data

Limitations to the methodologies and data for this net zero analysis includes the consolidation of results provided by different methodologies and with respect to different scenarios. Besides, scenarios may not always have a precise geographic granularity, and assets may operate in several geographies but have their targets defined only at group level. These limitations are inherently present in alignment methodologies, regardless of the choices made by Infranity.

**Methodologies:** as companies may have performed an alignment analysis with another recognized provider, in particular SBTi, Infranity has decided to take into account those results without necessarily being provided with the details of that analysis. This can create inconsistencies for similar assets in the same sector that would be analyzed through the SBTi lens or through the Infranity methodology lens.

**Scenarios:** Infranity selects one scenario per sectoral activity. The recognized organizations which have published said scenarios may not always have scenarios covering all economic activities within all sectors, and as a result, Infranity may find necessary to select the most appropriate Net Zero scenario pathway (requiring availability and closeness to its assets in terms of greenhouse gases emissions perimeter) for its different assets. Evolutions in terms of net zero pathways within most prominent scenarios are evaluated in a continuous manner.

**Geographies:** each country has a different starting point in terms of GHG emissions and therefore the comparison of an assets GHG emissions (for instance GHG intensity) with an international average (for instance EU data as in the OECM scenarios) may create a distortion. Similarly for an asset that would have a global presence with GHG emissions and targets reported only at group level, that would not be discriminated country by country.

To ensure that such limitations do not affect the achievement of its net zero trajectory, Infranity has implemented the following safeguards:

- » Requiring that material emissions be taken into account regardless of the methodology used (in particular scope 3 emissions)
- » Prioritize the OECM scenarios whenever possible and fall back to other scenarios, in priority the IEA's Net Zero 2050 ones, only with OECM scenarios are not available
- » Implementing an analysis of the current performance of assets, if and when technically possible, with respect also to country and regional levels

Climate analyzes are reviewed periodically and presented to the Investment Committee and/or the Sustainability Committee.

## 03. Infranity's Net Zero initial target disclosure

Infranity committed to the Net Zero Asset Managers initiative in December 2022 and disclosed its targets, approved by the NZAMI and the IIGCC, in March 2024.

INITIAL TARGET DISCLOSURE: MARCH 2024	
Percentage of assets covered by the Net Zero Asset Managers Commitment Statement	<b>100%</b> of total AUM (USD <b>\$9.96 billion</b> )
Information on interim target(s) covering the proportion of assets to be managed in line with net zero	<p><b>Baseline(s):</b></p> <p><b>2023 Portfolio coverage baseline</b> 36.6% of AUMs considered net zero, aligned or aligning.</p> <p><b>Target(s):</b></p> <p><b>2028 Portfolio coverage target</b> 40% of AUMs considered net zero, aligned or aligning. As a first exercise, Infranity has proposed a target lumping together several categories but we intend to provide a separate target for assets considered net zero or aligned in the next year.</p> <p><b>CHG scopes included:</b> The methodology covers scopes 1 and 2 emissions as well as all material scope 3 emissions (materiality defined on a sector basis)</p> <p><b>Methodology:</b> Net Zero Investment Framework</p> <p><b>Scenario(s):</b> The alignment is based on the basis of science-based recognized scenarios, in particular the One Earth Climate Model, the IEA net zero 2050 scenario or SBTi scenarios as the case may be, with a focus on respecting the carbon budgets associated with the Paris Agreement temperature objective.</p>
Additional information	<p><b>Policy on coal and other fossil fuel investments:</b> Infranity's policy applies to 100% of the AUM. <a href="https://infranity.com/wp-content/uploads/2023/07/Exclusion-Policy-Infranity-June-2023-public.pdf">https://infranity.com/wp-content/uploads/2023/07/Exclusion-Policy-Infranity-June-2023-public.pdf</a></p>

**Further information:**

<https://infranity.com/sustainability-related-disclosures/>