EOS ReNewable Infrastructure Fund II

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Selected disclosure according to the (EU) Sustainable Finance Disclosure Directive

S T R I C T L Y P R I V A T E A N D C O N F I D E N T I A L

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In accordance with the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (hereinafter, “Sustainable Finance Disclosure Regulation” or “SFDR”), EOS Investment Management Ltd (“EOS IM”) as the Delegated Discretionary Portfolio Manager provides and makes available in this document the selected relevant information. These disclosures are provided in coordination with TMF Fund Management S.A. (the “AIFM”).

The disclosures relate to the Luxembourg domiciled investment fund, EOS Energy Fund II S.C.A. SICAV-RAIF (known as "EOS ReNewable Infrastructure Fund II" or the “Fund”). The Fund is categorised as an article 8 fund under SFDR.

1. Disclosure under article 3 of the Regulation (EU) 2019/2088

In accordance with article 3 of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (hereinafter, "Sustainable Finance Disclosure Regulation" or "SFDR"), EOS Investment Management Ltd ("EOS IM") and TMF Fund Management S.A. (the "AIFM") foresee the inclusion of sustainability risks into their investment decisions within the greenfield renewable energy practices. For the purpose of this statement, a sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

The AIFM and the EOS IM seek the integration of sustainability risks into the investment decisions with the aim of ensuring that these risks are considered similarly to all other risks that are integrated in the investment decisions.

The investment strategy in greenfield renewable energy practices is based on establishing long-term partnerships with successful and experienced developers, investing and creating value by being significantly involved from the development stage when possible, first-hand overview in the construction stage, and active involvement in the financing and operational stages of a greenfield project. In consideration of that, the investments are exposed to a variety of ESG risks associated with such energy infrastructures.

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Disclosure under article 3 of the EU Sustainable Finance Disclosure Regulation (2/4)

The main ESG risks include but are not limited to the following

Environmental dimension

- Climate risks: physical risks arising from climate change could cause damage to assets and infrastructure resulting in their enduring unavailability. The transition towards a zero-emissions energy model could involve risks arising from normative/regulatory, political, legal, technological and market changes associated with the fight against climate change;
- Environmental risks: more restrictive regulations concerning environmental protection may require investee companies to implement specific actions to minimise their environmental impact. In particular, the rising concern about the scarcity of resources and management of land (applicable both to solar and wind projects) may result in a longer investment cycle or increased costs to comply with regulations. The land use or changes in the land use can also have impacts in terms of limitations and/or prescription with regards to biodiversity and preservation of ecosystems. To a lesser extent the same risks and adverse impacts can be envisaged with regard to the use of water which is more relevant to certain energy technologies such as offshore wind farms rather than solar photovoltaics which is the main focus of the greenfield renewable energy. There is also an exposure to risks and costs connected to hazardous waste management and disposal of key equipment. This is with particular reference to equipment such as photovoltaic panels, wind turbines and pales, which call for specific requirements in terms of decommissioning. The processes associated with the equipment can use (potentially) toxic substances and generation of toxic wastes (both at the manufacturing stage as well as at other stages of the product/equipment lifecycle)

Social dimension

- Risks linked to occupational health and safety: these risks arise from the execution of construction activities on the plant sites. The operations are relatively limited and mainly carried-out by external engineering and construction suppliers;
- Risks linked to local communities' engagement: the development of infrastructural projects could result in criticism or situations of partial acceptance, exposing the investee companies to reputational and operational risks linked, for example, to delays in execution of projects
- Compliance risks: possible infringements of laws, regulations and the principles set down in internal policies could result in exposure to the risk of judicial or administrative penalties, economic or financial losses and reputational damage

There are additional risks inherent to infrastructure investments, including construction, environmental, regulatory, permitting, commissioning, start-up, operating, economic, commercial, political, and financial risks, which have or can have ESG risk features. Other factors that may affect the operations of projects and their positive ESG characteristics include innovations in technology that could render the way in which the investee companies substantially contribute to environmental and social objectives obsolete or less than expected performing.

ESG risks and opportunities are strictly intrinsic in the investment focus of greenfield renewable energy practices. The environmental and social considerations are core aspects of the investment thesis and financial value proposition. ESG risks considerations are integral part of the investment process and are standardised for each investment in terms of regulatory framework, internal policies, managerial practices, business relationship with advisors and suppliers who are well familiar with major ESG issues linked to renewable energy power plants. All the projects are designed and managed to mitigate or eliminate, after a proper identification, any relevant environmental and social risks. When possible, these are substantially allocated to external/ contractual parties, according to best practices of the structured finance industry, with the pre-requisite of keep valid the authorization, along with operating the power plants in full compliance with environmental, safety and health requirements set by the relevant competent authorities.

Hence, the integration of ESG risks occurs at different stages of the investment process: assessment, decision making and actions to progress. The investment team oversees selecting, identifying, and picking new investment opportunities. The screening process includes an initial screening assessment that takes into consideration ESG viability. After this analysis, a preliminary proposal is made to the investment committee of EOS IM; the standard information expected to be presented is also related to risks and mitigants analysis. If the proposal is accepted, projects, which may involve developments, will be required to be assessed and subject to the due diligence process, which includes ESG criteria. The ESG assessment will encompass material potential ESG issues, concerns, and impact areas, which were found to be problematic following the assessment, the subsequent review and the analysis process. ESG due diligence findings may take into consideration elements such as: (i) savings in terms of CO_2 produced, (ii) contribution to creation of employment opportunities, with particular reference to local communities, (iii) strong preference to utilise, for the installation of power plants, low grade agricultural land, preferably not used for agricultural purposes, (iv) selection of key suppliers (project developer, PV and inverter suppliers and EPC contractors) after duly consider their ESG ethos and track record. The assessment will include an outline of identified key remedial actions, designed to address the issues highlighted in the due diligence report.

As seen above, all the relevant ESG risks are generally site-specific rather than portfolio-wide, usually reversible, and promptly addressed and mitigated.

The risk management team of the AIFM also performs a regular (ex-post) review of these risks as part of the fulfilment of its duties.

2. Disclosure under article 4 of the Regulation (EU) 2019/2088

Disclosure under article 4 of the EU Sustainable Finance Disclosure Regulation (1/4)

In accordance with article 4 of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (hereinafter, "Sustainable Finance Disclosure Regulation" or "SFDR"), EOS Investment Management Ltd ("EOS IM") and TMF Fund Management S.A. (the "AIFM"), taking due account of their size, the nature and scale of their activities and the types of financial products they make available, consider the principal adverse impacts of their investment decisions on sustainability factors within the greenfield renewable energy practices. Principal adverse impacts (PAIs) should be understood as those impacts of investment decisions and advice that result in negative effects on sustainability factors.

The mentioned adverse impacts are identified with a bottom-up approach to material topics, these latter being firstly, but not exclusively, related to (i) metric tons of greenhouse gas emissions avoided, (ii) homes' electricity use for a year powered by renewable energy, (iii) land use, alongside with social aspects such as (iv) level of employment during and post construction and (v) awarding contracts locally where feasible to promote the development of local economies where the infrastructure projects are located.

In particular, the most relevant ESG topics identified and scrutinized are baseline environmental and social conditions of the planned construction, endangered species and sensitive ecosystems, pollution prevention, cumulative impacts of existing projects, socio-economic impacts, protection of cultural property, health, safety, and security.

For the sake of clarity, the renewable energy practices are pursued through the Fund, which is a closed-end investment fund launched in December. Currently in fund raising status and the projects planned are still in the pre-construction stage. Therefore, the impacts that are now considered are limited to that investment phase. Notwithstanding this premise, the principal adverse impacts considered, which will be considered in all the other investment phases, and of the related indicators to monitor them, follow and will follow the applicable regulatory technical standards, such as those listed below.

Indicators	INDICATORS
GHG Emissions	GHG Emissions
	Carbon footprint
	GHG intensity of investee companies
	Exposure to companies active in the fossil fuel sector
	Share of non-renewable energy consumption and production
	Energy consumption intensity per high impact climate sector
Biodiversity	Activities negatively affecting biodiversity-sensitive areas
Water	Emissions to water
Waste	Hazardous waste ratio
Social and employee matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
	Unadjusted gender pay gap
	Board gender diversity
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)

After having defined the principal adverse impacts and the specific indicators, EOS IM and the AIFM assess them, whenever possible, before entering into the transaction and properly analyses them during the pre-due-diligence or "red-flag" analysis and in the context of the overall due diligence processes, which include the ESG Due Diligence. The ESG Due Diligence standards will include, whenever applicable: (i) environmental impact assessment, (ii) planning permission, (iii) environmental and social management system requirements, (iv) stakeholder engagement, (v) grievance mechanism, (vi) independent monitoring and reporting programme, (vii) reporting & transparency. Findings of the ESG Due Diligence are relevant key investment decision points and the recommendation from Risk Management and the Investment Committees in terms of possible remediations/actions are mandatory and cannot be waived. Apart from overarching due diligence requirements, all projects also require technical due diligence assessments by independent external experts, to confirm the inclusion of the requirements set out to construct the project, including the competency of the key contractors to deliver the construction, meeting the required specifications, and additional requirement arising from environmental impact assessment.

EOS IM and the AIFM require the planning of specific actions to mitigate the potential adverse impacts, including ESG engagement activities, which envisage the active involvement of project companies, promote their sustainable growth, and gather continuous feedback for the evolutions of the strategy itself. Some operational requirements have been drawn up with the aim of managing key topics during the phases of investment (meaning construction, operation, divestment and decommissioning phases) with reference to energy consumption, water consumption, greenhouse gas emissions, waste management, other emissions and products when applicable or relevant.

It has to be clarified that if for whatsoever reason EOS IM, in evaluating any potential investment opportunity, identifies material risks endangering the ability of the assets to positively contribute to climate change mitigation in comparison to power generation from fossil, the firm will most likely quit the investment opportunities, rather than scaling down the investment. Moreover, where potential adverse impacts are identified, these will be considered and assessed in terms of impact/rectification initially at investment team level and by the Investment Committees for more material issues. As part of the investment requirements, proportionate and appropriate remedial actions will be required to be implemented. Depending upon the nature and timing of the adverse impact raised, the matter will require resolution as a condition precedent (before completion), a contractual condition subsequent (after completion) or as part of a longer-term plan.

As previously mentioned, EOS IM and the AIFM conduct ESG engagement activities which envisage the involvement of project companies. Engagement is conducted through a combination of formal and informal direct meetings and communication exchanges, fostering personal interactions, and encouraging the information flow. Moreover, EOS IM has actively engaged through the Fund's significant ownership and it has appointed board directors of the project companies.

When considering the principal adverse impacts, EOS IM and the AIFM consider the sound practice of international standards in terms of responsible business conduct codes and internationally recognized standards for due diligence and reporting; indeed, EOS IM is a signatory of the United Nations Principles for Responsible Investment (UN PRI).

3. Disclosure under article 10 of the Regulation (EU) 2019/2088

Regulation (EU) 2019/2088 (or “SFDR”) establishes harmonised rules for sustainability-related disclosures by financial market participants and financial advisers.

Financial market participants shall publish and maintain on their websites information for each financial product referred to in article 8 of SFDR and should use website disclosures to expand on topics disclosed in a concise way in pre-contractual documents and to provide further information relevant to end investors to better understand the investment strategies offered.

Environmental or social characteristics of the financial product

For the purpose of SFDR and EU Taxonomy disclosures, the General Partner and the AIFM have taken the view, that in light of the investment objective, strategy and guidelines applicable to the Fund and as part of the implementation of such objective and strategy, the Fund seeks to promote, among other characteristics, environmental characteristics in the context of article 8 of the SFDR, by investing in a diversified portfolio of projects which generate or enable the generation of electricity from renewable energy sources with a particular focus (but not exclusively) on greenfield unsubsidised solar photovoltaic parks. Therefore, the Fund will seek to predominantly invest in economic activities which are intended to contribute substantially to climate change mitigation, being investments in projects generating, transmitting, storing, distributing or using renewable energy in line with Directive (EU) 2018/2001, as defined in the applicable provisions of EU Taxonomy. As far as the “‘The do no significant harm” principle as per EU Taxonomy is concerned, this applies only to those investments that are intended to take into account the EU criteria for environmentally sustainable economic activities.

Investment strategy

The investment strategy of the Fund is based on establishing long-term partnerships with successful and experienced developers, investing, and creating value by being significantly involved since the development and lead first-hand the construction, financing and operational stage of a greenfield project. Once the infrastructure projects have been running for several years and fully optimised, the Fund will exit the projects by selling them on to industrial or financial players in the secondary infrastructure market.

Within the promotion of environmental characteristics scope, the Fund uses non-financial criteria during the pre-investment phase, meaning the commitment to ESG integration and the consideration of exclusion criteria. In particular, the Fund adopt, among others, the following strategies:

- positive screening: relates to the inclusion of economic activities that are contributing to the environmental characteristics promoted by the Fund, also following the criteria mentioned below (1-5). The same reasoning is applicable on the supply chain side, where positive screening helps selecting reputable major suppliers that adopt an ESG approach;
- negative screening: relates to the exclusion of business that fall short of a set of absolute environmental, social, or economic standards.

including but not limited to regulatory technical standards envisaged in EU Taxonomy,

TMF Fund Management S.A. (the "AIFM") and EOS Investment Management Ltd ("EOS IM") integrate ESG Policy as part of their investment decision process, taking into account the following non-financial criteria:

1. **Sustainable Development**: contribution to the protection of natural resources by developing renewable and alternative energy infrastructures;
2. **Environmental Footprint**: contribution towards decarbonization and development of innovative energy efficient services;
3. **Local Engagement**: contribution to local development of non-polluting solutions protective of the population health while assuring the proper conservation of flora and fauna;
4. **Social Governance**: assuring that at the level of investee, economic activities are carried out to substantially align with the applicable and relevant minimum safeguards laid down in the EU Taxonomy, setting forth human rights, labour, environmental and anti-corruption principles and standards are met;
5. **Third Party Interactions**: selection of supply chain including sustainability criteria in terms of environment and social standards;
6. **Controversial activity**: exclusion of sectors that are proven to have a detrimental impact on society and environment, such as coal, tobacco, pornography, gambling, tobacco, alcoholic beverage, production financing and trade of weapons.

The above criteria will be assessed in the pre-due diligence and due diligence phases according to sound practices, internationally commonly recognized standards and the applicable technical standards, from time to time set by the applicable regulations, including but not limited to regulatory technical standards envisaged in the EU Taxonomy, and reflected in the Fund's policies.

EOS IM and the AIFM also assess good governance practices of investee companies, including, if applicable, compliance with legal requirements (e.g., adoption of Organizational and Management Model pursuant to Italian Legislative Decree no. 231/2001), sound management structures, employee relations, remuneration of staff and tax compliance, as seen in point 4

Type of investments

The Fund is formally and substantially focused on renewable energies with a focus on greenfield solar photovoltaics (PV) energy generation plants. The Fund will also take into consideration other opportunities, with particular reference to wind, energy storage and (but this would not change the focus) energy generation from renewable sources to allow production of "green" energy.

For the sake of clarity, the Fund may also invest a limited amount of commitment in the development stage (i.e., before the construction permit for a PV plant is issued) of greenfield projects.

Monitoring of environmental or social characteristics

The Fund ensures the attainment to the promotion of the above-mentioned environmental characteristics through monitoring efforts. During the post-investment phase, the investee companies in the portfolio are assessed to ensure the implementation of recommendations arising during the investment acquisition process. In addition, concerning the stakeholder's engagement in relation to the Fund and its investments (portfolio companies), EOS IM also actively engages through the Fund significant ownership and its appointment of board directors of the portfolio companies. Within the scope of this section and unless differently stated in the applicable law and regulation, from the financial year ending on the 31 December 2022, the Fund will issue to Investors periodic disclosure, on annual basis, including sustainability indicators measure which how the environmental and/or social characteristics promoted by the Fund are attained.

Methodologies & Data sources

EOS IM and the AIFM are elaborating an internal monitoring process using ESG data as metrics to assess during the overall investment process starting from the construction of the plants. The source of this data comes from both (i) the suppliers involved during the construction phase of investments, that are contractually bound to give all the information as agreed, and (ii) the plants themselves, that are owned by the SPV, over which the fund manager retains control.

The standardized process in place allows to assess each metrics with respect to an established threshold deemed acceptable. A remediation plan will be put in place, whenever required in relation to the status when assessed against the aforementioned thresholds. This is designed to overcome potential issues and in order to guarantee the respect of the environmental characteristics promoted by the Fund.

Due diligence

ESG topics and issues are included in the transaction documents as resulting from ESG due diligence findings which take into consideration elements such as: (i) savings in terms of CO_2 produced, (ii) contribution to creation of employment opportunities in local communities, (iii) strong preference to utilise, for the installation of power plants, low grade agricultural land, preferably not used for agricultural purposes, no hampering ecosystems and in underdeveloped social areas, (iv) selection of key suppliers (seller of the project developer, landlord, PV and inverter suppliers and EP contractors) after duly consider their ESG ethos and track records. All those contractual agreements are structured in order to grant, during both the construction and operational phases, the full compliance with legal and voluntary environmental and social (including safety) undertakings. All the material ESG issues are kept under due control along the power plants life cycle with e ongoing controls and prevention measures.

Engagement policies

Fund’s preferred investment strategy is to acquire SPVs owning the rights to the projects, over which the Fund manager retains control. Objective is to oversee and have full control on their operations and effectively implement the performance optimisation strategy and ESG issues and risks management while timing the best exit opportunity. The combination of the assets being PV Plants and the owning structures being SPVs, without the requirement for extensive personnel resource, the ESG factors are encompassed and managed directly by EOS IM and the AIFM.

As stated before, for the type of investment and business model, EOS IM is directly exposed to ESG considerations. Thus, EOS IM actively manages rather than simply influence of ESG topics. In relation to the Fund, investees SPVs always establish boards of directors who receive training designed to ensure the appropriate awareness and understanding of relevant ESG topics.

3. Disclosure under article 5 of the Regulation (EU) 2019/2088

EOS Investment Management Ltd. (hereinafter, “EOS IM”) Remuneration Policy is established in accordance with (i) the Financial Conduct Authority (“FCA”) regulations applied to EOS IM as an authorised Full Scope Alternative Investment Fund Managers (“AIFM”), including Firms which are authorised to provide investment services such as portfolio management under MiFID. In light of the requirements foreseen in accordance with article 5 of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, EOS IM includes in its remuneration policy information on how this policy is consistent with the integration of sustainability risks.

EOS IM promotes the coherence of the activities carried out by the AIFM and its Funds with the sustainability risks and opportunities identified as material for both. EOS IM believes that an effective integration of sustainability risks into the investment cycle may also be related to the consistency of its remuneration provisions with sustainability criteria. Since sustainability objectives may have a positive impact also on the achievement of EOS IM strategic objectives, EOS IM intends to adopt an incentive system that also links remuneration schemes to sustainability objectives.

In light of the above, EOS IM promotes sound and effective risk management with respect to sustainability risks, does not encourage an excessive risk-taking with respect to sustainability risks and intends to assess the performance of individuals also in relation to the adherence to sustainability.

EOS IM reserves the right to update its remuneration policies by including qualitative and/or quantitative sustainability parameters to which variable remuneration may be linked.

EOS IM

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