



# *Information on financial products with sustainable investment objective*

Art 10(1) SFDR, art 23, articles 37-49 RTS

QUALITAS ENERGY V PLATFORM

Date of update: June 2023

## a) Summary

**No significant harm to the sustainable investment objective:** The fund has implemented careful procedures to ensure that its investments contribute to environmental objectives without causing significant harm to other environmental or social objectives. This is achieved through various measures. Firstly, all investments are screened against an exclusion list. Secondly, capital is allocated to renewable energy activities that support the energy transition. Thirdly, an internal ESG Due Diligence tool evaluates investments against best practices and regulatory standards, assigning scores to each investment. When investments fall under the Taxonomy, they are evaluated based on specific DNSH criteria, and action plans are developed to align with the taxonomy. The fund calculates the 14 indicators for adverse impacts specified in regulatory tables for each investment. Additionally, two supplementary indicators related to water usage, water recycling, and accident rates are monitored annually across the portfolio. The fund conducts an analysis for each investment to evaluate compliance with minimum social safeguards. This assessment is performed through a questionnaire incorporated within the ESG Due Diligence tool.

**Sustainable investment objective:** The fund's primary environmental objective is climate change mitigation through investments in renewable energy infrastructure, primarily solar photovoltaic plants, and wind farms. The fund also invests in other assets related to electricity generation, green hydrogen, energy transmission and distribution, batteries, and more.

**Investment strategy:** The fund's investment strategy focuses on sustainable investments for climate change mitigation, targeting renewable energy infrastructure projects and complementary project types that contribute to the energy transition. The fund seeks to allocate capital towards assets that generate renewable energy using proven technologies, support the transition to a lower carbon economy, and provide solutions facilitating the transition.

Qualitas Energy usually invests in renewable energy assets with no employees, integrating each asset into their compliance system. Once an asset joins the portfolio, reporting structures are implemented to cover social and governance aspects.

**Proportion of investments:** The fund directs 100% of its capital towards sustainable investments in accordance with regulatory requirements.

**Monitoring of the sustainable investment:** A set of indicators has been established at the fund level to measure the attainment of the sustainable investment objective. These indicators are monitored throughout the fund's lifecycle using the ESG Due Diligence Tool. The ESG Team, in collaboration with the asset management teams, compiles relevant information to calculate sustainability indicators and fulfil reporting obligations. The annual portfolio monitoring presentation, informed by tables and questionnaires, is approved by the ESG Committee. The management team ensures asset alignment with the Taxonomy (where applicable) and compliance with reporting obligations.

**Methodologies:** Indicators are measured for each project and presented in an aggregated format during the annual portfolio monitoring presentation. This includes evaluating the fund's progress towards climate change mitigation objectives and other environmental goals. Findings and recommendations are subject to approval by the ESG Committee. Additional actions are taken if progress falls short of expectations.

**Data sources and processing:** Data for sustainability indicators is obtained directly from projects. The ESG team, supported by asset management teams, collects the necessary information and processes it using a digital platform. The fund engages with an external advisor to assess data quality. Data estimation may be necessary for projects not yet in operation.

**Limitations to methodologies and data:** Limitations include potential constraints in the methodology used for calculating avoided emissions. Different conversion factors may lead to variations in emissions numbers, but the objective of reducing emissions remains unaffected. Data collection for projects not yet in development and human errors in data provision are other limitations.

**Due diligence:** The fund conducts ESG due diligence using an internal ESG DD tool to assess potential projects' ESG performance before investment. Assets falling under the Taxonomy undergo an additional assessment to evaluate alignment. The due diligence covers environmental, social, and governance considerations. Identified gaps are addressed through action plans to align with Taxonomy criteria in the long term.

**Engagement policies:** Qualitas Energy enforces robust ESG policies and collaborates closely with portfolio companies to ensure compliance, including Article 9 obligations, data collection, and reporting aligned with SFDR and Taxonomy. With full management control, dedicated personnel, and regular reporting, Qualitas maintains transparency and strong ESG performance across its portfolio.

**Attainment of the sustainable investment objective:** The fund has not designated a reference benchmark, nor does it have carbon emissions as its objective and does not have a reduction in carbon emissions as its objective.

## b) No significant harm to the sustainable investment objective

Careful procedures are in place to ensure that the Fund's investments will contribute to the achievement of its environmental objectives without causing significant harm to any other environmental or social objectives (DNSH).

To ensure that the investments do not cause significant harm, the fund:

- Screens all investments against its exclusion list
- Positively allocates capital to economic activities in the renewable energy sector that contribute to the energy transition
- Uses an internal ESG Due Diligence tool (ESG DD tool).
  - During the pre-investment and due diligence phases, this tool evaluates each investment against best practices and regulatory standards it must comply

with (such as SFDR and EU Taxonomy when applicable), assigning a score to each.

- When an investment is made in an activity eligible under the Taxonomy, it is evaluated based on the DNSH criteria specific to that activity and assigned a score. An action plan is developed based on the gaps identified during the due diligence phase of the investment in order to attain alignment with the taxonomy.

#### **Principal Adverse Impacts:**

For each investment in the company's portfolio, the 14 indicators for adverse impacts mentioned in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 are calculated. Additionally, the fund has chosen two supplementary indicators from Tables 2 and 3 of the same Annex. These indicators are monitored annually across the fund's portfolio using an online platform.

The additional indicators selected are:

- Environmental:
  - Water usage: average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies.
  - Water recycled: Weighted average percentage of water recycled and reused by investee companies.
- Social:
  - Rate of accidents: Rate of accidents in investee companies expressed as a weighted average.

#### **Alignment with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles set out in the eight fundamental conventions identified in the Declaration of the ILO on Fundamental Principles and Rights at Work and the International Bill of Human Rights:**

Furthermore, an analysis is conducted for each investment to evaluate its compliance with the minimum social safeguards. This assessment is carried out through a questionnaire that is incorporated within the ESG Due Diligence tool.

#### **c) Sustainable investment objective**

The primary environmental objective of the Fund is climate change mitigation through investment in energy transition infrastructure, primarily renewable energy assets, such as solar photovoltaic plants and wind farms. The Fund will also contribute to climate change mitigation and other environmental objectives through investment in assets including, but not limited to: renewable energy in technologies other than those described above, infrastructure related to electricity generation, such as green hydrogen, energy transmission and distribution, batteries, flexible energy storage and generation, biofuels and biogas value chain, renewable energy intensive infrastructure businesses, carbon and CO2 sequestration, or any other business complementary to those described above.

#### d) Investment strategy

The investment strategy of Qualitas Energy V focuses on sustainable investments for climate change mitigation by targeting renewable energy infrastructure projects and complementary project types that contribute to the energy transition. The Fund actively seeks to allocate capital towards assets that meet the following criteria:

- Generate renewable energy using proven technologies like solar photovoltaic and onshore wind, including repowering projects.
- Support the transition to a lower carbon economy by enhancing the reliability, accessibility, or affordability of energy supply.
- Provide solutions that facilitate the transition to a lower carbon economy.

Policies to assess good governance: The fund primarily invests in renewable energy assets that do not have any employees. In any case, each asset is integrated into Qualitas Energy's compliance system. Reporting structures are implemented once an asset enters the fund's portfolio that covers social and governance topics.

#### e) Proportion of investments

100% of the fund's capital is directed towards making sustainable investments in accordance with Article 9 (2) of Regulation (EU) 2019/2088.

#### f) Monitoring of the sustainable investment

A set of indicators have been set at fund level to measure the attainment of the sustainable investment objective. These are:

- Renewable energy for sale
- Renewable energy for us
- CO2 emissions avoided
- CO2 emissions reduced
- GHG emissions intensity by energy generated
- GW of renewable energy capacity added to the grid
- Investments in innovative clean technologies
- Total energy stored

The aforementioned indicators, along with other relevant sustainability indicators, are monitored throughout the entire lifecycle of the fund. This monitoring process entails completing tables and questionnaires that are integrated within the ESG Due Diligence Tool.

Control mechanisms:

- The ESG Team, with the assistance of the asset management teams, are responsible for annually compiling the relevant information for the calculation of the sustainability indicators used to measure the achievement of the climate change mitigation objective, the Principal Adverse Impact indicators, and any other relevant indicators to comply with the public reporting (web) and periodic reporting obligations arising from the Fund's Art. 9 SFDR qualification.

- The tables and questionnaires will inform the annual portfolio monitoring presentation to be approved by the ESG Committee.
- During the investment period, the management team must ensure that each asset maintains its alignment with the Taxonomy, where applicable, and that reporting obligations are met, in accordance with the requirements of the SFDR.

#### g) Methodologies:

Indicators are measured for each project and presented in an aggregated format during the annual portfolio monitoring presentation. This presentation includes evaluations of the fund's progress towards achieving climate change mitigation objectives and other environmental goals. The findings and recommendations are discussed and subject to approval by the ESG Committee. In case the progress towards the objectives falls short of expectations, additional actions are taken to ensure their achievement.

The attainment of the sustainable investment objective is measured through the following indicators:

1. The amount of renewable energy produced measured in Megawatt hours (MWh) and,
2. Avoided CO2 emissions measured in tonnes of CO2 equivalent (tCO2e).

Additionally, the fund calculates and monitors the following indicators and associated methodologies for each investment, which are then aggregated at the fund level.

#### Environmental:

- Carbon emissions (Scope 1 & 2) in tCO2e
  - *Scope 1 emissions are defined as direct emissions at company facilities and company-owned vehicles.*
  - *Scope 2 emissions are defined as indirect emissions from energy purchased and used by the organization.*
- Carbon footprint intensity (tco2eq/€)
  - *Carbon footprint intensity is calculated per company as the total scope 1 and 2 emissions, divided by the company's revenues, in €, multiplied by the weight of the current investment.*

$$\sum_n^i \left( \frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i} \right)$$

- GHG intensity (tco2eq/€revenue)
  - *GHG intensity of investee companies is calculated per company as the sum of current value of investment divided by the current value of all investments, multiplied by the company's Scope 1, 2 and 3 GHG emissions divided by the investee company's revenue in millions of euros.*

$$\sum_n^i \left( \frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i} \right)$$

- Renewable and non-renewable energy consumed, expressed as a percentage.
  - *Information provided by companies based on their office/facility energy bills. Where no information is available, a proxy is used based on the national electricity mix.*

- Renewable and non-renewable energy produced (if the company produces energy), expressed as a percentage.
  - *Information provided by companies based on their office/facility energy bills. Where no information is available, a proxy is used based on the national electricity mix.*
- Energy intensity (kWh/€m revenue)
  - *Energy intensity is calculated as total energy consumption per million EUR of revenue of investee companies.*
- Emissions to water
  - *Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.*
- Emissions avoided:
  - *Carbon Intensity of grid (tonCO<sub>2</sub>e/MWh)x Mwh*
  - *Or if Mwh is not available*
  - *Grid intensity ratio (gCO<sub>2</sub>e/MJ) (3,600/1,000,000) x Equivalent Hours x Installed Capacity*
  - *We have grid intensity ratios for all jurisdictions we operate in*
- Water use and recycling:
  - *Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies*
  - *Weighted average percentage of water recycled and reused by investee companies*
- Quantity of hazardous waste produced, expressed in tonnes.
- Hazardous waste ratio
  - *Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average.*

#### **Social:**

- *Unadjusted gender pay gap: average unadjusted gender pay gap of investee companies, where the pay gap means the difference between average gross hourly earnings of male-paid employees and of female-paid employees as a percentage of average gross hourly earnings of male-paid employees.*
- *Rate of accidents: rate of accidents in investee companies expressed as a weighted average.*

#### **Governance:**

- *Board gender diversity: diversity average (woman/man ratio) in investee companies.*

#### **h) Data sources and processing**

1. **Data sources:** The data is obtained directly from the project themselves. The ESG team, supported by the asset management teams, is responsible for annually collecting the necessary information to calculate the sustainability indicators used for measuring the achievement of the objective.
2. **Data quality:** The fund employs a digital platform that facilitates the collection, calculation, and reporting of ESG data and engages with an external advisor to check data quality. The advisor's role includes verifying that the data points are sensible and coherent and validating the accuracy of formulas used in calculations.
3. **Data processing:** The ESG team and the designated ESG lead for each technology process the data acquired from the assets and input it into a digital platform.
4. **Data estimation:** There is no a priori known proportion of estimated data. For projects that are not yet in operation, the amount of renewable energy produced measured in

Megawatt hours (MWh) and CO2 emissions avoided measured in tonnes of CO2 equivalent (tCO2e) will be estimated.

i) **Limitations to methodologies and data**

Limitations to the methodologies and data referred to in the above sections include, but are not limited to:

- There may be limitations to the methodology used for the calculation of avoided emissions. The calculation of avoided emissions is done using conversion factors published by public bodies or globally accepted standards, which have their own limitations.
- The use of one conversion factor or another, among the different ones accepted in the market, for the calculation of avoided emissions may lead to differences in the number of emissions, but they do not affect the general objective of reducing emissions that contributes to the mitigation of climate change.
- Collecting data for projects not yet in development.
- Human error in the provision of data

The fund continuously works to improve the data collection and reporting process to address the limitations outlined above.

j) **Due diligence**

The fund has established a well-structured and formal due diligence process, supported by the internal ESG DD tool, to assess each potential project's ESG performance before investment. The fund distinguishes between assets that fall within the scope of Article 2(17) and those that are eligible under the Taxonomy regulation. Assets falling under the Taxonomy are subjected to an additional assessment to evaluate their alignment.

The ESG due diligence covers the following topics (applicable to all investments):

- Environmental considerations: climate change, emissions, waste management, water management, biodiversity, end-of-life environmental considerations, land reclamation, and supply chain environmental considerations.
- Social considerations: community impact awareness (noise, visual pollution) and proactive participation (community engagement); direct and indirect job creation; inclusive and diverse workplaces; health and safety, injury rates, talent attraction, human rights, employee turnover, and social considerations of the supply chain.
- Governance considerations: compliance with regulatory and legal requirements; exposing corruption and bribery; the existence of a code of ethics and conflict of interest policies, supply chain governance considerations.

Taxonomy assessment:

- For assets eligible under the Taxonomy, their alignment with the regulation will be evaluated during the due diligence phase, considering the technical screening criteria relevant to their specific economic activity.
- The ESG DD tool incorporates a dedicated questionnaire to assess:
  - Substantial contribution to an environmental objective
  - DNSH
  - Minimum social safeguards



- Any identified gaps are taken into account when developing a comprehensive action plan to align with the Taxonomy criteria in the long term.

#### k) Engagement policies

Qualitas Energy is committed to actively engaging with its portfolio companies to ensure the implementation of robust ESG policies and processes. Qualitas sets high standards for its portfolio companies and works closely with them to ensure compliance. This engagement extends to helping them understand their obligations as an Article 9 fund, including the collection and reporting of specific data points in alignment with the requirements of the SFDR and Taxonomy, where applicable. Qualitas exercises complete management over this process, utilising dedicated personnel to oversee and facilitate effective engagement. As part of their commitment to transparency, portfolio companies are required to report ESG information on a quarterly basis, and this information is consolidated and reported to the board biannually. By actively engaging with its investments, Qualitas Energy ensures adequate ESG performance and maintains a robust reporting structure throughout its portfolio companies.

#### l) Attainment of the sustainable investment objective

The fund has not designated a reference benchmark, nor does it have carbon emissions as its objective and does not have a reduction in carbon emissions as its objective.