

Product name: INVL Renewable Energy Fund I (hereinafter – “the Subfund”)

Legal entity identifier: N/A

**Does this financial product have a sustainable investment objective?**☒ YES☐ NO☒ It will make a minimum of **sustainable investments with an environmental objective: 90%**

- ☒ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective: \_\_\_\_%**☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_\_% of sustainable investments

- ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- ☐ with a social objective

☐ It promotes E/S characteristics, but **will not make any sustainable investments****Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?**☐ YES☒ NO**I Summary**

INVL Renewable Energy Fund I (hereinafter – “the Subfund”) is a private equity fund which invests in renewable energy facilities in the European Union. The Subfund’s aim is to invest and manage solar farms in the European Union. Subfund is currently focusing on projects in Central East Europe.

**Objective:** Subfund primarily invests in solar power plants. Subfund’s sustainable investment objectives are to substantially contribute to the environmental objective of climate change mitigation and fully aligning with the DNSH approach as per the definition within the EU Taxonomy Regulation.

**No significant harm:** Environmental, social and governance (ESG) considerations are integral to Subfund’s environmental and social policies and standards. EU Taxonomy Do No Significant Harm criteria and technical screening guidance as well as the relevant principal adverse impacts (PAIs) on sustainability factors listed in Annex I of Commission Delegated Regulation (EU) 2022/1288 (“SFDR RTS”) have been integrated into the Subfund’s proprietary ESG materiality assessment tools for assessing prospective investments. The monitoring of alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are taken into account throughout the investment process.

**Investment strategy:** With a view to achieve the objective of the Subfund, Subfund will invest in green field and brown field renewable energy (solar, wind, biogas, etc.) projects, which will include but be not limited to (i) the construction of new power plants, (ii) the acquisition of existing power plants, (iii) the development and/or acquisition of infrastructure necessary for the operation of power plants, and (iv) the efficient management of existing power plants.

**Proportion of investments:** Subfund aims for up to 90% of its investments to be used to meet its sustainable investment objective. On an ongoing basis, however, cash may be held awaiting deployment in future sustainable investments. In addition, up to 10% of funds may be held in cash for operational purposes, including future liquidity

management and hedging. Subfund aims for 100% of its sustainable investments to align with the EU Green Taxonomy Objectives of Climate Change Mitigation and associated Screening Criteria.

**Monitoring of sustainable investment objective:** Subfund uses a range of key sustainability indicators to monitor progress in achieving its sustainability objectives, including installed renewable energy capacity, amount of renewable energy generated and the amount of GHG emissions avoided. These indicators are used throughout the investment process, including to identify and screen prospective investments and as a key criterion for their management during ownership.

**Methodologies, data sources and processing and limitations:** Chosen methodologies reflect industry standards as captured in the IRIS+ framework (catalogue of metrics) wherever possible. All GHG accounting metrics reflect the approach of the Partnership for Carbon Accounting Financials and the Greenhouse Gas Protocol.

**Due diligence and engagement:** Subfund invests using an integrated ESG investment approach, measuring and monitoring its impact.. All prospective investments will be screened for their adherence with the sustainability objective, EU Taxonomy Do No Significant Harm Criteria, and relevant PAI considerations using the Subfund's proprietary materiality assessment tools that build on established industry frameworks.

## II No significant harm to the sustainable investment objective

Due-diligence process captures all the relevant key risks associated with the Solar PV industry. The risks are aligned with the Do No Significant Harm (DNSH) approach of the Taxonomy (with extension beyond) and include:

- Climate change;
- Circular economy;
- Biodiversity and ecosystems.

In the event that any risks are identified, they are captured/recorded and either mitigated against or the transactions can be halted and not progressed. From a climate change mitigation perspective, Subfund substantially positively contributes to the objective by avoiding CO<sub>2</sub>e emissions to atmosphere and fossil fuel use

## III Sustainable investment objective of the financial product

- What is the sustainable investment objective of this financial product?

The purpose of the Subfund is to invest the assets in existing (or future) renewable energy and/or other infrastructure and to earn an above average risk-adjusted return thereon.

The sustainable investment objectives of the Subfund are:

- to build a high-quality portfolio of renewable energy projects. Further, the Subfund seeks to contribute to the global environment by investing in solar PV assets and promoting the use of renewable energy (with the opportunity for investors to make a proactive measurable and lasting contribution to reduction of CO<sub>2</sub> emissions);
- to substantially contribute to the environmental objective of climate change mitigation within the meaning of the EU Taxonomy regulation.

The investments also address the climate change mitigation priorities set out in those countries' Nationally Determined Contributions under the Paris Agreement on Climate Change, as well as their efforts to achieve the Sustainable Development Goals (SDGs), by avoiding GHG (Greenhouse gas) emissions.

Fund does not have specific index designated as a reference benchmark to meet the sustainable investment objective.

- What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?

Subfund's investments substantially contribute to climate change mitigation as reflected in the technical screening criteria. The construction and operation of new renewable energy infrastructure in Poland and Romania helps improve energy access and security and avoid GHG emissions.

The Subfund uses a range of sustainability indicators to measure the attainment of its sustainable investment objective, notably the following Key Performance Indicators (KPIs):

- Installed renewable energy capacity – MW
- Renewable energy generated – MWh
- CO2 emissions avoided – CO2e tons
- How have the indicators for adverse impacts on sustainability factors been taken into account?

Data related to the mandatory indicators for Principle Adverse Impacts listed under Table 1 Annex 1 of regulation 2022/1288 are being collected, and these considerations are reflected in investment due diligence. These indicators are monitored continuously over the life of an investment.

- How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

INVL Asset Management, as a Subfund manager, recognizes the importance of making and fulfilling international commitments that help ensure more sustainable operations and therefore supports international agreements and international systems. The monitoring of alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are taken into account throughout the investment process:

- Pre-investment due diligence. The Subfund is identifying whether there are any violations of internationally recognized guidelines or standards.
- Post-acquisition implementation. The Subfund seeks to ensure that all investments and stakeholders involved will follow the above-mentioned guidelines.

#### IV Does this financial product consider principal adverse impacts on sustainability factors?

✗ **Yes, all applicable** principal adverse impact indicators (PAIs) on sustainability factors are taken into account in the investment process. PAIs are analyzed and assessed as part of the overall investment process. The data for the mandatory and part of optional PAI indicators is collected and monitored during all investment periods. Detail information about indicators will be provided in annual report according to regulatory requirements.

☐ No

#### V Investment strategy

With a view to achieve the objective of the Subfund, Subfund will invest in green field and brown field renewable energy (solar, wind, biogas, etc.) projects, which will include but be not limited to (i) the construction of new power plants, (ii) the acquisition of existing power plants, (iii) the development and/or acquisition of infrastructure necessary for the operation of power plants, and (iv) the efficient management of existing power plants.

- What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

All the investment of the Subfund must:

- meet the criteria for EU Taxonomy alignment;
- adhere to the Responsible investment and sustainability risk integration policy on environmental, social and governance requirements (as updated from time to time).

Subfund invests in solar PV assets. The investment procedures ensure that the sustainable investment objective - substantial contribution to climate change mitigation - is always one of its priorities.

- What is the policy to assess good governance practices of the investee companies?

Investments in companies (SPVs) have no employees, its directors are all non-executive and its day-to-day activities, including investment management and administration, are outsourced to external service providers. An assessment of good governance practices, including relationships with local suppliers, regulators, the community and other key stakeholders is part of the pre-investment due diligence. However, because of the fact that the Subfund invests in early-stage renewable energy (solar) projects i.e., investments in companies (SPVs), traditional concerns around

governance and the methods of addressing those concerns, such as shareholder voting and setting reporting standards for direct managers of investments are not precisely relevant to the Subfund.  
Subfund team may use its experience and professional judgement to add any other relevant sustainability practices

## VI Monitoring of the sustainable investment objective

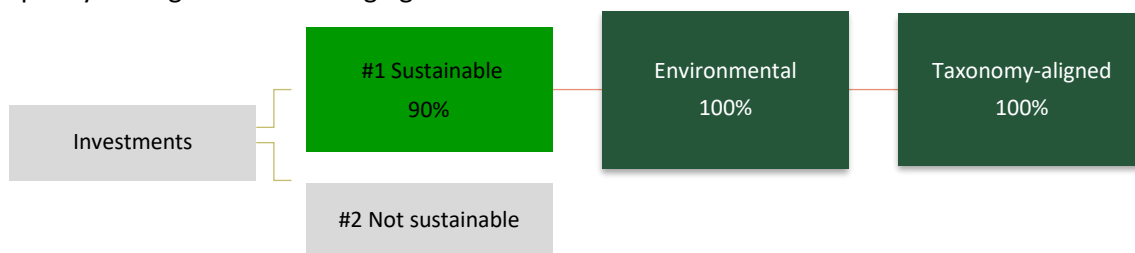
- How are the sustainable investment objective and the sustainability indicators used to measure the attainment of the sustainable investment objective are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms?

Monitoring of progress against the sustainable investment objective is carried out through the use of sustainability indicators: specifically, calculated emissions and fossil fuel use avoided as a result of the renewable energy generation from Subfund assets. This is calculated on an asset level and is based on the electricity generated by the asset (measured through a metering approach), and the internationally recognized Data Catalog released and maintained by the U.S. Department of Energy (DOE). As this is calculated on an asset level, data can be provided on a portfolio, country, or Subfund level.

## VII Proportion of investments

- What is the asset allocation and the minimum share of sustainable investments?

The Subfund aims for 90% of its investments to meet its sustainable investment objective, in accordance with the binding elements of the investment strategy, however up to 10% of funds may be held in cash for operational purposes, liquidity management and hedging.



**#1 Sustainable** covers sustainable investments with environmental or social objectives.

**#2 Not sustainable** includes investments which do not qualify as sustainable investments.

- How does the use of derivatives attain the sustainable investment objective?

Subfund intends to use produced electricity price hedging or related derivatives for securing steady flow of income from electricity generation and ability to finance project development with debt raised from banks and other financial institutions. The Subfund may from time-to-time use derivative financial instruments such as futures, options, futures contracts and swaps (collectively "Derivatives") to protect the Subfund from fluctuations of interest rates, currency prices. The Derivatives will not be used as a means to attain the sustainable investment objective of the Subfund, except when Derivatives are used to secure project bankability. The Subfund does consider minimum ESG safeguards, including that the Derivatives must be traded on a regulated market or by private agreement (OTC) entered with first class financial institutions or reputable entities specialized in this type of transactions.

- To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Subfund is 100% aligned with the EU Taxonomy and the climate mitigation objective.

Subfund's sustainable investment objective of climate mitigation is met through a due diligence process pre-and post-investment which ensures that No Significant Harm (DNSH) is done to any other environmental objective considered material to the activity of the Subfund (Solar PV generation). These other objectives are climate change adaptation, biodiversity and circular economy. The due diligence also considers additional safeguard such as human rights, community engagement, labour conditions amongst others, in alignment with the OECD Guidelines for Multinational

Enterprises and the UN Guiding Principles on Business and Human Rights and other international convention on human rights.

Sub-fund managers may appoint third parties to ensure compliance of investments with the EU taxonomy. Further details of such actions, if any, will be published in the annual report in accordance with regulatory requirements.

- Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

Yes:

In fossil gas

In nuclear energy

✗ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

1. Taxonomy-alignment of investments  
including sovereign bonds\*

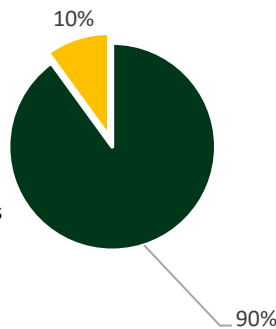
2. Taxonomy-alignment of investments  
excluding sovereign bonds\*

■ Taxonomy-aligned: Fossil gas

■ Taxonomy-aligned: Nuclear

■ Taxonomy-aligned (no fossil gas  
& nuclear)

■ Non Taxonomy-aligned

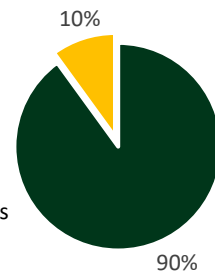


■ Taxonomy-aligned: Fossil gas

■ Taxonomy-aligned: Nuclear

■ Taxonomy-aligned (no fossil gas  
& nuclear)

■ Non Taxonomy-aligned



This graph represents 100% of the total investments.

\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

- What is the minimum share of investments in transitional and enabling activities?

0%

- What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

0%

- What is the minimum share of sustainable investments with a social objective?

0%

- What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

About 10 percent of assets may be held in cash for operational, liquidity management and hedging purposes.

## VIII Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

No

<sup>1</sup>Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

## IX Methodologies

- What are the methodologies used to measure the attainment of the sustainable investment objective and how the sustainability indicators to measure the attainment of that sustainable investment objective are used?

As stated above, the monitoring of progress against the sustainable investment objectives is primarily based on the calculation of GHG emissions and fossil fuel consumption avoided by the generational capacity (and actual generation) of solar assets within the portfolio. Avoidance of GHG emissions is calculated on an asset level and is based on the electricity generated by the asset (measured through a metering approach), and the internationally recognized conversion factors released and maintained by the DOE. Through this publicly available and globally recognized methodology, GHG avoidance is derived by comparing the emissions associated with the portfolio to a counterfactual (marginal grid emissions).

## X Data sources and processing

- What data sources were used to attain sustainable investment objective of the financial product (including information on how the data is processed, what measures are taken to ensure data quality, and what proportion of data is estimated)?

To calculate the emissions and fossil fuel avoided figures, the net renewable energy generation is required to be multiplied against the relevant conversion factors.

The net renewable energy generation is asset specific and depending on whether the data is a forecast, or based on actual generated electricity, the sources comprise of:

- actual generation of the assets within the Subfund (metered); or
- generation capacity of the assets within the Subfund is required for forecasting purposes (this is provided by technical documentation and specifications).

The generation data from the assets are metered and maintained on a basis determined by the meter's original equipment manufacturer.

Data is processed and quality checked by internal staff.

Only forecasts of emissions avoided, and the associated expected/estimated generation data is estimated. This estimate is based on asset capacity, irradiation, and asset up-time.

Additionally, it is important to note that whilst the harmonized factors are internationally recognized, they are based on country specific averages/estimates and associated build plans of alternate electricity sources. In reality, actual progress of a country against its plan may differ. harmonized factors are updated by the DOE periodically to reflect any changes.

## XI Limitations to methodologies and data

- What limitations are surrounded the described methodologies and data sources (including what actions are taken to address such limitations)?

Limitations of the methodologies that are important to note are:

- DOE harmonized factors are based on the operating margin and build margin of a country. Both elements have their own considerations in the calculation process of the overall harmonized emission factor;
- All forecasts will have limitations. In any forecasted emissions avoided numbers, it is important to understand as they are estimates only and cannot account for unexpected changes in variables that directly impact generation.

These limitations will not materially affect the attainment of the sustainable investment objective as:

- the harmonized factors are internationally recognized, and their limitations are widely understood, yet they are one of the most efficient and accurate ways to estimate grid emissions and therefore, emissions avoided;

- actual measure of progress against the goal of substantial climate change mitigation will be based on actual renewable electricity generated and the associated emissions avoided calculations rather than relying solely on forecasts.

## **XII Due diligence**

- What internal and external controls were in place on that due diligence?

Standard processes are followed involving legal, technical, ESG, financial, and tax due diligence, carried out by relevant advisors (or internal staff) to highlight any relevant corporate, property, planning, environmental, community, or other related issues. The ESG due diligence covers all aspects identified and described in sections above.

In the context of proposed development activities, the Subfund makes do diligence and assesses the viability and suitability of the location and the project (these assessments include environmental impact assessments). Any results are submitted as part of the planning application and impacts (if any) are incorporated into the design and overall project proposal.

## **XIII Engagement policies**

- What engagement policies are implemented where engagement is part of the sustainable investment objective, including any management procedures applicable to sustainability-related controversies in investee companies?

The Subfund does not invest in operational companies – only in renewable energy assets which, in most cases, are placed in SPVs (special purpose vehicles).

Engagement strategy involves business partners, communities, management team and employees, suppliers, industry associations and initiatives. Subfund expects all stakeholders to be aware of our policies, standards, and requirements. Where appropriate, Subfund will also seek to engage with government related agencies or regulators to advance the sustainable development impact objectives of investment strategy. Such an engagement is not intended to unduly influence the political process.

## **XIV Attainment of the sustainable investment objective**

There has been no specific index designated as a reference benchmark to meet the sustainable investment objective.



Version	Changes	Date
No. 1	First version	01-07-2023
No.2	Change from 100% sustainable investment minimum commitment to 90%. 10% left for operational purposes and liquidity management.	01-08-2023