Website Product Disclosure

Financial Product: Climate Investor Two

Article 38: Summary
This section must contain a summary of all the information contained in the sections below. This section shall have a maximum length of two sides of A4-sized paper when printed.

- This document has been prepared to provide information about the Climate Investor Two ("CI2") financial product in compliance with Section 2 of Chapter IV ("Website Product Disclosure") of Commission Delegated Regulation (EU) 2022/1288 (the "SFDR Regulatory Technical Standard") supplementing Regulation (EU) 2019/2088 (the "Sustainable Finance Disclosure Regulation"). References to articles in this document relate to the articles listed in Section 2 of the Regulatory Technical Standard.
- The information contained in this document is summarised as follows:
  - **No significant harm:** CFM's Environmental and Social Management System ("ESMS") defines, *inter alia,* the standards that are adopted for the management of all sustainable investments of the financial product. These standards include the OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, the International Labour Organisation core conventions, and the International Finance Corporation Performance Standards. The ESMS also defines the minimum requirements for investee companies to manage their activities and operations in order to do no significant harm. The ESMS also describes the indicators to be used for measuring, monitoring and reporting sustainability performance.
  - **Sustainable investment objective:** The sustainability objective of CI2 is to deliver a meaningful climate change impact for climate change mitigation and/or adaptation by providing capital to finance the construction and operation of water, sanitation, ocean and related infrastructure projects. Adaptation may include *inter alia* use and protection of water resources; addressing and controlling environmental pollution, and biodiversity and ecosystem protection and restoration. Given the sustainability objective of the financial product, it is considered to be an Article 9 fund pursuant to Regulation (EU) 2019/2088 (the "Sustainable Finance Disclosure Regulation").
  - **Investment strategy:** The financial product is invested exclusively in low, lower middle, and upper middle income countries in Africa, Asia, and Latin America. The financial product is not permitted to be used for any other objective. CFM is an active asset Manager, which means that it takes an active role in the delivery of the investment strategy upon which the investment decision of the financial product is based.
  - **Proportion of investments:** At least eighty percent (80%) of investments of the financial product are environmentally sustainable (per (EU) 2020/852[1] (Article 3)) and are invested in Taxonomy-eligible activities. The majority of investments are also Taxonomy-aligned. All investments also have a social objective which is delivered through a community development programme established for each investee company. Projects that do not qualify as eligible activities are separately assessed to confirm their climate change mitigation and/or adaptation potential through an alternative methodology.

    Monitoring of sustainable investment objective: CFM's combined assurance governance and organisational structure includes five lines of defence providing the necessary monitoring and control mechanisms to ensure that the sustainable investment objective of the financial product is met and that the Investment Strategy and Restrictions as set out in Annex III of the CI2 Members Agreement are adhered to.

[1] Regulation (EU) 2020/852 of the European Parliament and Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

- **Methodologies:** CFM uses various methodologies to measure the attainment of the sustainable investment objective, with sustainability indicators forming an important component of these.
- **Data sources and processing:** Various data sources are used for attaining and measuring performance against the sustainable investment objective, including sources of both primary and secondary data and information. The processed data is used, *inter alia*, for monitoring and measuring the sustainability performance of the project, and for reporting to investors.
- **Limitations to methodology and data:** In some of the markets in which the financial product is invested, challenges can be encountered by investee companies in obtaining sufficient quality of data from suppliers of goods and services. CFM continues to provide guidance and support to investee companies to address this issue.
- **Due diligence:** The sustainability risks and impacts of investee companies and their projects are subject to rigorous analysis through the due diligence screening process which is described in the CFM Environmental and Social Management System.
- **Engagement policies:** CFM has in place certain engagement policies, including pursuant to Article 3g of Directive 2007/36/EC (the "Shareholder Rights Directive") which document how shareholder engagement is integrated into the investment strategy. The principal policy implemented in this regard is CFM's Investment and Asset Management Policy.
- **Attainment of the sustainable investment objective:** All investments of the financial product are conducted in accordance with good international industry practices including the IFC Performance Standards which is a widely used and referenced benchmark. An index is not used.

Article 39: No significant harm to the sustainable investment objective

Describe how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex I, are taken into account

- CFM's Environmental and Social Management System ("ESMS") defines, *inter alia,* the minimum requirements that must be adopted by every investee company for managing sustainability risk and impact in order to do no significant harm to environmental and social receptors. It also describes the indicators to be used for measuring, monitoring and reporting sustainability performance.
- CFM considers principal adverse impacts on sustainability factors of all investment decisions through a rigorous screening and due diligence process. In addition, CFM collects data through ongoing asset monitoring and management processes which provides data required to report against many of the indicators listed in Annex I of the SFDR Regulatory Technical Standard.
- In compliance with the requirements of the CFM ESMS the investee companies must report performance are aligned with many of the sustainability indicators listed in Annex I (Tables 1-3) of the SFDR Regulatory Technical Standard and cover the following subject matter:
  - **Environmental Indicators**: greenhouse gas emissions (scope 1, 2 and 3); energy consumption and management; biodiversity and ecosystem services protection; emissions to water; volumes of waste generated (disaggregated into recyclable and non-recyclable fractions);
  - **Social and Employee Indicators**: board gender diversity; gender-disaggregated jobs created, hours worked and salaries paid; retrenchment; disciplinary cases; employee and community grievances; number and nature of incidents and accidents; lost time incidents and frequency rates; near miss incidents; number of training and induction sessions
- Investee companies also are required put in place risk management controls to adequately address the risk of adverse sustainability impact and to deliver positive benefits. These controls must cover, *inter alia*, the following subject matter: labour and working conditions (including third party workers, supply chains, and occupational health and safety); gender equality and women's empowerment; stakeholder engagement and management; community health, safety and security;

environmental management (including energy and carbon management; emissions; pollution control; natural resource management); protection of biodiversity and ecosystem services; land acquisition and resettlement; impacts on indigenous peoples, and cultural heritage. The design and implementation of arrangements for all these aspects must be aligned with the IFC Performance Standards, the ILO Core Conventions; the UN Guiding Principles on Business and Human Rights, and other international standards and industry best practices.

- In addition, the investee companies are required to implement an ESMS which is aligned with the requirements of CFM's ESMS and which includes: policy; compliance with legal and other requirements; risk management (including control processes for the above subject matter); emergency preparedness and response; monitoring and review; accident and incident investigation; corrective action planning, and reporting.

Are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights?

- All investments of the financial product are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights, as described in CFM's Environmental and Social Management System manual and Responsible Investment Code.
- In addition, CFM requires all investments to be aligned with the International Finance Corporation ("IFC") Performance Standards on environmental and social sustainability, the World Bank Group Environmental, Health and Safety Guidelines and the UN Guiding Principles on Business and Human Rights. All investments must also comply with all relevant national and local legal requirements, regulations, and industry specific codes of practice relating to sustainability governance and management

Article 40: Sustainable investment objective of the financial product

What is the sustainable investment objective of the financial product?

- The sustainability objective of CI2 is to deliver a meaningful climate change impact for climate change mitigation and/or adaptation by providing capital to finance the construction and operation of water, sanitation, ocean and related infrastructure projects. Adaptation may include inter alia use and protection of water resources; addressing and controlling environmental pollution, and biodiversity and ecosystem protection and restoration.

Article 41: Investment strategy

What is the investment strategy used to attain the sustainable investment objective?

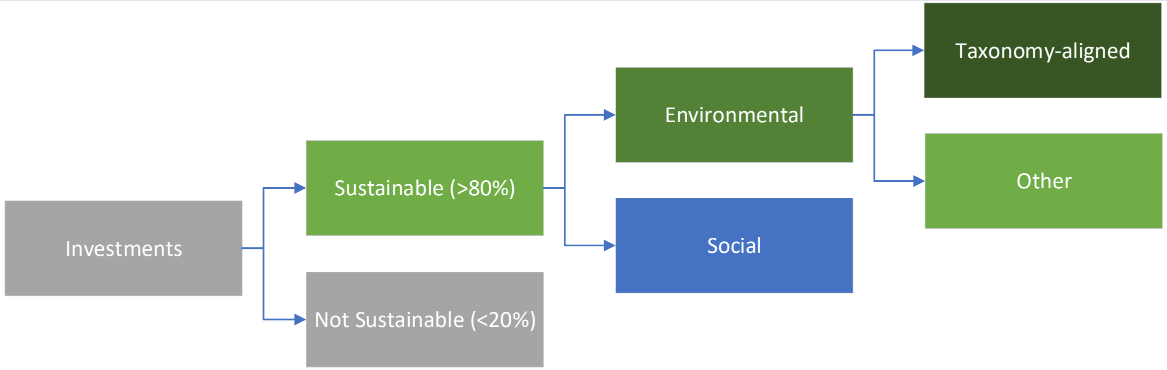
- The financial product is invested exclusively for the purpose of financing the development, construction and operation of water, sanitation, ocean and related infrastructure projects in low, lower middle, and upper middle income countries in Africa, Asia, and Latin America. The financial product is not permitted to be used for any other objective.
- At all times, CFM as the manager of CI2, is obliged to observe the Investment Strategy and Restrictions as set out in Annex III of the Members Agreement which exists between CFM, CI2, and the investors. Accordingly, the strategy of CI2 is to target project companies that deliver a meaningful climate change impact and accordingly

score at least a ‘2’ for either mitigation and/or adaptation in accordance with the OECD DAC Rio Markers for Climate Framework[2]. The determination of a project company’s Rio Marker score is, in all case, supported by climate assessments and technical studies to the extent necessary to confirm the Rio Marker scoring. • In accordance with the Investment Mandate and Restrictions, all investments must be conducted in compliance with the financial product’s Responsible Investment Code (“RIC”) which sets out the principles and undertakings for managing sustainability risks and delivering positive impacts in relation to all investments. The RIC is included as Annex IV of the Members Agreement.
What is the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance?
• CFM is an active asset Manager, which means that it takes an active role in the delivery of the investment strategy upon which the investment decision of the financial product is based. • As the investee companies are typically newly formed organisations established to undertake the development, construction and operation of the renewable energy project, CFM takes an active role in embedding the processes, risk management controls and resources into the investee companies to ensure good governance practices. • For each investment of the financial product, CFM implements an effective risk management and governance ‘scheme of arrangement’ which is documented in the form of an Asset Management Plan (“AMP”). This AMP guides the asset management activities of CFM as a shareholder in the investee company and establishes the minimum governance requirements to be adopted by the investee companies. The AMP covers aspects including but not limited to: deal structure; shareholder rights; board of directors; policies; reserved roles; financial models; financials; valuations; company secretarial duties; resourcing; key risk register and risk control framework. • In accordance with the AMP, the investee companies must establish and implement governance policies that are aligned with CFM’s requirements. Policies to be implemented must include as a minimum: Expenses Policy; Authorisations Policy; Code of Conduct Policy; Procurement Policy; Health, Safety, Social and Environmental (HSSE) Policy; Anti-Corruption Policy; Marketing and Publications Policy; Insurance Requirements.

Article 42: Proportion of investments
What is the asset allocation and the minimum share of sustainable investments between direct exposures in investee entities and all other types of exposures to those entities.
• At least eighty percent (80%) of investments of the financial product are environmentally sustainable (per (EU) 2020/852 (Article 3)) and are invested in Taxonomy-eligible activities. The majority of investments are also Taxonomy-aligned[3]. All investments also have a social objective which is delivered through a community development programme established for each investee company.

[2] https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf

[3] The extent to which investments are Taxonomy-aligned will be subject to further review once technical screening criteria are available for all six environmental objectives.



Article 43: Monitoring of sustainable investment objective
How is the sustainable investment objective and the sustainability indicators (used to measure the attainment of the sustainable investment objective) monitored throughout the lifecycle of the financial product and what are the related internal or external control mechanisms?
• CFM's combined assurance governance and organisational structure includes five lines of defence providing the necessary monitoring and control mechanisms to ensure that the sustainable investment objective of the financial product is met and that the Investment Strategy and Restrictions as set out in Annex III of the CI2 Members Agreement are adhered to. • Risk Control Owners form the first line of defence and are responsible for overseeing risks and controls of the operating unit and activities under their area of responsibility. Regarding investments of the financial product, the regional investment managers are responsible for ensuring that the sustainable investment objective is met in accordance with the Investment Strategy and Restrictions (as set out in Annex III of the Members' Agreement) of the financial product. Regarding the sustainability indicators, data is collected on a routine basis from the investee companies to monitor sustainability performance. Obligations for performance reporting by the investee company are described variously in CFM's Environmental and Social Management System ("ESMS") and in funding agreements established between the financial product and the investee companies. • The compliance function forms the second line of defence and is responsible for monitoring and assessing the adequacy of compliance with, *inter alia*, the Members' Agreement. CFM's internal audit function provides independent assurance that CFM's risk management, governance and internal control processes including those pertaining to ongoing adherence to the investment mandate, are operating effectively. External assurance is an additional control mechanism. • Ultimately, the Management Board of CFM is accountable for ensuring there are no deviations from the Members' Agreement. In accordance with the Members' Agreement for the financial product (in which the sustainable investment objective is defined), CFM, as the manager of the financial product, is obliged to observe the Investment Strategy and Restrictions (in Annex III of the Members' Agreement) unless an envisaged derivation is approved by the Investors Meeting by the unanimous affirmative votes of all investors. Along with the Management Board, the Audit and Risk Committee and the Supervisory Board provide the fifth layer of defence in providing risk management and governance oversight.

Article 44: Methodologies
What methodologies are used to measure the attainment of the sustainable investment objective and how are the sustainability indicators used to measure the attainment of that sustainable investment objective?

- CFM uses various methodologies to measure the attainment of the sustainable investment objective, with sustainability indicators forming an important component of these.
- Internal and external audits and reviews of CFM's risk management systems and processes are conducted on at least an annual basis. Additional reviews will be completed whenever necessary (e.g., new CFM Fund being established, new investment sector or region).
- Quarterly reviews of the risk profile are conducted to confirm if there has been any change in the risk types and classification. Sustainability risks are identified through a 'top down' and a 'bottom up' approach, with one complimenting the other. The 'top down' process of risk identification is informed by the requirements of the Responsible Investment Code. The Environmental and Social Management System ("ESMS") provides an outline of the 'bottom-up' process and arrangements for the effective identification, evaluation and management of sustainability risks and impacts associated with the investments of the financial product. The ESMS also describes the indicators to be used by the investee companies and by CFM for measuring, monitoring and reporting sustainability performance.
- All investee companies are required to establish a health, safety, social and environmental ("HSSE") monitoring and inspection programme based on the requirements of CFM's environmental and social management system ("ESMS") and project-specific documentation, relevant legislation; and permits and licences. This programme must detail the reporting frequency, monitoring locations (if applicable), methodology to be used, responsible party for conducting the monitoring, and the reporting process.
- All investee companies are required to compile and report to CFM sustainability performance against defined sustainability indicators on an annual basis. In addition, the performance of all projects in construction must be reported on a quarterly report.
- Audits are conducted for and on behalf of CFM of all investee companies on at least an annual basis to confirm, inter alia, compliance with the requirements of the funding agreement, CFM's ESMS, permits and licences, and other defined requirements.
- Corrective action plans are established to address any identified non-compliances and areas for improvement arising from audits, inspections and accidents and incidents. CFM monitors the progress of all investee companies in addressing these plans.

Article 45: Data sources and processing
What data sources are used to attain the sustainable investment objective of the financial product; what measures are taken to ensure data quality; how are data processed and what is the proportion of data that are estimated.

- Various data sources are used for attaining and measuring performance against the sustainable investment objective, including sources of both primary and secondary data and information.
- Primary data is collected through the due diligence process for a proposed investment, and during studies conducted as part of the development of a project. These include the studies necessary for completing an Environmental and Social Impact Assessment ("ESIA"). CFM requires investee companies to follow the IFC Performance Standards for assessing sustainability risks and impacts, and in this regard, the emphasis is on collection of representative, accurate and up to date baseline data. Secondary sources may also be used if considered reliable but will not be sufficient on their own. CFM requires suitably qualified, competent, and experienced consultants to undertake all such data collection which must be conducted in line with good international industry practice.

- A variety of publicly available sources are also used, in particular during the early risk screening stage to establish the environmental and social context of an investment, and to calculate the sustainability impact (in terms of the environmental objective of climate change mitigation) of an investment. Such data sources include those made available by the World Bank (e.g. Development Indicator Database), IFI (i.e. dataset of default grid factors); IPCC (e.g. for emission factors); UNFCCC (e.g. for nationally determined contributions); International Energy Agency, and the UN. A proprietary computer-based programme is used for processing the data and calculating the sustainability impact of the investment. This programme relies on a set of assumptions and proxies in the absence of available data. The programme has been subject to external review to confirm its adequacy.
- Investee companies are required to put in place systems to collect sustainability performance data and information. Such systems must be designed so that the data and information is complete and accurate and can be reported to CFM in a timely manner. The adequacy of such systems and the data that is reported is subject to evaluation as part of the periodic audit process.
- All data submitted to and processed by CFM is done so using a third party designed and managed data processing system. This system is designed to reduce the need for manual data entry and manipulation and thereby reduces the risk of error in the analysis and reporting. The processed data is used, *inter alia*, for monitoring and measuring the sustainability performance of the project, and for reporting to investors.

Article 46: Limitations to methodologies and data

What are the limitations to the methodologies referred to in the 'Methodologies' section; and how do any such limitations affect the data sources referred to in the 'Data sources and processing' section in the attainment of the sustainable investment objective?

- In some of the markets in which the financial product is invested, challenges can be encountered by investee companies in obtaining sufficient quality of data from suppliers of goods and services including contractors and subcontractors. This is particularly the case in jurisdictions lacking stringent regulatory or permitting controls regarding aspects such as air emissions resulting in incomplete/inaccurate data for calculating greenhouse gas emissions. CFM intends to commission the development of a user-friendly tool that can be used by CFM and the investee companies to more reliably calculate the carbon footprint, in addition to continuing to provide guidance and support to address this issue.

Article 47: Due diligence

Describe the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.

- The sustainability risks and impacts of investee companies and their projects are subject to rigorous analysis through the due diligence screening process which is described in the CFM Environmental and Social Management System.
- The potential sustainability risks of new investment opportunities are subject to rigorous analysis through the due diligence screening process which culminates in a preliminary risk categorisation and set of defined actions for the next stage in the process. The required scope of further due diligence will be identified at this stage. A summary of the key potential risks along with the preliminary risk categorisation will be included in the 'deal screen' paper presented to the internal investment committee for consideration. During the risk screening process, a review is also undertaken to identify if the Project Developer (or Sponsor or Counterparty) is involved in any activities that are included in CFM's Exclusion List (as listed in the financial product's responsible investment code). If any aspect of the exclusion list is triggered, the investment will not be considered further.

- The due diligence process includes an in-depth Know Your Client (KYC) assessment which is designed to mitigate the risk that CFM will engage or has engaged with a business partner who is involved in money laundering, terrorism financing, is included on a relevant sanction list or other integrity issues occur that could harm the reputation of CFM (e.g. fraud, bribery and corruption). As part of the on-going due diligence of a business relationship, CFM has an ongoing KYC monitoring process which allows CFM to gain and maintain an insight into the nature and background of Customers and their financial conduct.
- If a proposed investment is approved by the internal investment committee, due diligence activities will be undertaken. The purpose of conducting due diligence is to further assess the sustainability risks of the proposed investment, identify the required activities that will need to be undertaken in the development of the Project, and confirm the required budget to fund the development activities. External consultant(s) may be appointed to conduct the due diligence assessment.
- A summary of the due diligence findings and the programme of development activities will be presented to the investment committee that considers all investment proposals for potential development funding. This committee includes representatives of the investors in the financial product.
- In the development fund stage, studies are performed to fully understand the potential sustainability impacts and risks of the project. This includes commissioning an Environmental and Social Impact Assessment ("ESIA") and other specialist studies as required to achieve compliance with the highest international environmental and social standards. External experts are appointed to conduct the ESIA and other specialist studies.
- Prior to proceeding to the investment committee seeking in-principle approval for the construction equity funding of all proposed investments, CFM will conduct an evaluation to confirm that it has satisfactorily completed all necessary work that is specified in the development phase contract documentation.
- CFM ensures that its business partners are contractually obliged to immediately report any suspicion of corrupt practices within their business operations to CFM as soon as they become aware. Obligations regarding corporate governance and risk management include implementing processes relating to anti-bribery and corruption are included in the contractual agreement for each project. Compliance with contractual obligations is subject to ongoing monitoring and oversight that allows us to be confident that business partners are meeting all of their legal and ethical obligations.

Article 48: Engagement policies

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

- CFM has in place certain engagement policies, including pursuant to Article 3g of Directive 2007/36/EC (the "Shareholder Rights Directive") which document how shareholder engagement is integrated into the investment strategy. The principal policy implemented in this regard is CFM's Investment and Asset Management Policy.
- In accordance with the above referenced policy, CFM establishes, *inter alia*, the following governance structures for engagement with every investee company in relation to sustainability-related aspects, among others:
  - **Boards** with responsibilities including: (i) endorsement of investee companies risk management framework including key corporate governance policies and approval of any changes to the framework or any key corporate governance policies; (ii) monitoring compliance with the endorsed risk management framework; and (iii) delegating authority to management, where appropriate.
  - **Board Audit and Risk Committees** following commencement of commercial operations, with responsibilities including: (i) reviewing the scope and results of external audits and, if applicable, internal audits; (iv) maintaining open lines of communication between the Board, management and the external auditors, thus enabling information and points of view to be freely exchanged; and (vi) assessing the adequacy of the internal control framework including accounting and operational risk management controls.

- **Specialist subcommittees (construction and sustainability committees)** of the Board, with responsibilities including: (i) providing expert knowledge on matters such as procurement, remuneration, financing, technical and sustainability matters; (ii) exercising non-executive oversight over the business; (iii) maintaining open lines of communication between the Board, management and the external parties; and (iv) informing the Board of material matters effecting the business.

Article 49: Attainment of the sustainable investment objective of the financial product
For the financial product, has an index been designated as a reference benchmark? If yes, how is that index aligned with the sustainable investment objective of the financial product, and where can one find information with regards to input data, methodologies used to select those data, rebalancing methodologies and index calculations?
• An index has not been designated as a reference benchmark for the financial product. However, all investments of the financial product are screened in accordance with the OECD DAC Rio Marker for Climate Handbook and are conducted in accordance with good international industry practices including the IFC Performance Standards which is a widely used and referenced benchmark.