EUROPEAN
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ANNEX 3

ANNEX

to the

Commission Delegated Regulation (EU) .../...

supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports

ANNEX III

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: Climate Investor Two comprising the Stichting CI2 Development Fund ("DF2") and the Coöperatief CI2 Construction Equity Fund U.A. ("CEF2")

Legal entity identifier: 76456706 (DF2) / 77598636 (CEF2)

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Sustainable investment objective

Does this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

☒ **Yes**	☐ **No**
☒ It will make a minimum of **sustainable investments with an environmental objective: 100** % ☒ 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 **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 will make a minimum of **sustainable investments with a social objective:** ___%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

What is the sustainable investment objective of this financial product?

- The objective of the financial product (CI2) is to contribute substantially to climate change mitigation and adaptation (ref. EU Taxonomy Regulation, Chapter II, Art. 10 (1) and Art. 11 (1) respectively) through the construction and operation of climate resilient infrastructure for water treatment and supply, wastewater treatment, waste management, green ports and shipping, and through the financing of nature-based solutions.
- In accordance with the Investment Mandate and Restrictions of CI2, all investments are screened and assessed using the OECD DAC Rio Markers for Climate. Every investment must have either climate change mitigation or adaptation as its principal objective.

- Mitigation investments contribute substantially to the stabilisation of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system consistent with the long-term temperature goal of the Paris Agreement through the avoidance of greenhouse gas emissions. In so doing, mitigation investments contribute to the global action needed to achieve UN Sustainable Development Goal ("SDG") 7 (Affordable and Clean Energy).
- Adaptation investments are focused on improving access to climate resilient infrastructure including water and wastewater treatment and distribution and waste management. Adaptation investments contribute to the global action needed to achieve UN SDG 6 (Clean Water and Sanitation) and UN SDG 14 (Life Below Water).

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

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

The following sustainability indicators will be used to assess and measure the attainment of the sustainable investment objective of the financial product:

- Total capital mobilised (donor/commercial) to finance the production and distribution of green hydrogen (USD);
- Number of people benefitting from improved access to water/sanitation facilities;
- Total renewable power produced per annum (expressed as gigawatt hours, or "GWh");
- Installed renewable energy capacity (expressed as megawatts or "MW") financed;
- Amount of greenhouse gas (GHG) emissions avoided, reduced or sequestered by the organization during the reporting period (measured as tonnes of carbon dioxide equivalent, tCO_2e);
- Total number of female jobs created/supported including total number of females in management and senior positions.

On behalf of the financial product, Climate Fund Managers ("CFM" or the "Alternative Investment Fund Manager" or "AIFM") requires all investee companies 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. Compliance monitoring, audits and reviews are conducted for and on behalf of CFM of all investee companies on a routine basis to confirm, *inter alia*, compliance with the requirements of the funding agreement, CFM's Responsible Investment Code ("RIC"), CFM's Environmental and Social Management System ("ESMS") which is included as Annex IV of the CI3 Members Agreement; investee company 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.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

- CI2 is committed to responsible investments and develops, constructs and operates its projects in accordance with its responsible investment code (the "Responsible Investment Code") and the highest international environmental and social standards. These include the IFC Performance Standards as well as other international standards including the ILO Core Labour Standards, the ILO Basic Terms and Conditions of Work, and the UN Guiding Principles on Business and Human Rights.

- All investments are required to be screened to identify the potential for adverse E&S impact. The ESMS describes the process to be followed to identify, assess and prioritise the principal adverse impacts. Ultimately, this process results in a risk classification for the proposed investment which indicates the potential for adverse environmental or social risks and/or impacts, the scale of impact, and the extent to which those impacts can be readily mitigated.
- All assets are required to be designed, built and operated in accordance with good international industry practices in order to do no significant harm to identified E&S receptors. All investments are subject to close and ongoing monitoring to confirm that performance is in accordance with requirements.

How have the indicators for adverse impacts on sustainability factors been taken into account?

- On behalf of CI2, Climate Fund Managers ("CFM") considers the principal adverse impacts on sustainability factors of all investment decisions through a rigorous screening, due diligence and development process prior to CEF1 investment.
- Post-CEF2 investment, all investee companies are required to report on sustainability performance during the construction and operating phases. Many of the PAIs are already directly or indirectly incorporated into the standard reporting requirements. For those PAIs not already included, action is being taken by CFM to support the investee companies to adopt these in their data collection and reporting processes.
- The following principal adverse impact indicators ("PAIs") are considered in relation to the CEF2 portfolio through voting, application of the List of Excluded Activities and ongoing engagement with the investee companies:
    - **PAI 1 (Table 1) Greenhouse Gas (GHG) Emissions:** the potential for significant GHG emissions will be considered during the screening and due diligence of potential investments. GHG emissions will be calculated in accordance with an approved methodology throughout the construction and operational phases of the investment lifecycle and will be reported annually in the periodic disclosure report.
    - **PAI 2 (Table 1): Carbon Footprint:** the carbon footprint of CI2 will be calculated in accordance with an approved methodology throughout the construction and operational phases of the investment lifecycle and will be reported annually in the periodic disclosure report.
    - **PAI 3 (Table 1): GHG intensity of investee companies:** the GHG intensity of the CI2 investee companies will be calculated using the specified methodology and reported annually in the periodic disclosure report.
    - **PAI 4 (Table 1): Exposure to companies active in the fossil fuel sector:** Although not specifically included in the CI2 List of Excluded Activities, this exposure is assessed during the due diligence process through the Know your Customer (KYC) process.
    - **PAI 5 (Table 1): Share of non-renewable energy consumption and production:** The consumption and production of non-renewable energy is considered pre-investment through voting and application of the investment mandate and through ongoing engagement. All investee companies are encouraged to reduce energy consumption during construction and operation.
    - **PAI 6 (Table 1): Energy consumption intensity per high impact climate sector:** This exposure is considered pre-investment through voting and application of the investment mandate and through ongoing engagement. All investee

companies are encouraged to reduce energy consumption during construction and operation.

- **PAI 7 (Table 1): Activities negatively affecting biodiversity-sensitive areas:** This indicator is considered pre-investment through voting and application of the investment mandate and the CI2 List of Excluded Activities which prohibits Destruction of High Conservation Value areas. Post investment, and where location of an investment in a biodiversity sensitive area cannot be avoided, actions are taken in accordance with the mitigation hierarchy described in IFC PS6 to avoid and otherwise mitigate potential adverse impacts.
- **PAI 8 (Table 1): Emissions to water:** All investee companies are already required to report total emissions to water however none of them uses or emits priority substances as defined in Article 2(30) of Directive 2000/60/EC and nor do any of them make direct emissions of nitrates, phosphates and pesticides.
- **PAI 9 (Table 1): Hazardous waste generated:** This exposure is considered pre-investment through voting and application of the investment mandate and through ongoing engagement. All investee companies are encouraged to reduce generation of wastes including hazardous waste.
- **PAI 10 (Table 1): Violations of UN Global Compact (UNGC) principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises:** this exposure is assessed during the screening and due diligence (including KYC) process.
- **PAI 11 (Table 1): Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises:** All investee companies are monitored to confirm compliance with the UNGC principles and the OECD Guidelines. This is done as part of the ongoing auditing and monitoring.
- **PAI 12 (Table 1): Unadjusted gender pay gap:** All investee companies are required to adopt policies for non-discrimination in all aspects of labour and working conditions including in relation to payment of wages. All investee companies report gender-disaggregated data regarding hours worked and wages paid.
- **PAI 13 (Table 1): Board gender diversity:** All investee companies are required to implement a gender action plan and are encouraged to take action to promote gender equality throughout the organisation.
- **PAI 14 (Table 1): Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons):** considered through application of the CI2 list of excluded activities.

Additional indicators were also selected for reporting as follows:

- **PAI 4 (Table 2): Investments in companies without carbon emission reduction initiatives:** All CI2 investee companies are required to manage and monitor the energy consumed during the construction and operating phases and to implement an energy efficiency management plan in order to reduce carbon emissions.
- **PAI 7 (Table 2): Exposure to areas of high water stress**: Investments of CI2 involving the abstraction of water either as the principal objective of the investee company, or as a necessary input, are required to assess the sustainability of the water resource as part of the development phase to ensure that sufficient water will be available for the project yet without causing adverse impact for other water users, and to identify and adopt water conservation measures in line with an overarching water management policy and programme.
- **PAI 14 (Table 2): Natural species and protected areas:** All CI2 project companies are required to assess the potential for adverse impacts on

biodiversity (including threatened species) and to avoid or otherwise mitigate potential harm. All projects that are required to do so implement a biodiversity protection policy.

- **PAI 1 (Table 3): Investments in companies without workplace accident prevention policies:** All investee companies are required to implement arrangements in line with legal obligations. In addition, they must adhere to the requirements detailed in IFC PS2 (Labour and Working Conditions).
- **PAI 3 (Table 3): Number of days lost to injuries, accidents, fatalities or illness:** All investee companies report accident data on a routine basis including number of fatalities and number of days lost to injuries, accidents and illnesses. Fatalities are reported separately and are not included in the data reported regarding number of days lost.
- **PAI 5 (Table 3): Lack of grievances/complaints handling mechanism related to employee matters:** All investee companies are required to implement a worker grievance mechanism.
- **PAI 7 (Table 3): Incidents of discrimination:** All investee companies are required to report incidents of discrimination.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and 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.

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

✖ Yes

- The PAIs will be considered throughout the investment process and a summary will be presented to the CFM CI2 investment committee for development funding and equity approval. Pre-investment the proposed investment is screened to confirm mandate-fit, and this includes application of the CI2 exclusions list. During due diligence and development the investment will be assessed in terms of the potential for adverse impacts in order to inform investment decision-making and to identify the necessary management and mitigation measures.
- Pre-investment, PAIs 4, 7, 10 and 14 (Table 1), and PAI 14.1 (Table 2) – as listed above - will be considered through voting, engagement, and application of the CI2

investment mandate and restrictions including the CI2 List of Excluded Activities. These PAIs are also considered post-investment.

- Post-equity investment, CFM applies the requirements of its Investment and Asset Management Policy to formalise arrangements for ongoing shareholder engagement and to embed the requisite risk management and governance processes in the investee company so that the PAIs listed above are appropriately managed and mitigated. Any concerns relating to principal adverse impacts during the construction and operating phases (including in situations where there is no improvement in performance) are managed through the CI2 shareholder engagement and governance arrangements.
- A statement of performance against the PAIs will be disclosed annually to investors in accordance with the legal requirements.

No

What investment strategy does this financial product follow?

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

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

- The financial product will be invested exclusively for the purpose of financing the development, construction and operation of climate-resilient infrastructure for water, sanitation, oceans and the financing of nature-based climate solutions.
- At all times, CFM as the AIFMD Manager of CI3, 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 members (namely the donors and investors).
- In accordance with the Investment Strategy and Restrictions, all investments must be conducted in compliance with the financial product's RIC which sets out the principles and undertakings for managing sustainability risks and delivering positive impacts in relation to all investments.
- CI2 will not intentionally invest in any activity that is involved in activities included in the CI2 List of Excluded Activities.

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

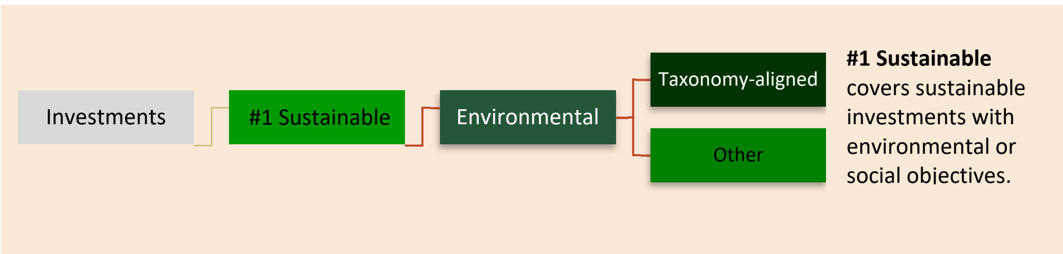
Good governance practices include sound management structures, employee relations, remuneration of staff ad tax compliance.

- CFM is an active asset manager, which means that it will take 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 primarily newly formed organisations established to undertake the development, construction and operation of the project, CFM will take an active role in embedding the processes, risk management controls and resources into the investee companies to ensure good governance and risk management practices.
- For each investment of the financial product, CFM will implement 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 and Money Laundering Policy; Marketing and Publications Policy and Insurance Requirements.
- CFM has established a human resources policy and a remuneration policy to promote good business practice and sound and effective risk management (including systemic integrity and sustainability risk management) with respect to employees. The remuneration policy complies with the requirements and principles set out in, Schedule 2 to the European Union (Alternative Investment Fund Managers) Regulations 2013, as amended (S.I. No. 257 of 2013) (the "AIFMD Regulations") and ESMA's guidelines on sound remuneration policies under the AIFMD, ESMA/2016/411 (the "Remuneration Guidelines").
- The remuneration policy is consistent with, and seeks to promote, sound and effective risk management (including environmental, social and governance (ESG) sustainability risk management and systemic integrity risk management) and not to encourage risk-taking which is inconsistent with CFM's risk profile or the risk profiles of the Funds that CFM manages. The policy includes measures to mitigate conflicts of interest and is aligned with CFM's business strategy, objectives, values and long-term interests. CFM's Supervisory Board ("CFM SB") is responsible for setting the policy and reviews it annually. The Remuneration and Nomination Committee ("CFM RemCo"), as a subcommittee of the CFM SB, is responsible for overseeing the implementation of the remuneration policy in accordance with its principles, the adopted processes and its compliance with laws and regulations. Both the CFM SB and the CFM RemCo are composed entirely of non-executive directors and its members do not receive any remuneration from CFM.
- CFM is committed to socially responsible behaviour as regards any tax matters, as a Dutch tax payer and with respect to the CI2 investments. In accordance with its Managing the Business Policy and the Transfer Pricing Policy, CFM demands that all structures in which CI2 invests must be transparent on how they deal with tax matters and adhere to the letter as well as the spirit of the law, including tax laws. CFM adheres to, and demands its investee companies to adhere to the principles under the OECD's Action Plan on Base Erosion and Profit Shifting; the OECD Guidelines for Multinational Enterprises; and the principles as laid down in the EU's Anti-Tax Avoidance Directive.

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

Asset allocation describes the share of investments in specific assets.



- 100% of investments of the financial product will be required to meet the sustainable investment objective in accordance with the Fund's Investment Mandate and Restrictions. All proposed investments will be subject to rigorous screening and due diligence to ensure they directly contribute to climate change mitigation and/or through avoidance through: reduction, avoidance and sequestration of greenhouse

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

gas emissions; construction and operation of climate-resilient water, sanitation and oceans infrastructure, and through nature-based solutions, in order to contribute to the attainment of UN Sustainable Development Goal (UN SDG) 6 (Access to Clean Water and Sanitation), UN SDG 7 (Affordable and Clean Energy) and UN SDG 14 (Life Below Water).

- In addition all investments will be designed to support SDG 5 (Gender Equality); SDG 8 (Decent Work and Economic Growth); SDG 9 (Industry, Innovation and Infrastructure); SDG 13 (Climate Action), and SDG 17 (Partnerships for the Goals). In so doing, all investments will be assessed, developed, built and operated in order to do no significant harm to environmental and social factors.

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

- CI2 may use derivatives to protect the interest of investors against any adverse impact of currency fluctuations. This will enable the financial product to be recycled and reinvested in future projects and also attract investors to enter into challenging markets.

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

All investments of the financial product will contribute substantially to the environmental objective of climate change mitigation and/or adaptation through construction and operation of climate resilient infrastructure projects and nature-based solutions.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

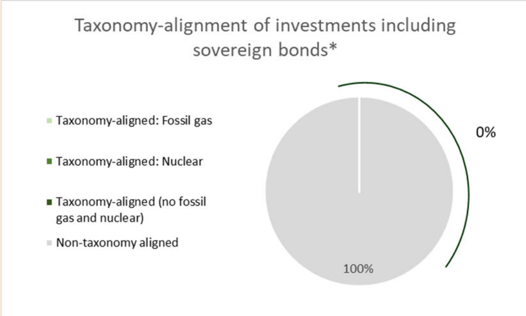
The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial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

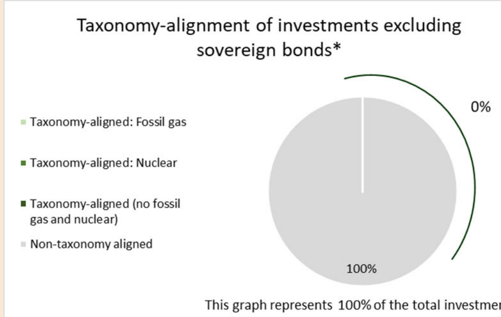
[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas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

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available ad among others have greenhouse gas emission levels corresponding to the best performance.





**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?

- The minimum share of investments in transitional and enabling activities as defined by Regulation (EU) 2020/852 is set at 0%.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

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

100.00% of investments of the financial product contribute substantially to the environmental objective of climate change mitigation and/or adaptation through construction and operation of climate resilient infrastructure projects and nature-based solutions. In accordance with the Investment Mandate and Restrictions of CI2, all investments are screened and assessed using the OECD DAC Rio Markers for Climate. Every investment must have either climate change mitigation or adaptation as its principal objective.

Mitigation investments contribute substantially to the stabilisation of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system consistent with the long-term temperature goal of the Paris Agreement through the avoidance of greenhouse gas emissions. In so doing, mitigation investments contribute to the global action needed to achieve UN Sustainable Development Goal ("SDG") 7 (Affordable and Clean Energy).

Adaptation investments are focused on improving access to climate resilient infrastructure including water and wastewater treatment and distribution and waste management. Adaptation investments contribute to the global action needed to achieve UN SDG 6 (Clean Water and Sanitation) and UN SDG 14 (Life Below Water).

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

0.00%. Although all investments deliver socially sustainable impacts, the objective of the financial product is to contribute substantially to an environmental objective (climate change mitigation).

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

100% of investments will have a sustainable objective.

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

An index has not been designated as a reference benchmark for the financial product. All investments of the financial product will be conducted in accordance with good international industry practices including the IFC Performance Standards which is a widely used and referenced benchmark.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?

- A reference benchmark has not been used.

How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?

- A reference benchmark has not been used.

***How does the designated index differ from a relevant broad market index*?**

- A reference benchmark has not been used.

Where can the methodology used for the calculation of the designated index be found?

- A reference benchmark has not been used.

Where can I find more product specific information online?

More product-specific information can be found on the website:

https://climatefundmanagers.com/funds/#ci2