EUROPEAN
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ANNEX 5

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 V

Template periodic 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 objective

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Did 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 made **sustainable investments with an environmental objective: 100** %	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments
☒ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective 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	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** ___%	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent was the sustainable investment objective of this financial product met?

- 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.
- As at the end of the 2022 reporting period, 100% of the investments that have been made have met the objective of climate change mitigation or adaptation.

Sustainability indicators measure how the sustainable objectives of this financial product

How did the sustainability indicators perform?

- The portfolio contained no investments that are included in the CI2 List of Excluded Activities as result of the application of the CFM due diligence process as detailed in the CFM Environmental and Social Management System ("ESMS").
- There were no detected or reported violations of the ILO standards, UNGPs, UNGC or OECD Guidelines for Multinational Enterprises.
- During the reporting period, CI2 investments directly contributed to the attainment of UN Sustainable Development Goals (UN SDGs) including SDG 6 (Clean Water and Sanitation) and SDG 7 (Affordable and Clean Energy), in addition to supporting 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).

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 did the sustainable investments not cause significant harm to any 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 were the indicators for adverse impacts on sustainability factors 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.
- During the reporting period, the following principal adverse impact indicators ("PAIs") were considered in relation to the CEF2 portfolio (which comprised one

investee company as at 31 December 2022) through voting, engagement and application of the List of Excluded Activities:

- **PAI 1 (Table 1) Greenhouse Gas (GHG) Emissions:** Data limitations were encountered and assumptions and proxies were used to address data gaps, on particular regarding Scope 3 emissions. Location-based emissions were used to calculate Scope 2 emissions. CFM has retained a third party consultancy to support the data collection and development of a carbon reduction management plan for all investee companies. During 2H 2023, CFM will roll out tools, to be supported by training, to all investee companies to improve completeness and accuracy of data collection and analysis.
- **PAI 2 (Table 1): Carbon Footprint:** the carbon footprint of CI2 was calculated in accordance with the specified methodology. CFM has not previously calculated the carbon footprint of the CI2 portfolio. This will be incorporated into the standard set of reporting indicators for 2023 onwards.
- **PAI 3 (Table 1): GHG intensity of investee companies:** the GHG intensity of the CI2 investee companies was calculated in accordance with the specified methodology. CFM has not previously calculated the GHG intensity of the CI2 portfolio. This will be incorporated into the standard set of reporting indicators for 2023 onwards.
- **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:** Data limitations were encountered and assumptions and proxies were used to address data gaps. All investee companies are encouraged to identify alternative and non-fossil fuel energy sources during construction and operation and to adopt carbon emissions reduction initiatives.
- **PAI 6 (Table 1): Energy consumption intensity per high impact climate sector:** Although the treatment and disposal of non-hazardous waste are included in the list of high impact climate sector activities per Annex 1 to Regulation (EC) 1893/2006, production of biogas through the anerobic digestion of biomass is classed as renewable energy. All investee companies are encouraged to reduce energy consumption during construction and operation. In the calculation of energy consumption intensity, data limitations were encountered and assumptions and proxies were used to address data gaps.
- **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:** CI2's investee companies collect and report data regarding tonnes of waste generated however the majority currently do not report segregated hazardous and non-hazardous fractions. None of the CI2 investee companies generate radioactive waste. During 2H 2023, CFM will work with all investee companies to start collecting and reporting this data.
- **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.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

- 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.

How did this financial product consider principal adverse impacts on sustainability factors?

- The PAIs are considered throughout the investment process and a summary is presented to the CI1 investment committees for DF2 and CEF2 approval. Pre-investment the proposed investment is screened to confirm mandate-fit, and this includes application of the CI2 List of Excluded Activities. During due diligence the investment is assessed in terms of the potential for adverse impacts.
- Pre-investment, PAIs 4, 7, 10 and 14 (all Table 1), and PAI 14.1 (Table 2) were considered through voting and application of the CI2 investment mandate and restrictions. These PAIs are also considered post-investment.
- Post-CEF2 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 are appropriately managed. Any concerns relating to principal adverse impacts (including in situations where there is no improvement in performance) are managed through the CI2 shareholder engagement and governance arrangements.
- The environmental performance of CEF2 during the reporting period is summarised below:
    - GHG emissions (**PAI 1 Table 1**) performance for the reporting period was: Scope 1 (39.86 tCO_2e); Scope 2 (72.00 tCO_2e); Scope 3 (490.61 tCO_2e) and total GHG emissions: **602.48 tCO_2e.**
    - Carbon footprint (**PAI 2 Table 1**): **0.000076** tCO_2e per million EUR invested.
    - GHG intensity (**PAI 3 Table 1**): **0.00014** tCO_2e per million EUR revenue.
    - Exposure to companies active in the fossil fuel sector (**PAI 4 Table 1**): **0.00%.**
    - Share of non-renewable energy consumption and production across the portfolio (**PAI 5 Table 1**): **9.49%**.
    - Energy consumption intensity (**PAI 6 Table 1**): **0.18** GWh per million EUR of revenue.
    - Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas (**PAI 7 Table 1**): **0.00%** and in addition, the share of investments in investee companies whose operations affect threatened species (**PAI 14.1 Table 2**) was also **0.00%**.

- Emissions to water of priority substances (ref. Article 2(30) of Directive 2000/60/EC) and/or nitrates, phosphates and pesticides (**PAI 8 Table 1**): **0.00%.**
- Hazardous waste and radioactive waste ratio **PAI 9** (**Table 1**): it has not been possible for the investee company to compile credible data regarding the hazardous waste volumes that are generated. No radioactive waste was generated. CFM will work with the investee company to start collecting the required data. The amount of hazardous waste generated during the reporting period is considered to be minimal.
- Exposure to investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement (**PAI 4 Table 2**): **0.00%**.
- Share of investments in investee companies with sites located in areas of high water stress without a water management policy **(PAI 7 Table 2)**: **0.00%.**
- Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas (**PAI 14.2 Table 3**): **0.00%.**

- The social and employee performance of CEF2 during the reporting period is summarised below:
    - Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (**PAI 10 Table 1**): **0.00%.**
    - Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (**PAI 11 Table 1**): **0.00%.**
    - Average unadjusted gender pay gap of investee companies (**PAI 12 Table 1**): **26.63%.**
    - Average ratio of female to male board members in investee companies, expressed as a percentage of all board members (**PAI 13 Table 1**): **20%**.
    - Share of investments in investee companies involved in the manufacture or selling of controversial weapons (**PAI 14 Table 1**): **0.00%**.
    - Share of investments in companies without workplace accident prevention policies (**PAI 1 Table 3**): **0.00%.**
    - Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average (**PAI 3 Table 3**): **4 days.** There were no fatalities.
    - Exposure to investee companies without any grievance/complaints handling mechanism related to employee matters (**PAI 5 Table 3**): **0.00%.**
    - Number of incidents of discrimination (**PAI 7 Table 3**): **0.00%**.

What were the top investments of this financial product?

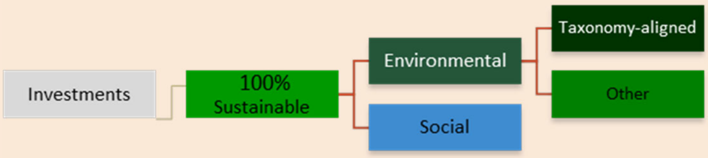
Largest investments	Sector	% Assets	Country
Bio2Watt	Waste management	100	South Africa

What was the proportion of sustainability-related investments?

100% of the investments of the financial product promoted environmental characteristics.

Asset allocation describes the share of investments in specific assets.

What was the asset allocation?



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

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 01 January 2022 to 31 December 2022

In which economic sectors were the investments made?

Sector	Average Exposure in % over the reporting period
Renewable Energy - biomass	100

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

All investments of CEF2 contribute substantially to an environmental objective aligned with the EU Taxonomy per Article 3a of Directive (EU) 852/2020.

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.

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

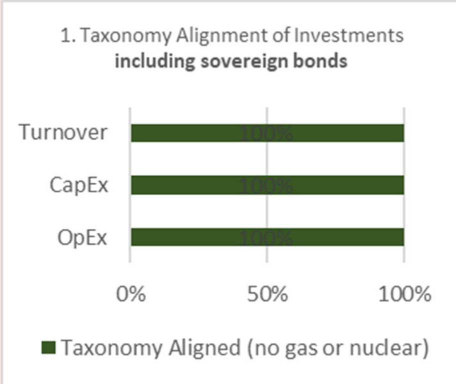
☐ Yes: *[specify below, and details in the graphs of the box]*

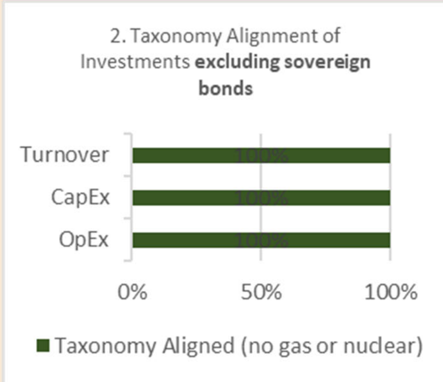
☐ In fossil gas ☐ In nuclear energy

☒ No

The graphs below show in green the percentage of investments that were 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 no significant harm to 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.





**As at 31 December 2022, there were no sovereign bond exposures in the CI2 portfolio.*

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

Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

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 was the share of investments made in transitional and enabling activities?

- None of the investments of CI1 are made in transitional and enabling actvities, as defined by the legislation.

How did the percentage of investments aligned with the EU Taxonomy compare with previous reference periods?

- A comparison will be presented in the 2024 periodic disclosure report.

What was the share of sustainable investments with an environmental objective that were 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 was the share of socially sustainable investments?

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 were included under "not sustainable", what was their purpose and were there any minimum environmental or social safeguards?

100% of the investments of the financial product are classed as sustainable.

What actions have been taken to attain the sustainable investment objective during the reference period?

During the reporting period, an evaluation of the extent to which the investee companies align with the do no significant harm ("DNSH") technical screening criteria per Annex 1 of the EU Taxonomy Delegated Regulation (EU) 2021/2139 was conducted. This led to climate risk and vulnerability assessments being completed for the entire portfolio of DF1 and CEF1 investments

Other key actions taken during the reference period relate to the appointment of a third party consultancy to assess the GHG emissions of the entire portfolio in accordance with the specified standards in order to be able to report credible data pertaining to PAIs 1-6 (Table 1). The same consultancy has also been retained to define science-based targets that will be used to inform a decarbonisation roadmap for CI1 and its investee companies.

How did this financial product perform compared to the reference sustainable benchmark?

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

An index has not been designated as a reference benchmark for the financial product. However, work is planned for 2024 to assess against the MSCI ESG Indexes which will allow for index-linked reporting in future. 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.

- ***How did the reference benchmark differ from a broad market index?***
  - Not applicable
- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the sustainable investment objective?***
  - Not applicable
- ***How did this financial product perform compared with the reference benchmark?***
  - Not applicable
- ***How did this financial product perform compared with the broad market index?***
  - Not applicable