

ESG Policy

March 2023

This document describes Teſet’s approach to the sustainability matters, including the principles which Teſet aspires to and the procedure to integrate these principles into its activities. The policy applies to how we invest, manage our fund and investments and conduct our internal operations.

Contents

Teset Capital and Sustainability

Our Culture

Governance and Responsibility

Sustainable Investing

Guiding Principles

Sustainable Objectives

Teset's Sustainable Investment Strategy

Exclusion Policy

Sustainable Objectives and SDG alignment

ESG Integration Policy

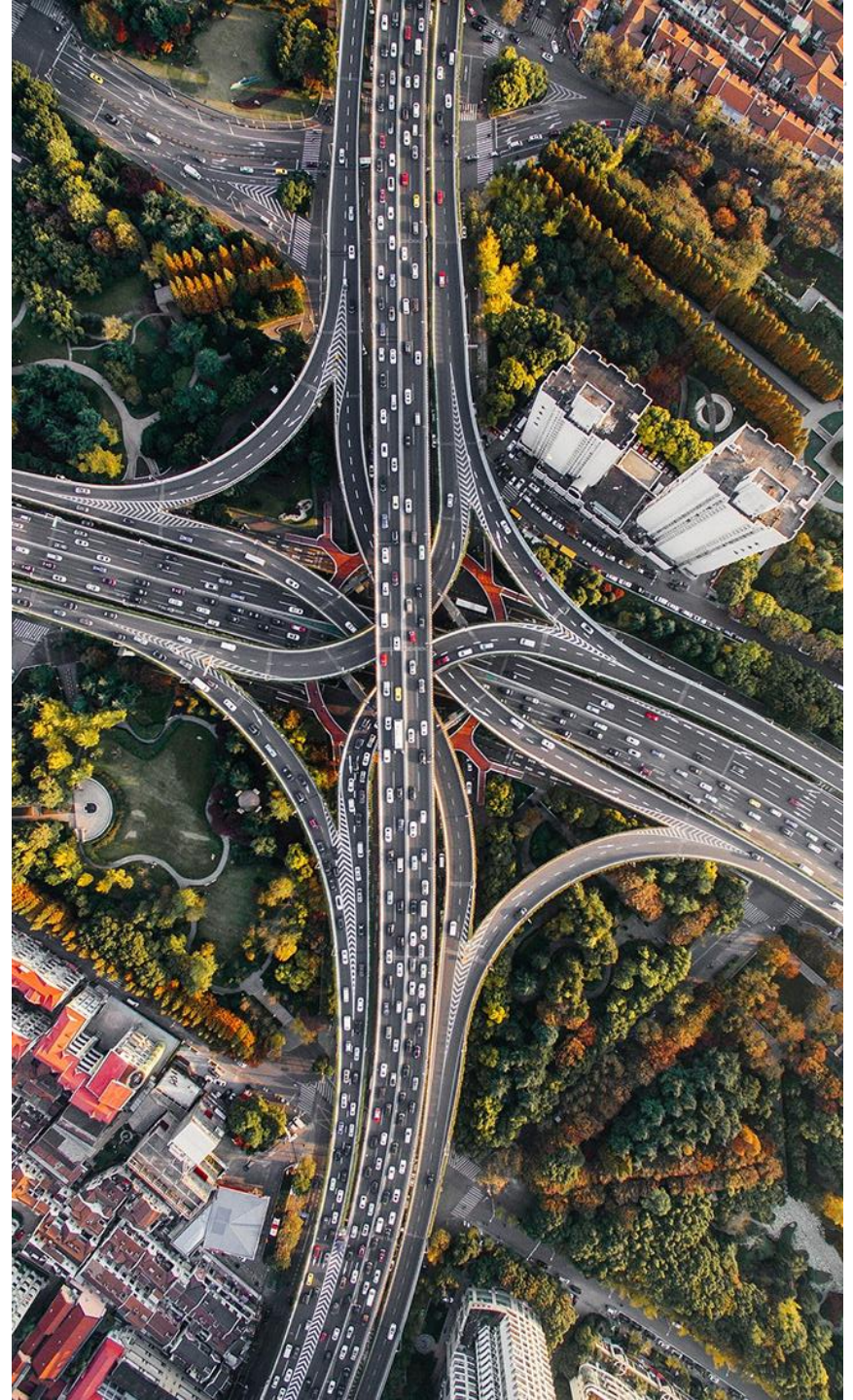
Action Plan

Decision Making

Post-acquisition and Reporting

Principle Adverse Impacts

Policy Review Process



Teset Capital is an independent, private equity firm focused on infrastructure assets. As an emerging firm, Teset pursues a strong commitment to Environmental, Social and Governance factors that are ingrained in the DNA of its founders.

Our objective is to ensure that ESG factors are an integral part of Teset investment and management processes. With our sustainability principles, we aim to achieve better investment outcomes over the long term, creating sustainable value to our portfolio by improving its operational scope and effective management.

We believe that sustainability goes far beyond environmental issues. From our perspective, infrastructure is a strategic asset because of its long-term nature, the services it provides and the positive impact it creates in the society, including transport infrastructure, healthcare and educational facilities, storage and distribution of energy as well as water and waste treatment. We firmly believe that infrastructure contribute to the sustainable development of communities.

At Teset, we trust that our principles make a great impact on the sustainable development of the economy and the environment. Therefore, we are strongly committed to develop and execute our Policy as a key driver of value creation.

Moreover, we must follow the same path within our own company. We think that transparency, sustainability and a responsible human resources policy - considering diversity, inclusion, respect and equal opportunity criteria - increase productivity and can help attract talent through greater social credibility.

Our Culture

Teset believes in the strong correlation between a good company culture and business performance. Teset culture is focused on deep-rooted values:

- Be independent and team players.
- Be always focused on our goals.
- Be trustworthy and act with integrity.
- Commitment to excellence.
- Commitment to creating sustainable and social impact, a critical lever to maximise investors' long-term value.
- Promoting diversity of thought and flatness of the decision-making structure

Governance and Responsibility

Teset ESG Policy is integrated into the organizational and governance structure, corporate culture, and operating processes and procedures. Its implementation and monitoring are carried out at all levels of action involved:

- **Teset:** The ultimate responsibility for ESG factors lies with its management through the Board of Directors and the Investment Committee, being these bodies responsible for sustainability and for supervising the integration of this Policy into the organization.
- **Investment Team:** Teset investment team is responsible for ensuring that ESG criteria management is taken into account and assessed both during the due diligence processes of the investee companies and in the daily post-investment management. The investment team is also responsible for reporting annually about compliance with the ESG Policy.
- **Investee Companies:** the implementation and obligations towards the ESG criteria in Teset's investee companies is ultimately the responsibility of the corporate governance body of each investee company. In all companies, a person responsible for the implementation and monitoring of this Policy will be appointed.
- **External Advisors:** Teset uses external Sustainability advisors whenever deemed appropriate to improve ESG integration processes in this field.

- **ESG Responsible:** Teset appoints an internal Sustainability responsible in order to coordinate the activity of the board, the investment teams and the staff, following the state of the art, and trying to keep the whole company on the same page. Such responsible can be appointed within the existing workforce or hiring a specific person for such purposes.

All Teset employees are responsible for ensuring that ESG Policy activities, including those conducted through third parties, are aligned with Teset's strategy and the Principles for Responsible Investment.

Moreover, Teset is committed to conducting **ESG practices in its day-to-day activities**. Particularly, through the following practices:

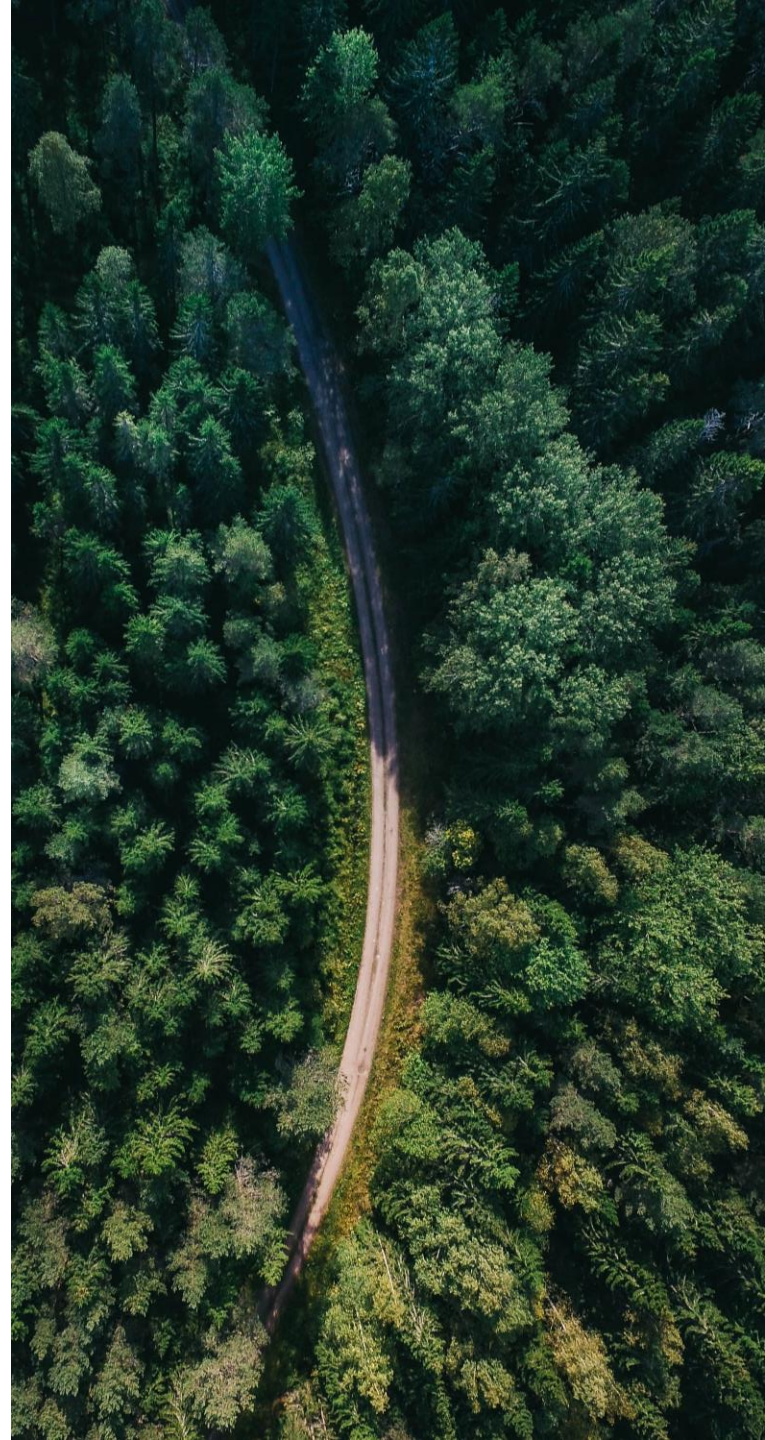
- Including in our ESG policy specific procedures to pursue our ESG objectives in the day-to-day of our company and investee companies.
- Considering risk and opportunities, linked to our ESG objectives, in the projects' due diligence and in our risk assessment methodology (RAM).
- Establishing KPIs within our company and investments, which help us to set objectives, pursue and control them.
- Providing ESG training and support to our teams to carry out their activity considering these principles.
- Seeking transparency by informing our investors, partner and working teams about our progress.

Guiding Principles

At Treset, the sustainability practice is a key tool to develop resilient business, align interests and create long-term value for its investors. We approach it as a mean to increase value of portfolio companies, and therefore, financial returns.

The following subsection describes Treset sustainability principles, commitment and culture, that are founded on the leading industry practices around sustainable investing and the UN Sustainable Developments Goals (SDGs).

- An economically efficient and sustainable financial system contributes to long-term value creation. Such system rewards long-term, responsible investment and benefits the environment and society as a whole.
- An ESG policy that is on the path of alignment of interest between investors and managers, enabling the creation of sustainable value.
- A responsible human resources policy, considering diversity & inclusion, respect and equal opportunity criteria, increases productivity and can help attract talent through greater social credibility. Inclusive office spaces, flexible work policies and conciliation of family life and work also enhance results.
- Treset principles must also apply to investees. The policy applies to all investments analyzed or made. Partners are responsible for overseeing its implementation, both when they have control positions and when they do not, ensuring or pursuing, as the case may be, that principles are maintained during the entire investment cycle.



Sustainable Objectives

- The promotion of sustainable industrialization, innovation and infrastructures.
- The support for the development of affordable and clean energy systems, which in turn allow better use of energy deriving from waste.
- The control and mitigation of environmental pollution.
- The promotion of efficient management of water and waste derived from its management and distribution.
- The support for the development of a universal and quality health system.
- The support for development and access to a universal and quality educational system.
- The promotion of accessible housing systems for different age groups.
- The sustainable improvement of productivity, innovation and technological progress

Teset sustainable objectives serve as the foundation for its investments, reflecting what the firm aims to pursue throughout its investments.

Moreover, these objectives are aligned with the following 8 Sustainable Development Goals (SDGs):

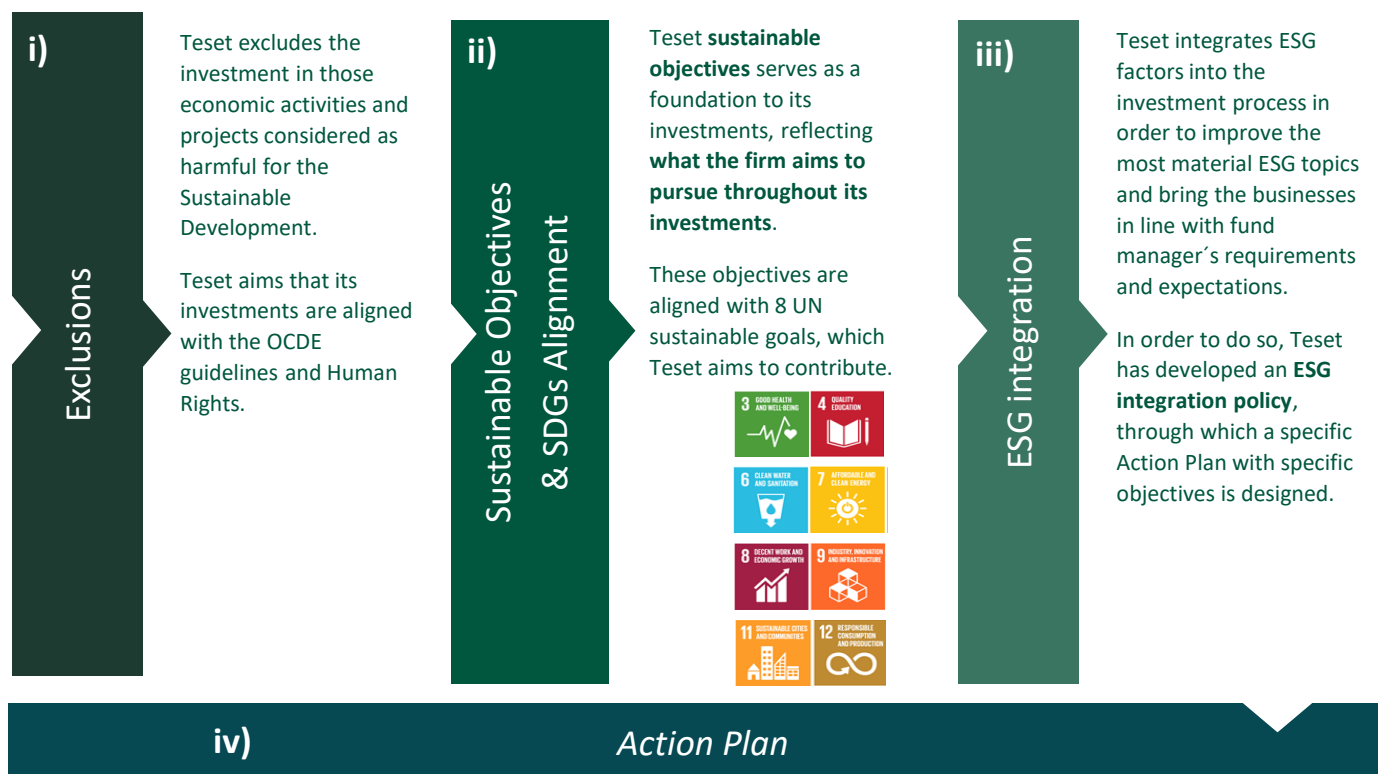


Teset approach to sustainable investment is based on the belief that sustainability is fundamental to business and that Teset should be a driver for improved ESG performance of its assets and the companies in its portfolio.

Teset believes that adequate consideration of ESG factors for each potential investment enhances the assessment of risks and opportunities at each asset the firm invest, which ultimately enables to improve its financial results across the portfolio.

Teset is committed to integrating all relevant ESG themes at each stage of the investment process as part of a comprehensive review of an investment opportunity, by using its proprietary ESG framework.

Therefore, Teset's sustainable investment strategy is based on **four-pillars**: exclusions, sustainable objectives and SDGs alignment, ESG integration, and Action Plan.



Exclusions Policy

Before starting an investment process, Teset analyses and determines whether there are any critical ESG or reputational concerns with regard to target companies. Indeed, Teset verifies that the invested companies are aligned with the OCDE Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights.

Moreover, Teset will not invest in any of the following sectors: tobacco, weapons, gambling, coal mining and any other activity that substantially harm the environment and society.



Sustainable Objectives and SDGs Alignment

Teset is deeply committed to promoting sustainable infrastructure, based on innovation and optimization. As a result of this objective, Teset aims to contribute to 8 of the Sustainable Development Goals (SDGs) set by the United Nations within the framework of the 2030 Agenda.





Teset's investment strategy is aligned with various international sources, such as the "Impact Investing Market Map" developed by the Principles for Responsible Investment of the United Nations, and it contributes to 13 targets defined by UN SDGs, as a call to action to achieve social sustainability across the globe.

According to the aforementioned, Teset will assess the **contribution to the SDGs of the United Nations and ESG factors during the evaluation and due diligence process of target companies.**

The **SDGs alignment score** is carried out through a questionnaire that allows an objective evaluation of the alignment of the project with the sustainable objectives.

This scoring serves as a **metric to monitor the alignment of the portfolio with the sustainable objectives pursued by Teset.**

The table below shows the 8 SDGs and respective targets that will be followed by Teset:

UN Goal	UN Target	Teset Contribution
Good Health and Wellbeing 	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all.	Investment, development or improvement of healthcare infrastructures such as private and public hospitals and any other medical facilities that promote access to an effective and quality system.
Quality Education 	4.a. Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.	Investment, development or improvement of education facilities such as primary and secondary schools, libraries, and any other infrastructure that support education.
Clean Water & Sanitation 	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally. 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.	Investment and improvement of water services and facilities such as water treatment plants, water distribution, pollution control services etc.; implementation of water-use efficiency mechanisms in portfolio companies; participation in tender processes to develop new water facilities and improve water quality and services.
Affordable & Clean Energy 	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services. 7.3 By 2030, double the global rate of improvement in energy efficiency.	Investment and improvement of energy infrastructures such as energy distribution and storage, district heating and cooling etc.; implementation of energy efficiency mechanisms in portfolio companies; participation in tender processes to develop new energy facilities and promote access to reliable energy services and improve energy efficiency.

UN Goal	UN Target	Teset Contribution
Decent Work & Economic Growth 	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors.	Investment and improvement of digital and innovative infrastructures such as data centers, fiber optics, 5G, network towers etc.; technological upgrading of the portfolio companies; participation in tender processes to develop new infrastructures that promote technological progress and higher levels of economic productivity.
Industry, Innovation & Economic Growth 	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	Investment and improvement of quality, reliable and sustainable infrastructures such as railways, ports, transportation hubs, ancillary infra etc.; participation in tender processes to develop new infrastructures to support economic development and human well-being.
Sustainable Cities & Communities 	<p>11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.</p> <p>11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.</p> <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.</p>	Investment and improvement of infrastructures that ensure the sustainable development of cities such as highways, residential accommodation for different age groups, waste treatment plants etc.; participation in tender processes to develop new infrastructures and improve basic services, road safety and waste management.
Responsible Consumption & Production 	<p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources.</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p>	Investment and improvement of infrastructures that enable sustainable management of resources such as waste-to-energy plants, waste and water management plants etc.; implementation of mechanisms to reduce, recycle and reuse materials within the portfolio companies; participation in tender processes to develop new infrastructures and improve the usage of natural resources.

ESG Integration Policy

The Regulation (EU) 2019/2088 on the disclosure of information related to sustainability in the financial services sector (SFDR) defines sustainability or ESG risk as “an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment”.

Teset, as a “participant in the financial markets”, integrates ESG factors into the investment process in order to improve the most material ESG topics and to bring the businesses of the invested companies in line with fund manager's requirements and expectations.

1) ESG Criteria and Sustainability Risks Integration

ESG integration consists of incorporating variables that have traditionally been out of the scope of financial analysis, but which can be critical as they might impact the performance and development of a company and, therefore, the valuation of the investment.

The ESG factors are classified into three main categories:

- **Environmental factors** (E): these factors are related to the impact of companies on climate change, as well as on the efforts made by companies to reduce pollution levels or carbon emissions. Among the indicators that might be analyzed, can be found factors such as climate change, circular economy, greenhouse gas emissions, loss of biodiversity, energy efficiency, depletion of water and resources or management of waste.
- **Social factors** (S): these criteria are focused on issues related to the rights, welfare and interests of individuals and communities. Examples of these issues include respect for human rights, labor standards, health and safety in the work environment, promotion of training, equality between women and men, any type of discrimination, relations with local communities and third parties.
- **Governance factors** (G): this information is linked to the structure, organization and management of companies, remuneration policies, shareholder rights, agency conflicts, the presence of women in management positions, business ethics, corruption and bribery or transparency in the disclosure of information, among others.

The assessment of these issues is integrated into the analysis and investment process, in order to evaluate both the impact that these factors might have on the companies, and the impact that the companies might generate on the society or the environment. ESG integration serves as risk-control tool, as Teset believes that including sustainability risks in the investment decision process can enhance the risk-adjusted return of the portfolios.

2) ESG Analysis : ESG Questionnaire and KPIs

First, the investment team carries out a preliminary analysis about the company focusing on those particular ESG issues that are most material, from a sectorial point of view. This implies the recognition and identification of the main ESG risks and opportunities the company is facing or may face in the short and mid-term.

Therefore, for each of the above-mentioned categories, the investment team is responsible for: i) identifying the key ESG risks of the project and ii) determining opportunities to mitigate them or to be potentially explored in order to improve value.

On a project-by-project basis, different sustainability factors might be applied in order to cover any specific ESG risks of a project.

This analysis is based on an **ESG Questionnaire** that integrates, both, qualitative and quantitative information (KPIs). This analysis comprises the current KPIs and targets that the company should aim to achieve, according to the investment team.

Teset has developed a **proprietary methodology** in order to evaluate the companies according to its ESG profile and SDGs alignment. This framework enables not only to analyse and control the type of investments within the portfolio but also to compare investments scores across the portfolio.

Once the investment has been made, the investment team is required to monitor the ESG information gathered previous to the investment, in order to identify potential deviations from the initial analysis, or to keep record and monitor the improvements the companies might be accomplishing.

RAM Analysis

A robust risk assessment methodology is critical to approach infrastructure investments, as a fundamental tool to assess risks systematically and precisely, to compare and prioritize opportunities across sectors, markets, locations, and business cycles.

The RAM is one of the pillars of Teset investment process that takes into account critical factors of an investment decision. The ESG proprietary framework was designed to be integrated into the RAM methodology, in order to guarantee that all investments are aligned with the sustainability objective, monitored, and controlled alongside all other critical factors.



Graph: Example of an Asset risk score, using Teset RAM

Action Plan

Teset ESG Action Plan is an ambitious roadmap that presents specific actions within three strategic areas: Environment, Social and Governance, to promote and incorporate the sustainable themes within the business.

Once a year, the board of directors will discuss internally the key objectives and set specific actions to be implemented within a reasonable time frame, in order to improve the ESG material topics and bring the business in line with fund manager's requirements and expectations.

Once the actions and milestones have been set, the ESG representative is responsible for leading and coordinating all the actions and report the progress to the board of directors twice a year.

Decision Making

Teset Investment Committee is the ultimate responsible for decision-making on investments, portfolio and exits. The Investment Committee will take into account sustainability risks and factors that could have a negative impact on the investment value in the same way as any other factors, i.e., financial or operational. When necessary, Teset will request additional information on specific ESG topics or hire external advisors to assist with this specific analysis.

Teset desires to provide small and medium-sized infrastructures with financial, human and organizational resources that allow them to embark on a new path of growth and create sustainable value.



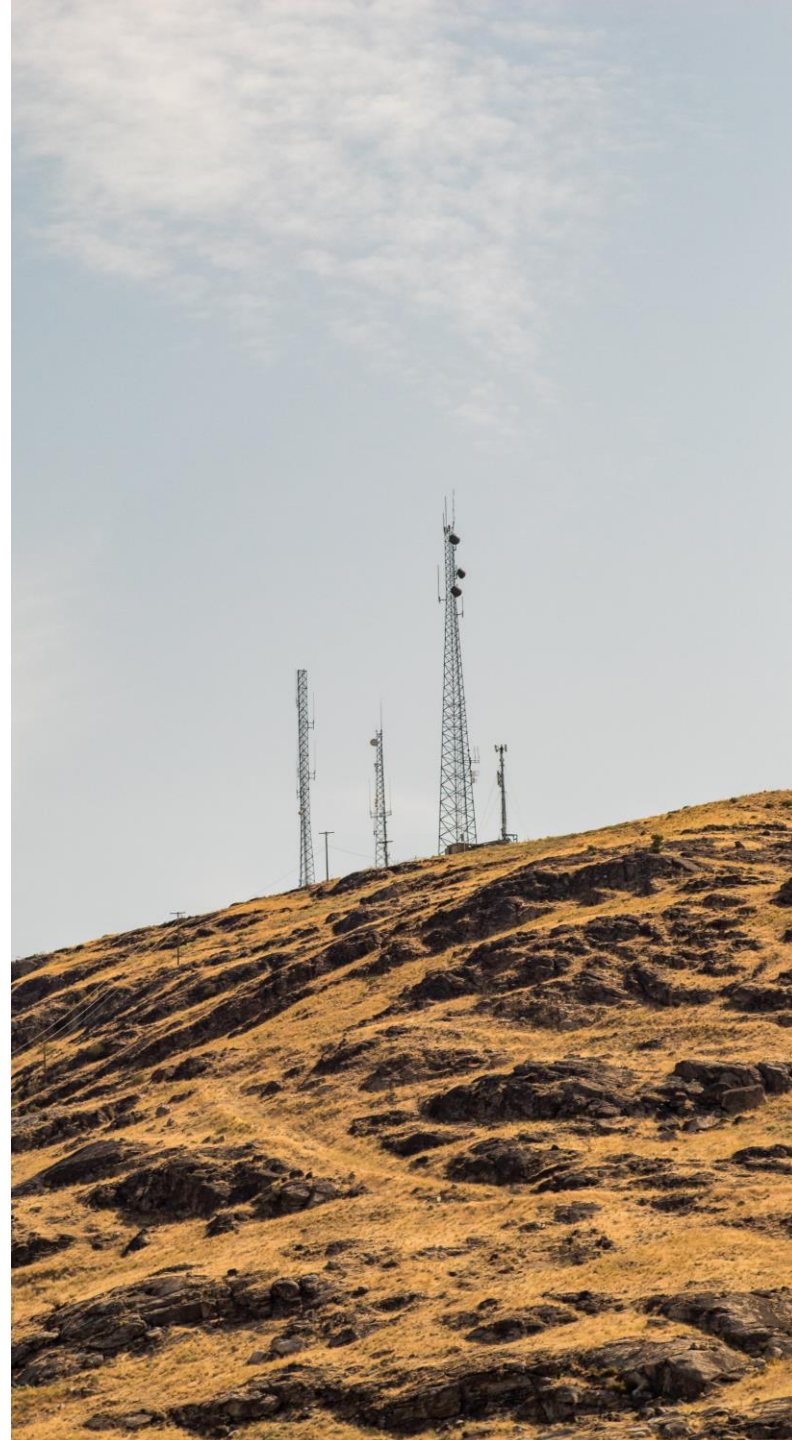
Post-acquisition and Reporting

The application of ESG criteria will be promoted within the investee companies and efforts will be made to share good practices among the different portfolio companies.

Within Teset portfolio, the companies will be requested and/or encouraged, depending on the decision rights of Teset, to:

- 1) Establish ESG policies.
- 2) Complete ESG performance analysis and workplan.
- 3) Measure and report on the progress of their goals and action plans.

Topics and KPIs to be monitored in each investee shall be initially those detected by the investment team during the due diligence process. However, additions and/or changes of topics and KPIs will be considered provided they improve the mitigation of risks and the development opportunities.



The Regulation (EU) 2019/2088 on the disclosure of information related to sustainability in the financial services sector (SFDR), requires entities considered as “participants in the financial markets”, in this case, Teset Capital, to publish information on whether are considering the adverse effects on the sustainability factors (PAI). In order to comply with the aforementioned obligation, it is reported that Teset does not currently consider adverse effects on sustainability factors at the entity level because of its company size.

The ESG Policy will be reviewed on a 6-month basis. The main purpose of the review process is to adapt the ESG Policy to new developments affecting the company and its investors and, therefore, remaining a true reflection of Teset strategy in response to ESG matters. Any changes in the Policy will require approval by the Board of Directors.



Tešet CAPITAL