



CLIMATE ENDOWMENT HYDROPOWER FUND

Summary

The Climate Endowment Hydropower Fund is a climate impact fund, which pursues sustainable investment with a double approach, and qualifies in accordance with Article 9 (2) of Regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector.

The environmental characteristics of the Hydropower Fund are monitored on a continuous basis throughout the lifecycle of investments, including:

- Achieve long-term sustainable, risk-adjusted returns
- Goal of reducing the total EU CO₂ emissions of the primary electricity mix in accordance with the EU climate protection goals.

All elements of the strategy to invest in sustainable projects are set out in the investment policy of Climate Endowment. After an investment has been made, or with regard to the existing portfolio, ongoing monitoring is carried out both at portfolio level and at asset level by the responsible functions. The aim of ongoing monitoring is to identify, monitor and minimise sustainability risks over the entire term of the investment. The Investment Committee has a structured screening, due diligence and investment process.

As a result of the focus of the Climate Endowment on sustainable projects, it will hold sustainable investments as defined in SFDR. Climate Endowment Group has a structured screening, due diligence and investment process. This process is designed to ensure that investments are reviewed on a consistent basis. Execution of this process is facilitated by the team's deep experience in energy infrastructure investing. This takes the form of both screening & Pre-investment due diligence and internal due diligence as further explained in the "Due Diligence" section below.

Sustainable investment objective

The goal of the CE Hydropower Fund is a pure hydropower fund that focuses on creating a portfolio of crisis resistant infrastructure investments with solid annual cash flow generation. The Fund seeks, over time, through the acquisition of small and medium-sized hydropower plants, a portfolio of institutional-sized hydropower plants at attractive acquisition prices. The aim is to achieve a balanced risk profile thanks to a mix of brownfield and greenfield investments with a maximum of 50% invested in the construction of greenfield projects.

Methods for assessing, measuring and monitoring environmental or social characteristics, including data sources

The financial advisor and his service providers filter, analyze and evaluate potential brownfield investments and greenfield projects in the light of the investment criteria and the risk-return strategy of the fund. The investment team works closely with the risk management and impact team to ensure that any required impact, financial and technical reviews are applied and thoroughly assessed with the data available at this point. Plants with high potential are submitted to the investment committee for approval by Greenlight. This is a preliminary review of the risk / return attractiveness and the environmental impact of the facility by the IC members and the Impact Officer.

The team uses checklists, which are regularly updated with global experts, to monitor sustainability goals and ensure that the ESG and impact strategy is achieved in line with our company's core values.

Due diligence on the underlying assets

In this phase, possible investments and projects are examined in detail for all relevant financial, economic, legal, climatic and ecological, social and technical aspects. The review is carried out by external specialist consultants, depending on the most important identified risk and investment-relevant areas, e. Financial and accounting reviews, technical reviews, legal reviews, and environmental and sustainability reviews assessed by the investment advisor.

Every new opportunity of the CE Hydropower Fund must meet the DNSH criterion (Do-No-Significant-Harm) at the time of the investment decision. The DNSH examines whether an investment or activity in connection with an investment leads to an unacceptable impact on the other UN sustainability criteria. The Climate Endowment Impact Team conducts the DNSH test based on the taxonomy of the European Union for the identification of environmentally friendly and sustainable activities.

Data sources, screening criteria for the underlying assets and relevant sustainability indicators

The Investment Committee uses only internal data, collected through its detailed due diligence exercise and ongoing monitoring of all investments.

Limitations to methodologies and data

Available ESG and sustainability data has its limitations. The Investment Adviser regularly reviews its metrics, and continuously seeks to improve transparency, disclosure and data provision in relation to Climate Endowment, using where relevant international benchmarking standards.

Designated Reference Benchmark

The CE Hydropower Fund aims to comply with the provisions of the Climate Transition Benchmark (EU CTB) for the assets contained in the fund by comparing them with the carbon intensity of the EU energy mix published by the European Environment Agency (EEA). Every investment by the Climate Endowment Hydropower Fund aims at least 50% less CO₂ emissions per kW / h produced than the CO₂ emissions per kW / h of the EU-27 average (source: European Environment Agency (EEA) greenhouse gas intensity of the 27 EU member states) to meet the requirements of the taxonomy of the European Union for the identification of environmentally friendly ('green') activities. According to a study by the Federal Environment Agency in Germany, river hydropower plants generate CO₂ equivalent of 2.702 g / kWh CO₂ in power generation. With data as of 2019, small and medium-sized hydropower plants produce 99% less CO₂-eq. per kW / h than the EU-27 power generator mix.

EU 27 CO₂ intensity in 2019 according to the EEA is 281 g CO₂e / kWh and according to the study by the Federal Environment Agency in Germany, hydropower plants generate 2.702 g CO₂e / kWh or 0.96% of the CO₂e emissions per generated energy unit of the EU 27 electricity generator mix.)

The Climate Transition Benchmark is aimed at reallocation capital towards a low-carbon and climate resilient economy. Climate Endowment utilizes this benchmark as its aligned with the GHG emissions sought after in the long-term global warming target of the Paris Climate Agreement.