



# SUSI ENERGY TRANSITION FUND (OECD) SCSp-RAIF (THE “FUND”)

A Luxembourg special limited partnership (société en commandite spéciale) qualifying as a reserved alternative investment fund (fonds d’investissement alternatif réservé)

Legal entity identifier: 635400AJYFIEVZ5SAO77

## **3 January 2023**

Sustainability-related disclosures in relation to Articles 23 and 37 to 49 of SFDR Delegated Regulation (EU) 2022/1288.

## 1. SUMMARY

The sustainable investment objective(s) of the Fund are to make investments which seek to have a reducing effect on emissions of carbon dioxide (CO<sub>2</sub>) and other greenhouse gases (as set out in Article 9(3) of SFDR) and to contribute to climate change mitigation. As further described in the Investment Policy section of the Memorandum, the Fund aims to gain exposure to a diversified portfolio of investments relevant for the clean energy transition. The Fund generally seeks to achieve the investment objective by investing through equity or equity-related instruments (including without limitation shareholder and other subordinated loans) in companies (including, without limitation, special purpose vehicles, partnerships, corporations, or other entities), which own, control and/or operate infrastructure assets.

In relation to the Fund, the Investment Manager assesses indicators that are deemed to indicate the presence of an adverse impact which would significantly harm environmental or social objectives. All investments of the Fund are screened against adverse impact indicators as part of the Investment Manager’s investment and due diligence process. Adverse impact indicators are part of the ESG assessment which includes site visits and detailed ESG and regulatory compliance checks. The investment process is designed to reject proposed investments if certain essential criteria are not met at the initial point of screening. All projects are screened against the Investment Manager’s exclusion criteria.

Upon investment and over the life of the investment, the Investment Manager assesses and monitors indicators that are deemed material and relevant for the respective investment. The Investment Manager believes that sustainable and ESG issues impact investment value and that better long-term investment outcomes can be achieved through active engagement and ownership.

The Investment Manager’s investment process is designed to reject proposed investments based on sustainable investment grounds if certain essential ESG criteria, including adverse impacts on sustainability factors, are not met at the point of initial screening. The ESG approach is systematically embedded across investment and asset management processes.

No EU Climate Transition Benchmark or EU Paris-aligned Benchmark is available for the Fund. The objective of low carbon emission exposure in view of achieving the long-term global warming objectives of the Paris Agreement is ensured by focussing on investments which support the shift of energy production away from fossil fuel-based generation, increase the energy efficiency or productivity of existing infrastructure, or which enable the utilisation of clean energy. The

Investment Manager uses Potential Avoided Emissions (PAE) to measure the attainment of the sustainable investment objective of the Fund. Quantifying Potential Avoided Emissions (PAE) provides a business case for low-carbon projects, products, and services, and demonstrates climate change mitigation benefits to investors and customers. The Fund quantifies PAE across all investments and consolidates PAE at the fund-level on an annual basis.

## 2. NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

The Investment Manager assesses indicators that are deemed to indicate the presence of an adverse impact which would significantly harm environmental or social objectives. All investments are screened against adverse impact indicators as part of the Investment Manager’s investment and due diligence process. Adverse impact indicators are part of the ESG assessment which includes site visits and detailed ESG and regulatory compliance checks. The investment process is designed to reject proposed investments if certain essential criteria are not met at the initial point of screening. All projects are screened against the Investment Manager’s exclusion criteria.

Upon investment and over the life of the investment, the Investment Manager assesses and monitors indicators that are deemed material and relevant for the respective investment. The Investment Manager believes that sustainable and ESG issues impact investment value and that better long-term investment outcomes can be achieved through active engagement and ownership. Therefore, the Investment Manager has a dedicated asset management team, whose responsibilities include sustainability monitoring and management, including in relation to the principal adverse impact indicators described below. At least one member of the investment team will also continue to take an active role in portfolio management of each investment with the aim to ensure best practices, arms-length contracts with clear scopes, oversight, and alignment mechanisms. Monitoring of sustainability-related topics are conducted through detailed and standardised reporting, site visits/inspections and regular meetings with stakeholders. The asset management team is also conducting regular in-depth reviews of sustainability performance by asset. Conclusions are incorporated into investee company dialogue, investor engagement, budgeting, valuation, and asset management activities. While typically focussed on transparency and risk management, sustainability outcomes can also drive strategic decisions when opportunities exist to create value.

For more details on how ESG and sustainability factors are integrated into the investment process, including how ESG and sustainability risks are integrated into the investment decisions, please refer to the Investment Manager’s [Sustainable Investing Policy](#).

### Indicators for adverse impacts from Annex I of the RTS

Mandatory (from Table 1 of Annex I of the RTS)	
1.	<p><b>GHG emissions</b></p> <p><i>Scope 1, Scope 2 and Scope 3 GHG emissions will be quantified from 2023 onwards and be reported from 2024 onwards.</i></p>
7.	<p><b>Activities negatively affecting biodiversity-sensitive areas</b></p> <p><i>All investments are screened for potential negative biodiversity impacts as part of the Investment Manager’s due diligence process. For most investments, an</i></p>

	<i>environmental assessment is conducted by a third-party advisor to obtain all relevant environmental permits prior to investment.</i>
<b>10.</b>	<b>Violations of UN Global Compact Principles and OECD Guidelines for Multinational Enterprises</b> <i>All potential investments are screened for any violations on the above-mentioned principles and excluded in case of positive screening as per Investment Manager's <a href="#">Sustainable Investing Policy</a></i>
<b>11.</b>	<b>Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</b> <i>All potential investments are screened for appropriate policies and processes on the above-mentioned principles as per Investment Manager's <a href="#">Sustainable Investing Policy</a></i>
<b>Additional (from Table 3 of Annex I of the RTS)</b>	
<b>2.</b>	<b>Rate of accidents</b>
<b>4.</b>	<b>Lack of a supplier code of conduct</b>

The Investment Manager does not currently consider the following indicators from Table 1 of Annex I of the RTS, for the reasons set out below:

**2. Carbon footprint**

N/A (given formula cannot be applied) as per investment strategy of the Fund

**3. GHG intensity of investee companies**

N/A (given formula cannot be applied) as per investment strategy of the Fund

**4. Exposure to companies active in the fossil fuel sector**

Excluded from investment universe as per Investment Manager's [Sustainable Investing Policy](#)

**5. Share of non-renewable energy consumption and production**

N/A as per investment strategy of the Fund

**6. Energy consumption intensity per high impact climate sector**

N/A as per investment strategy of the Fund

**8. Emissions to water**

N/A as per investment strategy of the Fund

**9. Hazardous waste ratio**

N/A as per investment strategy of the Fund

## 12. Unadjusted gender pay gap

N/A as per investment strategy of the Fund

## 13. Board gender diversity

N/A as per investment strategy of the Fund

## 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

Excluded from the investment universe as per Investment Manager's [Sustainable Investing Policy](#)

The Investment Manager may in the future take into account additional indicators for adverse impact.

The Fund ensures that the sustainable investments are in undertakings which have implemented procedures to ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

## 3. SUSTAINABLE INVESTMENT OBJECTIVE OF THE FINANCIAL PRODUCT

The sustainable investment objective(s) of the Fund are to make investments which seek to have a reducing effect on emissions of carbon dioxide (CO<sub>2</sub>) and other greenhouse gases (as set out in Article 9(3) of SFDR) and to contribute to climate change mitigation. As further described in the Investment Policy section of the Memorandum, the Fund aims to gain exposure to a diversified portfolio of investments relevant for the clean energy transition. For further information in respect of the Fund's investment objective, please refer to the Investment Objective, Investment Strategy and Policy sections of the Memorandum.

Consequently, a significant portion of the Fund's investments contribute to the environmental objective of climate change mitigation as set out in Article 10 of the Taxonomy Regulation. It is expected therefore that a significant share of investments will be in environmentally sustainable economic activities.

No EU Climate Transition Benchmark or EU Paris-aligned Benchmark is available for the Fund. The objective of low carbon emission exposure in view of achieving the long-term global warming objectives of the Paris Agreement is ensured by focussing on investments which support the shift of energy production away from fossil fuel-based generation, increase the energy efficiency or productivity of existing infrastructure, or which enable the utilisation of clean energy. The Fund is expected to allocate approximately half of its capital to the decarbonised energy generation sector but will seek to diversify significantly into energy efficiency and energy solutions Investments.

## 4. INVESTMENT STRATEGY

The Fund generally seeks to achieve the investment objective by investing through equity or equity-related instruments (including without limitation shareholder and other subordinated loans) in companies (including, without limitation, special purpose vehicles, partnerships, corporations or other entities), which own, control and/or operate infrastructure assets.

As described in more detail in the Memorandum, the Fund aims to gain exposure to a diversified portfolio of investments relevant for the clean energy transition, i.e. which seek to have a reducing effect on emissions of CO<sub>2</sub> and other greenhouse gases. The Fund is expected to allocate approximately half of its capital to the decarbonised energy generation sector but will seek to diversify significantly into energy efficiency and energy solutions investments.

The good governance practices of investee companies are assessed prior to making an investment in accordance with the good governance provisions of the Investment Manager’s sustainable investing policy which sets minimum standards against which investee companies will be assessed including sound management structures, employee relations, remuneration of staff and tax compliance.

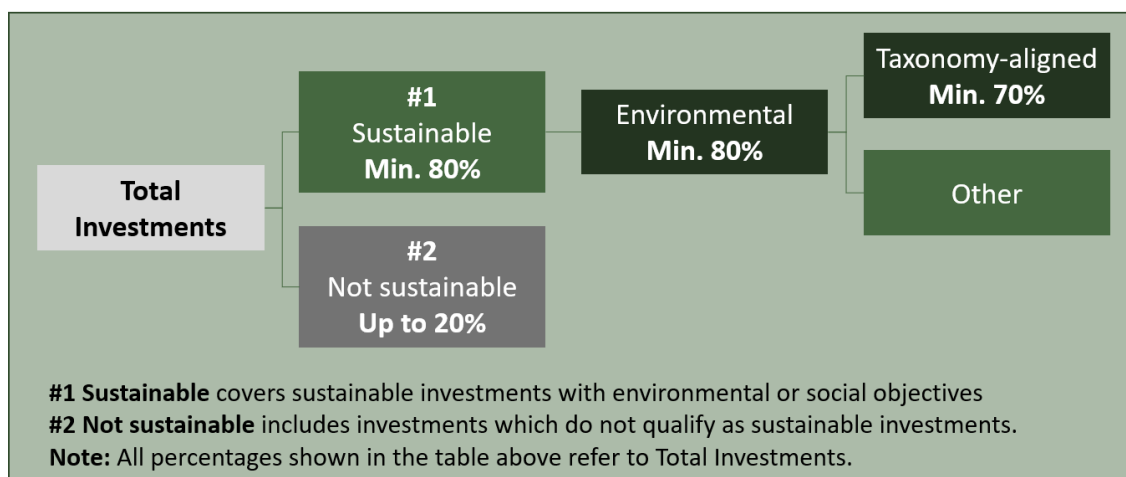
## 5. PROPORTION OF INVESTMENTS

**#1 Sustainable:** The Investment Manager aims to invest up to 100%, and commits to invest at least a minimum of 80%, of the Fund’s portfolio in sustainable investments. All of this minimum commitment will be invested in sustainable investments with an environmental objective. The Fund does not intend to make any investments in sustainable investments with a social objective. The commitment described above reflects that the Fund has flexibility to invest in investments which are not “sustainable investments” for hedging purposes. To the extent that the Fund does not enter into hedging transactions, the minimum commitment may be exceeded.

The Investment Manager aims to invest up to 100%, and commits to invest at least a minimum of 70%, of the Fund’s portfolio in sustainable investments with an environmental objective aligned with the EU Taxonomy. This is a minimum commitment in line with the requirements of the EU Taxonomy. It is impossible to predetermine the exact percentage of the Fund’s portfolio that will be EU Taxonomy-aligned, and the actual percentage of the Fund’s portfolio invested in sustainable investments with an environmental objective may be higher than such minimum commitment.

For the purposes of the minimum commitments described above, (i) any cash or cash equivalents held by the Fund are excluded and (ii) the percentage is calculated as a ratio of the sum of the total investment costs of all investments of the Fund falling into the relevant category to the sum of the total investment costs of all investments of the Fund.

**#2 Not Sustainable:** The remaining 20% of the Fund’s portfolio will, to the extent applicable, be in investments which are used mainly for the purposes of hedging.



### **Direct and indirect exposures**

The Fund will make a mixture of direct investments and hold indirect exposure to investment positions. Indirect exposure may include through derivatives.

## **6. MONITORING OF THE SUSTAINABLE INVESTMENT OBJECTIVE**

Upon investment and over the life of the investment, the Investment Manager assesses and monitors indicators that are deemed material and relevant for the respective investment. The Investment Manager will use the following metrics to measure the attainment of the sustainable investment objective of the Fund:

### **Reduction in CO<sub>2</sub> and other greenhouse gas emissions; climate change mitigation:**

- Potential avoided emissions (PAE) as defined by the Greenhouse Gas Protocol are calculated for each investment.

A detailed methodology on how PAE are measured and quantified was developed in collaboration with a third-party advisor. The methodology covers the approach as well as the underlying data collection processes.

### **Internal control mechanisms**

The Investment Manager believes that sustainable and ESG issues impact investment value and that better long-term investment outcomes can be achieved through active engagement and ownership. Therefore, the Investment Manager has a dedicated asset management team, whose responsibilities include sustainability monitoring and management, including in relation to the principal adverse impact indicators described below. At least one member of the investment team will also continue to take an active role in portfolio management of each investment with the aim to ensure best practices, arms-length contracts with clear scopes, oversight, and alignment mechanisms. Monitoring of sustainability-related topics are conducted through detailed and standardised reporting, site visits/inspections and regular meetings with stakeholders. The asset management team is also conducting regular in-depth reviews of sustainability performance by asset. Conclusions are incorporated into investee company dialogue, investor engagement, budgeting, valuation, and asset management activities. While typically focussed on transparency and risk management, sustainability outcomes can also drive strategic decisions when opportunities exist to create value.

### **External control mechanisms**

Not applicable

## **7. METHODOLOGIES**

As set out above, the Investment Manager uses Potential Avoided Emissions (PAE) to measure the attainment of the sustainable investment objective of the Fund. Quantifying Potential Avoided Emissions (PAE) provides a business case for low-carbon projects, products, and services, and demonstrates climate change mitigation benefits to investors and customers. The Fund quantifies PAE across all investments and consolidates PAE at the fund level on an annual basis. This allows to quantify the positive impact on climate change mitigation on behalf of various stakeholders.

The current PAE calculation approach reflected in the PAE calculation accounts only for emission reductions that occur during the operational phase of the project (i.e. reductions in Scope 1 and Scope 2 emissions) associated with investments in renewable energy, including both projects with or without battery storage, and energy efficiency where the investment theoretically displaces the use of energy from fossil fuels.

Although Scope 3 (or lifecycle emissions) are mentioned in the World Resources Institute (WRI) guidance, PCAF does not reference or mandate the inclusion of Scope 3 emissions in their PAE calculation approach. In the future, the fund may integrate Scope 3 emissions as part of their PAE calculation, once a Scope 3 emissions inventory has been developed, using the same approach outlined in this section. Thus, current mentions of “project emissions” throughout this section will refer to only Scope 1 and Scope 2 emissions generated by the project.

The World Resources Institute (WRI) notes there are two approaches to estimate PAE:

- Consequential approach, which estimates the system-wide change in emissions and removals that result from a given decision or intervention (e.g. production of one extra unit of product or the introduction of a new government policy), or
- Attributional approach, which measures emission reductions attributed to a given project, product or service when compared to an alternative.

For purposes of quantifying and reporting PAE associated with investments made by the Fund, the attributional approach is considered as fit-for-purpose.

The general formula for PAE calculation is:

*Potential Avoided Emissions (PAE)=Baseline Emissions–Project Emissions*

## 8. DATA SOURCES AND PROCESSING

Information on projects financed by the Fund and specific project-level data are collected for potential avoided emissions (PAE) calculations. Some data points are commonly required across all projects and methodologies, whereas for some projects, additional data points are required depending on the project technology and PAE estimation methodology. The general data points required for all projects are listed as follows:

- Project technology (e.g. wind, solar, energy efficiency)
- Project technology lifetime – estimated based on known technology lifetime specifications as at the time of reporting
- Project country
- Project lifetime start date/COD
- Acquisition date and disposition date
- Percentage share of equity
- Emission factor
- Annual or monthly generation

All relevant data is sourced from investee companies. Data is collected using predefined questionnaires, partly based on excel files as well as automated via an asset management software solution. Following receipt of the data, data is reviewed and processed by the internal asset management and risk management function of the Fund. Such review is used to seek to ensure data

quality, with any suspicious data flagged by the review investigated and escalated to the relevant investee company as appropriate.

It is difficult to provide a percentage of data that is estimated. However, the Investment Manager anticipates that approximately 30% of data is estimated.

## 9. LIMITATIONS TO METHODOLOGIES AND DATA

As described above, all data is sourced from investee companies. The level and quality of ESG-related data may vary and getting complete and accurate data can be challenging and there may be occasions where data is incomplete, missing or contested. Checks are carried out in accordance with the Investment Manager's internal review process in order to identify incomplete, missing and/or contested data. Where data is incomplete or missing, industry assumptions in line with best practices are used for approximation. Any such limitations are not expected to affect the attainment of the sustainable investment objective.

## 10. DUE DILIGENCE

The Investment Manager's investment process is designed to reject proposed investments based on sustainable investment grounds if certain essential ESG criteria, including adverse impacts on sustainability factors, are not met at the point of initial screening. The ESG approach is systematically embedded across investment and asset management processes. The assessment and identification of adverse impacts and potential areas for improvement take place as soon as investment opportunities are identified using the criteria set out in the [Sustainable Investing Policy](#). In practice, each project is thoroughly assessed through an initial due diligence analysis prior to investment. If material sustainability topics are highlighted during this process, risk mitigation procedures are included in the project documentation and specific risk indicators are identified for the implementation of ongoing monitoring. In general, the methodology used in the ESG analysis process for investment opportunities is built around the following steps:

1. Verification of the eligibility of the project against the exclusions established by the Investment Manager;
2. Detailed analysis of ESG and sustainability issues;
3. Determination of ESG risks and key performance indicators (KPIs);
4. Identification of the ESG risk mitigation and monitoring strategy.

## 11. ENGAGEMENT POLICIES

SUSI Partners seeks to engage regarding ESG matters as follows:

SUSI Partners monitors material and relevant ESG risks and opportunities on an ongoing basis during ownership, including through implementing monitoring and engagement strategies during the portfolio management period. Monitoring of sustainability-related topics is conducted through detailed and standardised reporting, site visits/inspections and regular meetings with stakeholders. We believe that active ownership through regular monitoring of specific and relevant matters can support sustainable outcomes and value creation.



## 12. ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

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Consequently, a significant portion of the Fund's investments contribute to the environmental objective of climate change mitigation as set out in Article 10 of the Taxonomy Regulation. It is expected therefore that a significant share of investments will be in environmentally sustainable economic activities.

No EU Climate Transition Benchmark or EU Paris-aligned Benchmark is available for the Fund. The objective of low carbon emission exposure in view of achieving the long-term global warming objectives of the Paris Agreement is ensured by focussing on investments which support the shift of energy production away from fossil fuel-based generation, increase the energy efficiency or productivity of existing infrastructure, or which enable the utilisation of clean energy. The Fund does not comply with the methodological requirements set out in Delegated Regulation (EU) 2020/1818.

The Fund is expected to allocate approximately half of its capital to the decarbonised energy generation sector but will seek to diversify significantly into energy efficiency and energy solutions investments.

The Investment Manager will use the following metrics to measure the attainment of the sustainable investment objectives of the Fund:

Reduction in CO<sub>2</sub> and other greenhouse gas emissions; climate change mitigation:

- Potential avoided emissions (PAE) as defined by the Greenhouse Gas Protocol are calculated for each investment.