

September 2023

# Responsible Investment Policy

## Founding principles and objectives

Palladio Partners is an asset management boutique focusing on illiquid investments that places responsible investing and long-term orientation at the core of its strategic positioning. We commit ourselves to invest responsibly by creating enduring value. Our focus is on investing in companies and projects fulfilling basic needs and providing long-term social and economic value. We thereby adopt a life cycle perspective. Long-term positive and potential negative outcomes are consistently considered in our daily activities, by considering also scenarios which are unlikely in the medium term. This naturally includes integrating Environmental, Social, and Governance (ESG) aspects into all investment and management decisions.

We serve institutional investors that are looking for long-term investments to provide a secure retirement for millions of beneficiaries. Given that our investment strategy relies on stable environmental conditions and political systems as well as social stability, we recognize the importance of ESG aspects. We believe that incorporating ESG considerations into our processes will allow us to generate additional value to our stakeholders, increase the resilience of our investments and provide better risk management.

Since the inception of the firm, Palladio Partners upholds a high standard of business integrity. As part of our holistic approach to responsibility, we also encourage our business partners to adhere to these values. Whether we invest in funds or directly in companies, we always seek transparency and disclosure on relevant ESG topics.

These principles apply equally to everything we do, to managing and advising both pooled funds and segregated mandates.

Palladio Partners is a signatory of the UN Principles for Responsible Investment (UN PRI) and an active member of associations aiming to enable long-term sustainable development of economies and countries, such as “Initiative deutsche Infrastruktur” and the “Long-Term Infrastructure Investors Association”. Both organizations focus on an active dialogue and involvement between institutional investors, investment managers, infrastructure companies, policymakers, and research institutions.

## ESG integration in the entire investment process

We incorporate ESG issues into the entire investment process from the definition of the investment strategy to asset management. The most important ESG related steps of the investment process are:

Investment Strategy	Due Dilligence	Investment Decision	Asset Management and Monitoring
<ul style="list-style-type: none"> <li>■ Inclusion of ESG topics in overall strategy and asset allocation guidelines</li> <li>■ Compliance with relevant ESG policies and legal requirements</li> <li>■ Involving investors and their ESG preferences</li> </ul>	<ul style="list-style-type: none"> <li>■ Identification and assessment of ESG risks and opportunities</li> <li>■ Discuss ESG approach with investee’s management</li> <li>■ Analysis of existing ESG documentation</li> <li>■ ESG scoring</li> </ul>	<ul style="list-style-type: none"> <li>■ Inclusion of ESG findings and ESG scoring in investment committee decision making process</li> </ul>	<ul style="list-style-type: none"> <li>■ Continuous monitoring of ESG related KPIs and incidents</li> <li>■ Encourage investees to actively manage ESG risks and opportunities</li> <li>■ Internal and external reporting on ESG topics</li> </ul>

At Palladio Partners, we have developed an in-house ESG scoring framework. The integration of ESG aspects in the investment process varies by asset class and sector, and our ESG scoring framework and the ESG due diligence process differ according to the type of the asset and is adapted to the specific requirements of each investment. It further varies by the type of investment: In direct investments we can influence ESG issues directly whereas in indirect investments we mostly rely on contractual provisions.

## ESG opportunities and impact

Given that most of our investments include positive externalities, we have integrated the assessment of sustainability outcomes using the UN Sustainable Development Goals (SDG) framework in every stage of our investment process. In our periodic review of our overall investment strategy we start with the identification of long-term development goals and needs that are currently being underserved and supplement this with stakeholder and economic analyses. This includes the assessment of ESG opportunities at the level of sectors and individual investments.. Palladio

Partners is not just a financial investor; we seek to capitalize on our skills, experience and network when pursuing SDGs such as the modernization of infrastructure, sustainable cities and communities, and affordable and clean energy.

The SDG framework is also integrated in the ESG scoring of investments.

## ESG factors and risk

When conducting due diligence on a potential investment, we also assess potential material adverse impacts on ESG factors in case and to the extent the relevant information is available to us (in particular regarding the formats specified by regulatory requirements). In addition, we analyze ESG factors across sectors and countries to address relevant environmental, social and governance factors in due diligence. We consider this part of our fiduciary duty as when a sustainability risk materializes, this will typically also impact the long-term value of the respective investment.

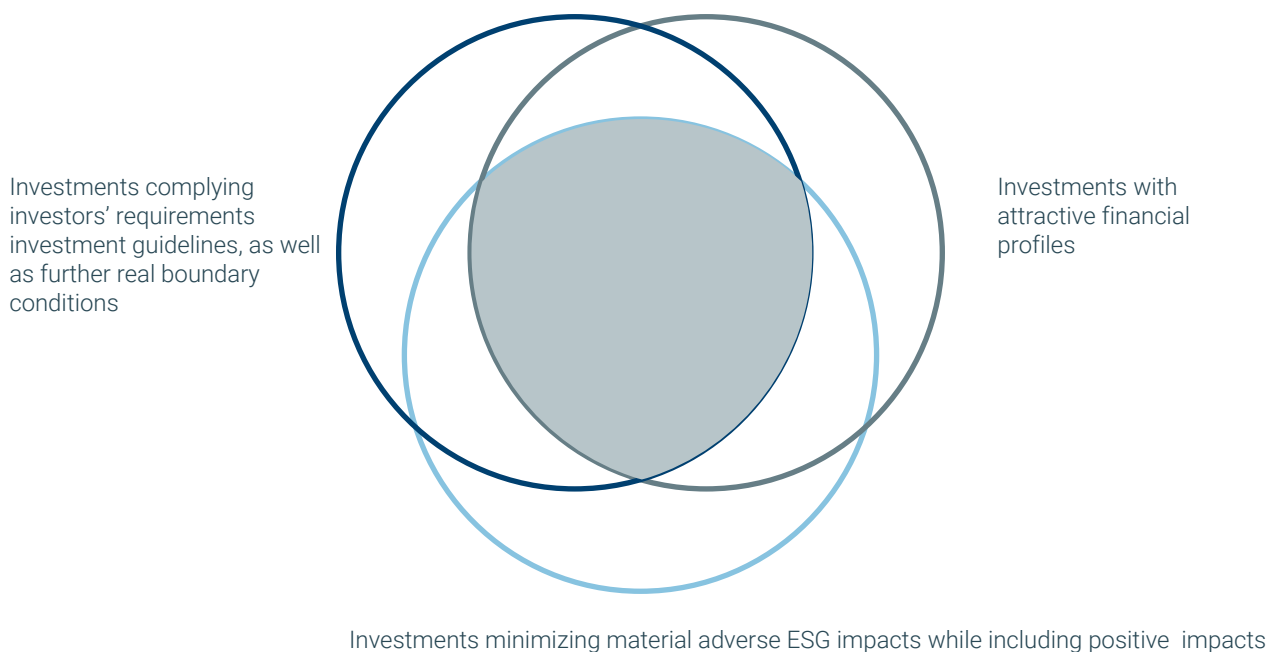
We consider a broad scope of potential ESG factors (especially in the areas of environment, social and governance) including but not limited to those required by regulation or law.

Exclusions are usually client specific but always include legally required exclusions.

## Stewardship aspects and policy

Stewardship aspects are closely linked with the investment process starting with the definition of the investment strategy, where investor preferences and details of fiduciary duty are addressed. We endeavor to understand our clients' needs and to design the most suitable investment strategy. For segregated mandates these can be very specific and often result from extensive discussions with our clients.

Our further ESG-related stewardship activities focus on maximizing overall financial and non-financial value for our investors. We thereby aim to maintain for all investments full compliance with our fiduciary duty while at the same time minimizing material adverse ESG impacts and providing an attractive financial risk-return profile; i.e. all investments should be positioned in the intersection of the three circles in the following diagram.



We will only enter into investments that fulfill all three prerequisites. Over time, however, an investment may no longer have the required features and a sale will be considered, for instance in case of a principal adverse ESG impact. Given our focus on illiquid asset classes, a sale may not always be viable or only be possible at a significant discount. In such cases, we use our influence to mitigate material adverse ESG impacts and, if needed, apply appropriate conflict

of interest procedures. Influence is generally exerted through dialogue with the management of the target funds and direct investments.

We have established an escalation process for dealing with ongoing adverse sustainability impacts and the resulting conflicts of interest.

Our activities related to stewardship in the broader sense include collaboration and dialogue with other stakeholders with the aim of raising awareness of ESG issues beyond individual investments.

## Asset management, monitoring, and reporting

Our internal monitoring system enables a granular and recurring assessment of risks factors, including ESG risks. Whenever available in a suitable format, we record all material information on ESG matters relevant for our investments. Furthermore, we work continuously with our business partners and investees with the aim of initiating progress with regard to ESG factors as well as improving the scope, quality, and suitability of ESG related information that is being disclosed.

Our external reporting includes a summary of relevant ESG matters for portfolios and individual investments.

## Governance and remuneration

To assure proper governance and accountability with respect to ESG matters, oversight is split between senior management (regarding the overall process of ESG integration) and the investment committee (regarding the framework for investment decisions). Furthermore, the remuneration for all investment related professionals includes the successful integration of ESG aspects, opportunities and risks, in the investment process.

## Important remarks

This policy covers the activities of Palladio Partners including those of Palladio (Luxembourg) S.à r.l. as an alternative investment manager/financial market participant when taking investment decisions and *mutatis mutandis* of Palladio Management GmbH as a financial adviser when providing investment advice (in the meaning of Regulation (EU) 2019/2088 "SFDR"). The information on sustainability risks, principal adverse impacts on sustainability factors and the inclusion of sustainability risks in the remuneration policy in accordance with the SFDR is disclosed under the respective links "Transparency information according to Article 3,4,5 of SFDR Palladio Luxembourg s. à r.l." and "Transparency information according to Article 3,4,5 of SFDR Palladio Management GmbH". This policy is not to be construed as an offer to sell or subscribe for interests in any particular investment fund managed or advised by Palladio Partners and it is not intended qualify as individual investment advice. Subscriptions for interests in such investment funds will only be possible on the basis of the relevant limited partnership agreement, private placement memorandum and subscription documents (the "Fund Documents"), and only once appropriate measures have been taken in accordance with the legal requirements for the marketing of interests in the jurisdiction of a potential investor. The Fund Documents of any specific investment fund managed or advised by Palladio Partners may contain more specific ESG rules and descriptions applicable to the respective investment fund.