

SFDR - Article 10 (SFDR)

Website disclosure

I4B - The Belgian Infrastructure Fund

SFDR product category: Article 8

Legal entity identifier: 0721.470.26

Version December 2023

Manager: Infra4Be Management SA

This document constitutes the website product disclosure for I4B-The Belgian Infrastructure Fund an Alternative Investment Fund managed by Infra4be Management SA

(a) Summary

I4B – The Belgian Infrastructure (“I4B” or the “Fund”) promotes environmental or social characteristics in addition to its other investment objectives. It incorporates governance aspects into its investment decisions and takes into account the Principle Adverse Impacts on environmental sustainability factors (“PAIs”). As such, the Fund qualifies as a “financial market participant” within the meaning of Art. 8 and Art. 7 (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector (“SFDR”)

I4B promotes environmental or social characteristics but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

I4B aims at promoting 5 characteristics, of which 3 are environmental and 2 are social:

- 1) **Climate Change**
- 2) **Impact on resources**
- 3) **Impact on biodiversity**
- 4) **Employee Health & Safety**
- 5) **Good governance**

Proportion of investments

At least 90% of the Fund’s investments are devoted to assets aligned with the Environmental and Social characteristics promoted by the Fund. The remaining 10% corresponds to cash holdings, that are kept as reserve for coverage and liquidity purposes.

ESG strategy and monitoring of environmental or social characteristics

The Fund’s ESG strategy is embedded in its investment strategy. It is built around three main pillars:

- **Incorporate ESG at every stage of the investment process:** asset origination, due diligence and execution, holding period and exit.
- **Shareholder engagement and stewardship:** the Fund actively seeks to promote the ESG related issues to its investee companies and actively collaborates with their management for defining ESG plans and actions.
- **Transparent ESG reporting:** The Fund’s Management is committed to ensuring Transparent ESG reporting.

The Fund also assesses good governance practices.

This document summarizes Infra4Be’s sustainability information about their Art.8 financial product.

(b) No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

I4B promotes the following environmental and social characteristics:

- **Environmental characteristics:**

- 1) Climate Change - Monitoring and reducing GHG emissions.
- 2) Impact on resources - Improving energy and water management, as well as raw materials use.
- 3) Impact on biodiversity – reducing the impact on biodiversity.

- **Social characteristics:**

- 4) Health & Safety - Monitoring and improving health and safety at the workplace.
- 5) Good governance – Monitoring and fostering good governance practices in relation to business ethics, anti-corruption policies, tax transparency, cybersecurity, and societal engagement.

(d) Investment strategy

Investment strategy used to meet the environmental or social characteristics promoted by the financial product:

I4B makes long-term investments in infrastructure assets that offer stable and predictable cash flows.

By explicitly incorporating ESG factors in the investment decisions process and in the investment management procedures, the Manager aims to reduce risk and enhance returns. The consideration and integration of ESG factors not only allow for better risk management of the Fund's infrastructure portfolio but also leads to reducing costs and to increasing efficiency and to reducing negative externalities.

In line with its ESG policy of the Manager, I4B is committed to act as a responsible investor and asset owner and to invest in stable, high-performing, and well governed infrastructure assets or companies. To achieve this, ESG factors are integrated throughout all the investment process (i.e. asset origination, due diligence, & execution, holding period, and exit).

I4B's ESG investment strategy, and it is built around three main pillars:

- **Incorporate ESG at every stage of the investment process:** asset origination, due diligence and execution, holding period and exit. In particular, GHG Emissions, Resource efficiency, Health & Safety and Good Governance are closely integrated and monitored throughout the investment lifecycle.

The investment strategy includes environmental, social and governance criteria as well as the assessment of PAI indicators which are systematically integrated along the investment life cycle:

- **During the pre-investment phase:** the Manager's exclusion list precludes investments in the controversial weapons, tobacco, and coal-based power sectors, this is an efficient measure in reducing the impacts of the PAIs.
 - **During the Due diligence phase,** an ESG analysis and a materiality assessment are performed to identify sustainability risks. The values of PAI indicators are considered in the analysis and in the materiality map.
 - **During the execution phase:** Once an investment is selected, investment memoradums and contractual obligations include ESG data reporting.
 - **During the Holding phase,** the Investment Team prepares an ESG plan for investee companies to improve their ESG scores. PAI values are taken into consideration when defining the ESG plans and their long-term goals. Regular monitoring allows the ESG Compliance Function to periodically review the ESG plans, to adjust their goals and KPIs. In case issues related to sustainability risk exposure or PAI deteriorations are identified, the Manager may escalate those issues to the Compliance Committee or to the Board.
-
- **Shareholder engagement:** the Fund actively invests in promoting the environmental and social characteristics indicated above within its portfolio companies. The Manager regularly collaborates with the management of investee companies and helps them define ESG plans and actions in line with the Fund's ESG objectives.
 - **Transparent ESG reporting:** The Manager is committed to ensuring transparent ESG reporting.

Policy to assess good governance practices of the investee companies.

The Fund assesses good governance practices via its pre-investment due diligence and monitors it through annual ESG questionnaire, which covers the following governance analyses:

- Evaluation of the governance structure and a case-by-case assessment of the adequacy of the governance structure in place for the relevant activity of the infrastructure.
- Evaluation of the processes in place to reduce the risks related to corruption and bribery (e.g. formalization of a Code of Ethics, Anti-corruption and Anti-bribery policy, etc.)
- Identification of any violation of UN Compact Guidelines
- Assessment of exposure to risks related to non-respect of human rights
- Assessment of exposure to risks related to tax fraud
- Identification of Data Security breaches

(e) Proportion of investments

At least 90% of the Fund's investments are devoted to assets aligned with the Environmental and Social characteristics promoted by the Fund. The remaining 10% corresponds to cash holdings, that are kept as reserve for coverage and liquidity purposes.

(f) Monitoring of environmental or social characteristics

In order to monitor the performance of the portfolio companies on the characteristics listed in section (c) 'Environmental or social characteristics of the financial product', Manager has defined some relevant indicators for each characteristic. These indicators may be revised according to market developments and investors' expectations. I4B measures:

1. **Climate Change** - Monitoring and reducing GHG emissions.
 - GHG emissions for Scope 1 and 2 (tCO₂e/M€ of revenue)
 - Share of entities for which GHG emissions reduction initiatives have been implemented (%)
2. **Impact on resources** – Improving energy and water management as well as raw material use
 - Renewable energy production (% total consumption)
 - Water consumption (m³/M€ of revenue)
 - Hazardous waste production (ton/M€ of revenue)
3. **Impact on biodiversity** – reducing the impact on biodiversity.
 - Share of activities causing land degradation, desertification, or soil sealing (%)
 - Environmental impact analysis
 - Measures put in place to mitigate the impact on biodiversity
4. **Employee Health & Safety** - Monitoring and improving employee's health and safety in the workplace.
 - Accident frequency rate (Nb)
 - Accident severity rate (Nb)
 - Share of entities having put in place work-life balance initiatives (%)
 - Share of entities tracking the number of incidents related to discrimination, including harassment (%)
5. **Good governance** – Monitoring and fostering good governance practices in relation to business ethics, anti-corruption policies, tax transparency, cybersecurity, and societal engagement.
 - Share of entities that have formalized an Anti-corruption and Anti-bribery policy (%)
 - Share of entities that have had data security and cybersecurity breaches over the reporting period (%)
 - Share of entities engaged with non-profit organizations (%)
 - Share of entities engaged with local communities or other external stakeholders (%)

(g) Methodologies

To measure the attainment of environmental and/or social characteristics promoted by the Fund, these indicators above will be collected every year via an annual ESG Portfolio Questionnaire. The questionnaire is addressed by the Manager to all portfolio companies, starting from the reporting campaign on the fiscal year during which the company entered the portfolio, until the year the company exits from the portfolio. The data is then analysed and used to prepare the annual ESG report.

These ESG indicators may be revised according to market developments and investors' expectations.

(h) Data sources and processing

The data used to compute ESG indicators is collected from each portfolio company via their annual ESG Portfolio Questionnaire.

To ensure data quality, answers to the Questionnaire are reviewed by the Manager and consistency checks are carried out.

(i) Limitations to methodologies and data

The methodology described in section (g) 'Methodologies' and data sources described in section (h) 'Data sources and processing' may be subject to the following limitations:

- **Inaccurate or lack of data:** Certain indicators requested in the annual ESG Portfolio Questionnaire may be unavailable to portfolio companies. For example, the company's internal ESG reporting systems might not facilitate the collection of specific indicators, such as carbon footprint measurement or biodiversity footprint assessment. It's important to note that this limitation, while acknowledged, does not impede the assessment and measurement of the environmental and/or social characteristics established for each company.

The Manager, in collaboration with ESG advisers, defines indicators for monitoring each characteristic and considers the reporting capabilities of each portfolio company. This proactive approach ensures that the set indicators align with the company's ability to report effectively.

In instances where assistance is needed, the Manager stands ready to provide support to investee companies.

- **No response to the ESG Portfolio Questionnaire:** While it is possible that portfolio companies may not respond to the annual ESG Portfolio Questionnaire, the Manager actively extends support to facilitate their engagement in the completion process. It's noteworthy, however, that this limitation is deemed improbable due to the fact that, during the execution phase, contractual obligations explicitly outline such requirements for investee companies. These obligations mandate the thorough preparation of disclosures, especially concerning key ESG metrics, with a systematic focus on PAI data reporting.

(j) Due diligence

The ESG Due Diligence is split in three parts:

1. Origination Phase

- **Exclusions** - The Manager applies a negative screening in respect of potential investments. The Fund's exclusion list limits the investment sectors and excludes investments in controversial arms and munitions, nuclear weapons, tobacco and coal-based power generation or extraction.
- **Taxonomy consideration** – The Manager also considers the classification framework under the Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation) when screening investment opportunities. Therefore, I4B takes into account that the implementation of the Taxonomy Regulation at the EU level is ongoing as at the date hereof and will continue to monitor these developments.
- **Sustainable Development Goals (“SDGs”) screening** - The Manager screens and documents if an investment opportunity is in line with the SDGs targeted by the Fund.

In particular:

- Goal 3 - Good health and well-being
- Goal 6 - Clean water and sanitation
- Goal 7 - Affordable and clean energy
- Goal 9 - Industry, innovation and infrastructure
- Goal 11 - Sustainable cities and communities
- Goal 13 - Climate action

2. Preliminary due diligence and submission of an indicative offer

- **Contract analysis:** As part of the due diligence process, a careful review of all project contracts is undertaken, in order to identify any sustainability risks, principal adverse sustainability impacts and spot other potentially relevant ESG red flags (e.g. in the supply chain, environmental studies, etc.).
- **ESG Data collection:** if necessary, the management of the investee company may be required to fill in a prepared list of standard ESG data as well as discuss the most material ESG issues. If needed, external consultants and experts could be hired for certain more complex investment opportunities.
- **Governance assessment:** Governance is also assessed during this stage via a comprehensive legal and tax due diligence as the case maybe.

3. Final due diligence and financial closing

- **Assessment of the financial impact:** Based on the foregoing steps, the impact of the ESG risks on the financial forecast is assessed, and the forecast financials (revenue, operating cost, asset book value or capital expenditure) may be adjusted. It is also possible that valuation models or multiples (e.g. discount rates, terminal values or ratios) are adjusted.
- **Binding offer:** If the Manager and its governance resolve to proceed with the investment process, a binding offer shall be submitted in which the adjustments referred to above shall be integrated.
- **Financial Closing:** ESG and in particular PAI disclosure clauses are integrated in the closing documentation. On a case-by-case basis, an ESG action plan to accompany the company in monitoring its ESG performance evolution and setting objectives over the holding period is discussed.

(k) Engagement policies

The Manager maintains an active dialogue with its portfolio companies, engaging regularly in discussions with their management on various ESG matters. This engagement is done via a participation in steering committees and board meetings, as well as active involvement in shareholder meetings. These interactions serve as invaluable opportunities to address critical topics such as sustainability initiatives and goals, social considerations, governance practices, and overall corporate culture.

Participation in steering committees and board seats allows the Manager to play a proactive role in shaping the strategic direction of portfolio companies, ensuring that ESG factors are not only acknowledged but also integrated into decision-making processes.

Moreover, the Manager extends its commitment beyond mere engagement by actively supporting projects with lower ESG scores to improve their signature. In such cases, the Manager collaborates closely with portfolio companies to define comprehensive ESG plans with long-term ESG goals and commitments. This forward-looking approach not only uplifts projects with lower ESG scores but also underscores the Manager's dedication to driving positive ESG outcomes throughout the entire holding period.

(l) Designated reference benchmark.

No reference benchmarks have been identified for the Fund.