
RESPONSIBLE INVESTMENT POLICY

Climate Investment has been focused on Global Greenhouse Gas impact measurement since incorporation. In addition, CI has formalized the assessment of the operational Environmental, Social, and Governance factors (ESG) of its investments. This Responsible Investment Policy has been written to improve transparency of how CI incorporates ESG considerations in its business process, and to document its compliance with the Sustainable Finance Disclosure Regulation and the Principles for Responsible Investing.

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1. Introduction

1.1. Overview and objectives

Climate Investment (CI) is an independently managed investor that seeks to accelerate greenhouse gas (GHG) reduction at scale by investing in solutions aimed at decarbonizing heavy-emitting sectors. As such, incorporating environmental and sustainability concerns is an intrinsic part of our DNA, and they are considered throughout our business activities.

The objective of this document is to outline (1) the activities that CI undertakes to incorporate ESG factors in investment decisions, and (2) the activities that CI undertakes to measure the GHG impact of investments. This includes details of the activities that CI undertakes as a consequence of planning an Article 9-classified fund under the SFDR and demonstrates the firm's adherence to the Principles for Responsible Investment (PRI).

This document should be considered alongside CI's investment process documents, portfolio management documents, GHG methodology document, and related governance documents which include further detail on select topics.

1.2. Impact vs ESG

In the context of CI's investment process and portfolio companies, 'Impact' refers to the way a current or potential investment is expected to result in a change directly or indirectly to GHG emissions from the use of the product or service when compared to a defined status quo or incumbent. This change can include GHG emissions that are avoided, reduced, recycled, or stored when compared to a baseline scenario. For example, the use of CI portfolio company, [Norsepower's](#) Rotor Sails results in less emissions relative to the emissions of a large ship where the rotor was not used. It is imperative to our mission that we calculate impact to ensure capital is directed to the solutions with the highest potential to mitigate the effects of climate change.

However, ESG, in the context of CI's investment process and portfolio companies, refers to the operational 'footprint' of current/potential investments resulting from their operations, regardless of whether products or services are sold. This includes any impact on the environment or society from manufacturing or operating the said business, for example, waste produced through operations or treatment of employees. As a Responsible Investor and member of the PRI, it is crucial for CI to consider ESG in its investment process. ESG consideration is increasingly being regulated, and CI will be required to report on ESG incorporation and metrics under the SFDR in relation to its Article 9-classified fund, the Decarbonization Acceleration Fund (DAF).

Commented [MH1]: Can we add a link to Norsepower

Commented [AM2]: Please could we not use 'mitigate' in our documents but align to our avoid, reduce, recycle, store language?

Commented [LP3R2]: Here mitigate is the appropriate word. We "mitigate" the effects of climate change whereas we "avoid, reduce, recycle, store" GHGs

Commented [AM4]: Stemming or resulting from instead?

1.3. Frameworks for Impact integration

[Project Frame](#) is a coalition dedicated to addressing the GHG impact of proposed climate solutions relative to the status quo in the market, which is known as forward-looking GHG impact. By creating an open-source [methodology for impact calculations](#), the coalition hopes to better drive capital to the solutions that have the potential to address GHG emissions. CI was a co-founder of the coalition and is a member of Project Frame's Steering Committee and leverages its methodologies and frameworks for impact calculations.

Commented [MH5]: Can we do link to latest frame doc

1.4. Frameworks for ESG integration

1.4.1. SFDR

The SFDR is a part of the EU's sustainable finance framework and outlines the disclosures that financial market participants and advisors must make when selling sustainable financial products. The SFDR defines two groups of sustainable financial products: Article 8 financial products which promote environmental or social characteristics of the investment, or Article 9 financial products which have sustainable investment as their objective. Sustainable investment, as defined by the EU, means an investment in an economic activity that contributes to an environmental objective, such as climate change mitigation.

DAF is classified as an Article 9 fund given its objective of GHG impact. As an Article 9 fund, all fund investments will make a substantial contribution to the EU's climate and environmental objective of climate change mitigation. CI will leverage the [Technical Screening Criteria](#) which specify the thresholds in which an economic activity must operate to have 'substantial contribution to climate change mitigation' whilst 'doing no significant harm'.

Commented [AM6]: Very definitive statement. Is this required specifically by SFDR or could you say instead 'are expected to'?

Commented [LP7R6]: This is required by the SFDR as an Article 9 fund

Commented [MH8]: I wonder if we update this with the taxonomy?

Note that Catalyst Fund 1 (CF1) was introduced in [2017](#) and is an unregulated fund.

Commented [LP9R8]: Let's keep as the Technical Screening Criteria because the regulation explicitly refers to compliance with the "Technical Screening Criteria" as opposed to the EU taxonomy

1.4.2. ESG Data Convergence Initiative

The [ESG Data Convergence Initiative](#) (EDCI) is an initiative formed to drive convergence around a standard set of ESG metrics and to be a mechanism for comparative reporting to benefit all stakeholders in the private markets. The initiative was born in 2020 when a small group of GPs and LPs convened to discuss ESG data challenges. As a part of its work, it has identified key ESG metrics relevant across private markets. The EDCI has since experienced tremendous growth, with more than 500 GPs and LPs now part of the initiative. The partnership is open to any GPs and LPs that wish to join and agree to support the principles of the work.

Commented [AM10]: I didn't think CFI would be classified anyway as it is an unregulated fund?

Commented [AM11]: I suggest you add some context about EDCI. What is it? Who formed it? Whose part of the initiative? Does it have any formal status or market recognition? Why did we choose it over something else?

CI has aligned its ESG data request to the EDCI and requires CF1 portfolio companies to report on these metrics.

1.4.3. PRI

CI became a signatory of the [UN Principles for Responsible Investment](#) (PRI) in 2022. The PRI is the world's leading proponent of responsible investment and encourages the adoption of six principles for responsible investment:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

CI adheres to the above principles and will report to the PRI annually.

1.5. Team responsible

Impact and ESG related activities are carried out by individuals across the organization.

- CI's investment deal teams are responsible for obtaining Impact and ESG data during the due diligence process, and Board members/observers will be responsible for gathering related data from portfolio companies.
- CI's Impact director has the overall responsibility of Impact and ESG activities and reporting and is supported by the Impact Associate.
- CI's legal team is responsible for SFDR and SEC compliance.

2. Definitions

Responsible Investment	The integration of environmental, social, and corporate governance (ESG) considerations into investment management processes and ownership practices in the belief
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Commented [MH12]: Should we mention KEY ESG as our collection technology?

Commented [MH13R12]: Sorry I see it comes later

Commented [RS14]: I'll double check that impact related definitions align with Frame glossary

Commented [LP15R14]: Great thanks. Have used definitions either from the PRI's glossary or the GHG methodology glossary

Commented [LP16R14]: [Richard Seane](#) please let me know once you have confirmed these

Commented [RS17R14]: It's all aligned. I have added in a definition for GHG impact too

Commented [AM18]: This is a fantastic glossary. Should we add it to the Impact Report and our new website? Quite useful for folks generally I think.

	that these factors can have an impact on financial performance
ESG	<p>Environmental, social, and governance issues that are identified or assessed in responsible investment processes.</p> <ul style="list-style-type: none"> - Environmental factors are issues relating to the quality and functioning of the natural environment and natural systems. - Social factors are issues relating to the rights, well-being, and interests of people and communities. - Governance factors are issues relating to the governance of companies and other investee entities.
Greenhouse Gas (GHG) Emissions	GHGs are gases that absorb infrared radiation and trap heat in the atmosphere.
CO ₂ e	Carbon dioxide equivalent or CO ₂ e is a term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO ₂ e signifies the amount of CO ₂ which would have the equivalent global warming impact.
GHG Impact	How a proposed climate solution is expected to directly or indirectly result in a change in atmospheric Greenhouse Gas (GHG) concentration, either through emissions reduction compared to a defined status quo or incumbent or through GHG removal. This is sometimes referred to as Scope 4 emissions.
Baseline Scenario	A projection of GHG emissions over time, representing what would have happened in the absence of the proposed climate solution.
Scope 1 Emissions	Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles).

Commented [AM19]: Should we add which GHGs CI focuses on?

Commented [LP20R19]: Not necessary for the glossary - this is not intended to be CI specific and these definitions have been taken from the PRI or the GHG methodology doc

Scope 2 Emissions	Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Although scope 2 emissions physically occur at the facility where they are generated, they are accounted for in an organization’s GHG inventory because they are a result of the organization’s energy use.
Scope 3 Emissions	Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain. Scope 3 emissions include all sources not within an organization’s scope 1 and 2 boundary. The scope 3 emissions for one organization are the scope 1 and 2 emissions of another organization. Scope 3 emissions, also referred to as value chain emissions, often represent most of an organization’s total GHG emissions.
Screening	Applying filters to a financial instrument to rule investments in or out based on pre specified criteria which might include an investor’s preferences or investment metrics and are part of an investment process or reflect a client or fund mandate. When used as an ESG incorporation approach, screening can be positive, norms-based or negative.

3. Minimum standards on ESG

In accordance with CI’s foundational principles, all investments that CI makes must have a considerable near-term GHG impact while doing no significant harm to the environment or society.

During the due-diligence process, CI will also check that any potential investments have the appropriate governance practices and procedures in place to ensure successful operation of the said investment before progressing the deal. The full due-diligence approach is detailed in section 4.2.

During the portfolio management process, CI will require investees to share ESG data (detailed in section 4); however, in year one of ESG data reporting, no minimum performance thresholds for ESG factors have been set. This will be revisited once a baseline performance has been determined by analyzing year one’s data and through benchmarking.

Commented [LP21]: @Leo Csaky to discuss - want to include any social and governance 'minimum requirements' we have before we invest

Commented [AM22]: Isn't our standard messaging near-term rather than mid-term?

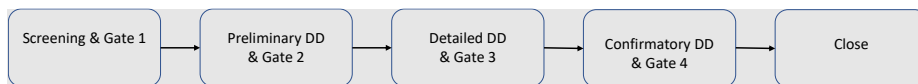
Commented [AM23]: I felt this sounded a bit loose. Could we beef this up a bit?

Commented [AM24]: Like what, specifically?

Commented [LP25R24]: Detailed later

The CI Member's Agreement prohibits CI from investing in any gambling, pornography, and narcotics-related activities as well as the production of alcohol or tobacco for human consumption.

4. Integrating Impact and ESG into investment process



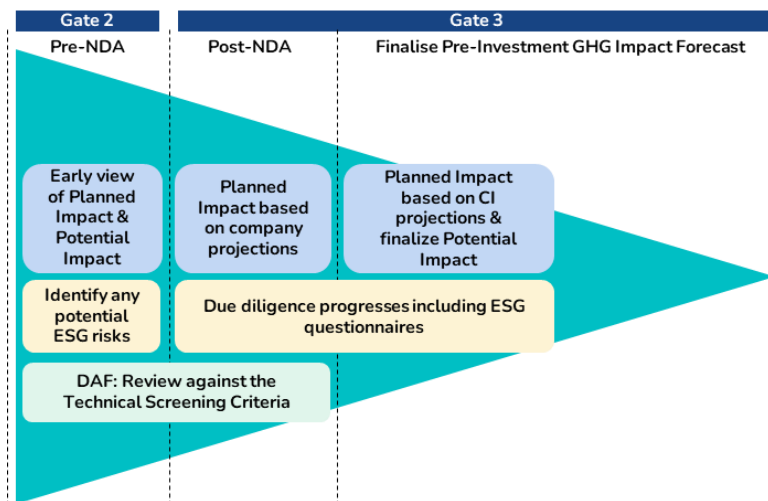
4.1. Screening

When screening an investment, the overarching Impact and ESG-related principle to be applied to investments is: *“Does this opportunity substantially contribute to GHG impact while doing no significant harm to other social and environmental objectives?”*. This is in accordance with Climate Investment’s mission to have GHG impact and to be a responsible investor.

At the screening stage, a high-level, desk-top based assessment of this principle is conducted relative to CI’s minimum investment criteria. This includes assessing whether the product or business model presents an opportunity for GHG Impact.

4.2. Due diligence

For each new opportunity that is taken through the investment process, we mature our estimates of the impact of the investment and view of ESG risks and opportunities as the diligence work unfolds and more information about the opportunity is revealed.



Commented [AM26]: Munitions?

Commented [LP27R26]: Not mentioned in the CI Member's Agreement

4.2.1. Gate 2

Gate 2 is the first formal review by the Investment Committee (IC). At this step, potential impact of the technology is usually estimated based on third-party market data. This is based on an understanding of the company's technology and the market in which they operate. Both the planned impact and potential impact calculations are estimates.

If the identified opportunity is for the DAF, the opportunity will also be evaluated relative to the Technical Screening Criteria as part of SFDR compliance. This should be done as far as possible before Gate 2.

In addition, any areas that could present a significant ESG risk should be identified by the Deal Team and addressed with the potential investee. For example, if a company uses chemicals in their processes, the handling and disposal of such products should be discussed. Any risks discussed should be recorded in the Gate 2 investment memo.

4.2.2. Gate 3

Following Gate 2, the planned impact forecast is updated to reflect the detailed review of the company's technology and to leverage the Investment Team's forecasts of the company's performance.

If the identified opportunity is for the DAF, the evaluation of the opportunity relative to the Technical Screening Criteria as part of SFDR compliance should be completed. The Technical Screening Criteria for certain activities relies on elements of considerable technical complexity and the assessment of whether those criteria have been complied with may require expert knowledge. If CI's internal Technology team is not able support this, independent third-party support may be solicited. The Gate 3 memo will note whether the opportunity would be taxonomy-aligned.

At this stage, the Deal Team is also able to progress the ESG due diligence. The ESG data request includes the metrics recommended by the [EDC](#):

- o GHG emissions (scope 1, 2 and 3)
- o Renewable Energy Consumption
- o Carbon emission reduction initiatives
- o Diversity
- o Work-related accidents
- o Net new hires
- o Employee engagement

Commented [LC28]: I have amended as we usually sign an NDA soon after Gate 1

Commented [AM29]: Add hyperlink

Commented [AM30]: Current and/or planned?

Commented [LP31R30]: This is historical reporting of scope 1,2,3 emissions

CI will tailor the ESG topics on which it engages with the company management team based on the risks relevant for the company, which may be impacted by the company's sector or geography. For example, companies that are engaged in operational activities within the Oil and Gas sector may experience significant safety risks, which we would discuss with the company. A conversation on safety risks may be less relevant for companies that are software-based. Likewise, we also discuss any material ESG risks that a company may encounter because of the geography in which it operates.

The Gate 3 Investment memo should include a summary of findings relating to ESG and highlight any ESG related risks. These should be evaluated relative to the minimum standards on ESG.

4.3. Portfolio management

4.3.1. Integrating ESG into 90-day plans

Once the investment is complete, the Asset Team¹ will develop a commercialization and business development plan for the investee. This will consider any material ESG risks that were highlighted during the due diligence process. If required, a remedial plan to address the ESG risk will be devised.

Within 90-days post investment, a call on ESG data collection should take place between the designated person at the investee company and CI to align on the data collection process. This will take place regardless of whether any ESG risks or concerns were identified.

4.3.2. ESG data collection and management

We have partnered with [KEY ESG](#) on ESG data collection. KEY ESG is a software platform that supports GPs with ESG data collection from portfolio companies, and guides portfolio companies through the process. All ESG and impact data will be stored and managed within the KEY ESG platform. CI will collect ESG data annually and aims to do this within H1 of each year.

¹ Post-initial investment, a team made up of nominated director and/or observer and (if a separate person) a shareholder representative, is formed to manage the oversight of the portfolio asset, manage any follow-on investment, and exit processes and present Portfolio Review Meeting updates and proposed decisions to the IC. The Team may also include Technology and Commercialization resources.

Commented [RS32]: I suggest we make it standard that post investment we have an ESG data collection call with each company

Commented [LP33R32]: Like this idea, thanks!

Commented [LP34R32]: Here are some steps that can be taken to integrate ESG into 90-day investment plans:

1. **Conduct an ESG Assessment:** Conduct a thorough assessment of the company's ESG performance, including its environmental impact, social practices, and governance policies. This can be done through various sources, such as ESG ratings agencies, company disclosures, or stakeholder feedback.
 2. **Identify Key ESG Risks and Opportunities:** Identify the key ESG risks and opportunities that are most relevant to the company and its industry. This could include risks related to climate change, labor practices, supply chain management, or executive compensation, among others.
 3. **Set Priorities:** Based on the ESG assessment and the identified risks and opportunities, set priorities for the next 90 days. This could include developing new policies or initiatives, engaging with stakeholders, or improving existing practices.
 4. **Develop an Action Plan:** Develop a clear action plan for addressing the identified priorities. This should include specific goals, timelines, and responsible parties.
 5. **Monitor Progress:** Regularly monitor progress on the action plan and adjust as needed. This can include tracking key performance indicators, engaging with stakeholders for feedback, and reassessing priorities based on new information or changes in the business environment.
- Integrating ESG into 90-day investment plans can help investors better understand the ESG risks and opportunities associated with their investments and take meaningful action to address them. It also demonstrates a commitment to responsible investing and can help drive positive impact across a company's operations and stakeholders.

Commented [AM35]: Where do these plans live? Do we share them anywhere? Do we consolidate and anonymize at any point to check the status of the two fund portfolios?

Commented [LP36R35]: Question best directed to the Investment team

Commented [AM37]: Who is this?

Commented [LP38]: [Richard Sears](#) do you want to add anything here on impact data collection

Commented [RS39R38]: I've added a sentence to clarify that this process is separate to the realised impact data collection process

Commented [AM40]: What do we do with the data? Does it get published? Shared with LPs?

Commented [LP41R40]: Reporting section later in doc

CI will collect data from CF1 companies that largely reflects the EDCl recommendations and CI's ESG due diligence questionnaire. For DAF portfolio companies, CI is required to collect and report data as per the SFDR's principal adverse impacts (PAIs).

4.3.3. On-going support and target setting

On-going support to address material ESG risks will be provided by the Asset team to the investee company, with consultation from the Legal team and Strategy team as required.

For year 1 of the investment, the priority will be to collect ESG data and establish a baseline. Thereafter, areas for improvement will be prioritized and CI will engage with the investee to improve performance.

Given CI's mission and mandate, we will endeavor to support companies to reduce their Scope 1, 2 and 3 emissions and may set targets for reduction in emissions in the future.

4.3.4. Guidelines on monitoring ESG risks and incidents

CI representatives as Board Director or Board Observers at portfolio companies have the following obligations related to ESG and Impact:

- Monitor portfolio company compliance with laws and policies, including anti-bribery and anti-corruption (ABC) procedures agreed at initial investment.
- Conduct regular (e.g., annual) reviews of management and controls.
- Manage conflicts through discussions with Legal team.
- Monitor for delivery of realized impact.
- Monitor for material ESG-related risks and opportunities.

The Director/Observer will conduct these activities on an ongoing basis. In addition, directors/observers regularly engage with management and will be responsible for tracking news and events such as regulatory changes or stakeholder concerns that may lead to ESG risks.

4.3.5. Exit management

During the exit process, CI will conduct a final review of the GHG impact and ESG performance of the portfolio company. This will be included in the investee's presentation material to show enhanced value to the potential buyer. CI will also confirm the obligation of the investee to report on GHG impact to CI until the end of the fund lifecycle.

Commented [LP42]: [Leo Csaky](#) I have added this line (i.e., not in the DAF portfolio management word doc)

Commented [AM43]: What happens to all this data? What do we use it for? Do we perform an annual RAG analysis on our portfolios?

Commented [LP44R43]: Reporting detailed later in doc

Commented [LP45]: [Leo Csaky](#) do we have any policies relating to exit management

Potential buyers will also be reviewed for any ESG or impact related risks, and CI will engage the appropriate stakeholders on any risks that emerge.

5. Limitations to ESG methodologies and data

Despite best efforts to ensure a standardized approach to ESG data collection, we acknowledge that this data may be limited. Some reasons for this include:

- Reporting of ESG data by portfolio companies, while encouraged, is not enforced. This may lead to some gaps in the data.
- Some companies may not have ESG data readily available and may thus choose not to report select categories.
- We rely on the self-reporting of ESG data which may lead to inaccuracies and bias.
- There are different methodologies to GHG emission reporting. While we have endeavored to use a single methodology (activity-based) across portfolio companies, some may self-select to use a spend-based approach given that this data may be more readily available.
- Reporting of Scope 3 emissions by portfolio companies is optional for the reporting year 2022 to ease the burden on portfolio companies in the first year of ESG reporting. While we will require this in the future, we will encourage companies to focus on material emissions categories which may lead to the scope of the emissions calculation not being uniform across portfolio companies.

As we mature on our ESG journey and our portfolio companies become more sophisticated on ESG data collection, we will seek to address these limitations and thus improve the quality of the ESG data we collect.

6. Impact and ESG reporting

6.1. SFDR

Given that the DAF is subject to the SFDR, we will comply with the SFDR reporting obligations, including the Website Disclosure and the Periodic Disclosures.

6.2. PRI

CI is a member of the PRI and will therefore report to the PRI on its Responsible Investment practices.

6.3. External reporting

CI endeavours to publish its external Corporate and Impact report annually. This report will include:

Commented [LP46]: @Richard Searle should we/do you want to add anything on the limitations of the GHG impact methodology?

Commented [RS47R46]: I think I will keep that piece in the impact document, I don't want to confuse the reader by mixing them in here.

Commented [AM48]: Do we monitor % compliance? Do we plan to disclose the RAG performance of our portfolios in our Impact Report, including % compliance?

Commented [LP49R48]: Yes we will monitor compliance closely and engage as required. We will report on % of the portfolio that report and will report on average performance. We will not use a RAG given that we have limited benchmarks on performance and will not mention individual companies. See Impact Report ESG section for further information

Commented [AM50]: Do we have any plans to address this to achieve uniformity?

Commented [LP51R50]: No as this may not be possible (CI still uses a spend based approach for some emission categories), but we will work with the portfolio to implement activity based approaches where possible

Commented [AM52]: Please let Marketing know ASAP what is required, thanks

Commented [LP53R52]: Nothing required atm thanks - we will disclose this on Carne's website

- GHG impact of portfolio
- ESG data relating to CI
- ESG data relating to portfolio companies in aggregate

Reporting of GHG impact should follow the guidance of the CI GHG Methodology and Practices reference document. The GHG impact section of the report will be subject to limited scope verification and assurance annually by a third-party reviewer. ||

7. Reviewing our Responsible Investment Policy

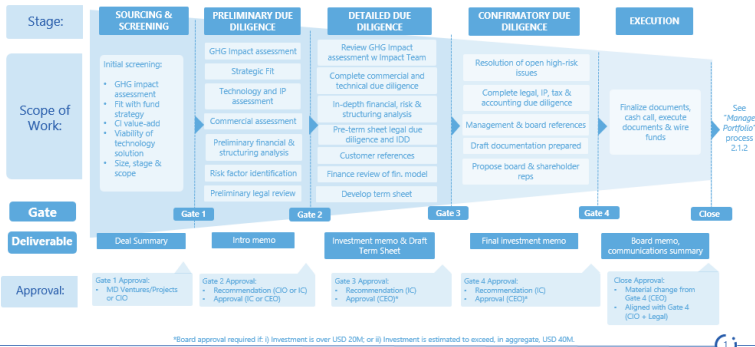
This policy was last updated in March 2026. At minimum, the policy will be refreshed every two years; however, it will be reviewed and updated as required to reflect changes in applicable changes in laws, regulations, standards, and market demands.

Commented [AM54]: Current auditor? Do you need to name? Will it always be the Auditor or could it be another independent third-party?

8. Annexes

CF1 Investment Funnel

CF1 Investment Process



*Board approval required if i) Investment is over USD 20M, or ii) Investment is estimated to exceed, in aggregate, USD 40M.

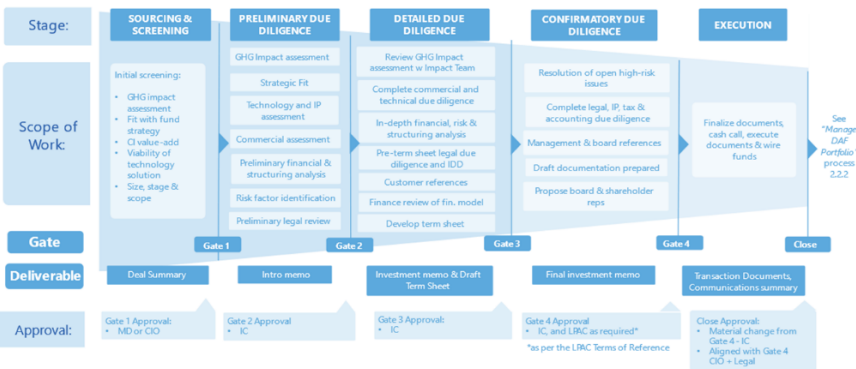
October 2022



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