

SUSTAINABILITY-RELATED DISCLOSURES - Global Subnational Climate Fund SCSp (“Fund”)

Website disclosure for Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR)

(a) Summary

(b) No significant harm to the sustainable investment objective: Pegasus seeks to assess whether investments made by the Fund do not significantly harm any sustainable investment objectives during pre-investment diligence and on an ongoing basis during ownership. At the pre-investment stage, in line with its Environmental and Social Management System (“ESMS”), Pegasus asks questions in respect of the principal adverse sustainability indicators (“PAIs”) and the alignment of the investee company’s processes, policies and procedures in respect of minimum social safeguards as part of the ESG legal diligence process. The factors listed in Table 1 and additional indicators in Tables 2 and 3 of Annex 1 of the Regulatory Technical Standards¹ (or (“RTS”) form part of this diligence.

Pegasus seeks to address any PAIs and may engage with the portfolio companies on development of documentation in respect of minimum social safeguards as part of post-closing implementation plans.

(c) Sustainable investment objective of the financial product: The Fund seeks to build low-carbon and climate resilient infrastructure; mitigate climate change through reductions in GHG emissions and strengthen adaptive capacities to climate change; and improve livelihoods and enhance prosperity. The Fund will, where possible, seek to align with the ambitions of the Paris Agreement by investing in companies and entities that work towards decarbonization and climate resilience in line with the Paris Agreement to keep the increase of the global average temperature well below 2°C above pre-industrial levels, with the aim of keeping the increase of the global average temperature to 1.5°C.

(d) Investment strategy: The Fund aims to invest in mid-sized climate infrastructure solutions, including sustainable energy solutions, waste and water solutions, urban development solutions as well as sustainable agriculture at the sub-national level in the main developing geographic areas of Latin America and the Caribbean, Africa, Asia, and the Mediterranean to meaningfully contribute to the SDGs and allow for reporting throughout the lifetime of the infrastructure projects. The Fund is expected to develop a ‘theory of change’ on Fund-level, from which it will derive the specific SDG and other impact targets it seeks to achieve with its investments. The design of the respective framework and operative system to monitor and report the achieved impact is anticipated to be in accordance with Gold Standard’s impact fund certification requirements.

¹ Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

In respect of good governance, the Fund's policy to assess good governance practices is to incorporate a review of legal issues relating to sound management structures, remuneration of staff, employee relations and tax compliance into the pre-investment and legal diligence process.

(e) Proportion of investments: 70% of the Fund's investments will target the sustainable investment objective which is to make investments in businesses that the General Partner believes will have a positive climate impact (largely in the form of climate change mitigation and adaptation), and 30% of the Fund's investments will target the sustainable investment objective to have a positive social impact.

(f) Monitoring of the sustainable investment objective: The Fund will monitor the achievement of the sustainable investment objectives by reviewing the achievement in respect of bespoke sustainability indicators tied to the climate and/or impact objective of the relevant investment. The Fund will aim to be certified according to the SDGs, developing projects in-line with the Gold Standard for Global Goals (GS4GG), and reporting performance against project-specific impact criteria.

(g) Methodologies: Gold Standard shall design an impact evaluation framework that is intended to measure the most relevant impact criteria at Fund and investment level, and provide or develop appropriate methodological approaches, targets, metrics and tools in an effort to effectively monitor and report on climate and SDG contributions. The Fund will also have a dedicated Environmental and Social Impact Manager whose role is to ensure conformity with the ESMS.

(h) Data sources and processing: A number of data sources are used to attain the sustainable investment objective, including responses from investee companies as part of ongoing engagement, together with independent research on impact assessment and outcomes. PAI data is specifically requested directly from investee companies. A number of measures are taken to ensure data quality, including the data being reviewed and interrogated and the use of independent, third party sources to ensure robustness and credibility. Components of that estimation are grounded in actual data from the investee companies. Other portions may be estimated.

(i) Limitations to methodologies and data: Limitations to the methodologies and data primarily arise because of a lack of available data from investee companies and/or a lack of infrastructure in place for the collection and processing of relevant data from investee companies. In some cases, investments are made in early or growth-stage businesses, which have not yet developed adequate data collection processes. Pegasus does not anticipate that these limitations will be significant enough to affect the attainment of the sustainable investment objectives over time.

(j) Due diligence: Due diligence on the underlying assets is carried out by the Fund and external advisors. This involves the development and assessment of a research-based, positive impact thesis for each potential investee during sourcing, and also takes into account analysis of the potential foreseeable negative externalities that may outweigh the expected benefits of the investment. Legal diligence performed on the underlying assets supplements ESG and impact due diligence, which includes collecting data on PAIs, minimum social safeguards and good governance practices as well as any ESG-related risks and liabilities.

(k) Engagement policies: The Fund may add value to portfolio companies through engagement on impact. Through analytics, research, and impact advice, the Fund engages with portfolio companies on early-stage setup, processes and policies, new product development, and other areas collinear with impact and business growth.

(l) Attainment of the sustainable investment objective: The Fund does not rely on an EU Climate Transition Benchmark or EU Paris-aligned Benchmark and does not seek to align with the methodological requirements set out in Delegated Regulation (EU) 2020/1818. The Fund seeks to invest in businesses with a positive climate impact or lower carbon emissions in view of achieving the long-term global temperature goals and objectives of the Paris Agreement.

(b) No significant harm to the sustainable investment objective

Pegasus Capital Advisors ("Pegasus") seeks to ensure that investments made by the Fund do not significantly harm any sustainable investment objectives during pre-investment diligence and on an ongoing basis during ownership. As a result of this diligence and monitoring, Pegasus seeks to implement specific actions to mitigate the risk of significant harm to any of the sustainable investment objectives. The Fund implements its ESMS throughout the lifecycle of its investments, in order to actively monitor and ensure that the investments do not significantly harm any sustainable investment objectives. The framework of the ESMS includes:

- E&S Policy
- Procedures, which are fully integrated with the Fund's overall investment cycle
 - Transaction screening (including an Exclusion List)
 - Risk categorization
 - E&S due diligence
- Tools
- Guidance materials and reporting protocols

Pre-investment diligence

During pre-investment diligence, the PAIs and a list of questions relating to the alignment of the investee company's processes, policies and procedures with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights ("minimum social safeguards") are incorporated into the ESG legal diligence process.

The PAIs in Table 1 of Annex 1 of the RTS and additional indicators in Tables 2 and 3 of Annex 1 of the RTS, that Pegasus considers in its discretion to be relevant, are incorporated into an information request that is shared with the investee company.

During ownership

Pegasus, together with other advisors, as needed, engage with investee companies to collect and report data, and baseline and benchmark their performance in relation to ESG issues, which will include consideration of the PAIs and minimum social safeguards at least on an annual basis.

(c) Sustainable investment objective of the financial product

The Fund seeks to:

- build low-carbon and climate resilient infrastructure;
- mitigate climate change through reductions in GHG emissions and strengthen adaptive capacities to climate change; and
- improve livelihoods and enhance prosperity.

The Fund aims to invest in mid-sized climate infrastructure solutions, including sustainable energy solutions, waste and water solutions, urban development solutions as well as sustainable agriculture at the sub-national level in the main developing geographic areas of Latin America and the Caribbean, Africa, Asia, and the Mediterranean that meaningfully contribute to the SDGs and allow for reporting throughout the lifetime of the infrastructure projects. The Fund will, where possible, seek to align with the ambitions of the Paris Agreement by investing in companies and entities that work towards decarbonization and climate resilience in line with the Paris Agreement to keep the increase of the global average temperature well below 2°C above pre-industrial levels, with the aim of keeping the increase of the global average temperature to 1.5°C.

(d) Investment strategy

Investment strategy used to attain sustainable investment objective

The Fund intends to make investments in mid-sized climate infrastructure solutions, including sustainable energy solutions, waste and water solutions, urban development solutions as well as sustainable agriculture in the main developing geographic areas of Latin America and the Caribbean, Africa, Asia, and the Mediterranean. The Fund utilizes and invests in nature-based solutions as a complementary project component where applicable across all its investment sectors, contributing to nature preservation and enhancing portfolio impact. The Fund intends to invest exclusively in mid-sized climate resilient infrastructure projects and sustainable agriculture at municipality, city, or regions level in developing countries. Several investment criteria are intended to limit financial and technical risk as well as maximize economic and climate value. The Fund's investments seek to be greenfield, or aimed at platform companies with greenfield infrastructure focus, and therefore entirely new infrastructure will be developed and built for every investment. The Fund generally seeks to hold majority equity positions in investments.

Good governance practices

The Fund's policy to assess good governance practices is to incorporate a review of legal issues relating to sound management structures, remuneration of staff, employee relations and tax compliance into the pre-investment and legal diligence process. In accordance with the implementation of the Environmental and Social Management System ("ESMS"), the Fund will assess the good governance practices of investee companies in a number of ways, including through:

- Pre-investment screening for alignment with IFC Performance Standards.
- Pre-investment legal and/or ESG due diligence relating to good governance practices, as applicable, including employee relations and labor standards, corporate governance matters and tax compliance.
- ESG corrective action plans that address the gaps identified in the ESG due diligence.
- Ongoing screening and monitoring in line with the criteria included in the action plan and Gold Standard.

(e) Proportion of investments

70% of the Fund's investments will target the sustainable investment objective, that is, the Fund will seek to make investments in businesses that the General Partner believes will have a positive climate impact (largely in the form of mitigation of climate change). 30% of the Fund's investments are

expected to be sustainable investments in support of the sustainable investment objective of creating positive social impact.

(f) Monitoring of the sustainable investment objective

The Fund monitors the achievement of the sustainable investment objective over the holding period through regular engagement with investee companies, and other advisors, as needed. The Fund will aim to be certified according to the SDGs, developing projects in-line with the Gold Standard for Global Goals (GS4GG), and reporting performance against project-specific impact criteria. The Fund is therefore expected to contribute to several Sustainable Development Goals (“SDGs”) with particular focus on SDG 13 (Climate Action), and aims to contribute positively to at least two other SDGs, such as (but not limited to), SDG 5 (Gender Equality), SDG 6 (Clean Water and Sanitation), SDG 7 (Access to Clean Energy), SDG 8 (Job Creation), SDG 11 (Sustainable Communities), SDG 3 (Good Health and Well-being), and SDG 15 (biodiversity).

Gold Standard will advise the Fund on impact, ESMS, climate and SDG monitoring and reporting. In addition, the Fund will be certified in accordance with Gold Standard impact fund requirements that includes impact throughout the investment value chain in terms of climate mitigation, adaptation, ecosystem integrity, local rights, gender and the SDGs. The Fund will develop specific investment appraisal criteria and design the methodological approaches and tools to monitor and report climate and SDG contributions in accordance with Gold Standard.

(g) Methodologies

The Fund measures and monitors the achievement of the sustainable investment objective and related progress in respect of the sustainability indicators through the Gold Standard certification at Fund and individual investment level. The Fund is committed to maintaining, implementing and improving its ESMS to ensure implementation of this policy throughout the value chain (project identification, development, investment, monitoring and reporting). The ESMS includes an environmental and social (“E&S”) categorization system that is consistent with the equivalent practices of the International Finance Corporation (“IFC”) and other Development Finance Institutions.

The full set of procedures that will be followed begins with a process for screening of potential investments against the Exclusion List prior to a Go/No Go decision, to ensure that no investment is made in projects or companies that are operating with excluded activities. The screening process permits the provisional categorization of proposed projects into higher, medium and lower risk (Category A, B or C, respectively) projects and that then determines the level of environmental and social due diligence required and the actions to be taken to minimize potential impacts. The Fund will only invest in projects that are Category B or lower, and such categorization must be maintained throughout the Fund’s investment in the project.

Further, Gold Standard shall design an impact evaluation framework that is intended to measure the most relevant impact criteria on Fund and investment level, and provide or develop appropriate methodological approaches, targets, metrics and tools to in an effort to effectively monitor and report on climate and SDG contributions. Gold Standard intends to:

- Design an impact evaluation framework that is intended to measure the most relevant impact criteria on Fund and investment level.
- Provide or develop appropriate methodological approaches and tools to in an effort to effectively monitor and report climate and SDG contributions.

- Provide a framework to validate and certify the achievements of these contributions in a standardized, efficient manner by a third-party.

The development and implementation of the above, if effective, is intended to lead to Gold Standard certification of the Fund as well as its individual investments (if meeting requirements). The Gold Standard system is expected to further allow the Fund to report their certified climate and SDG impacts on an aggregate and individual basis. The close monitoring of investments in respect of the defined impact requirements is expected to alert the Fund in a timely manner of any potentially negative outcomes or stakeholder concerns even before the investment occurs, which can in turn be addressed and safeguarded against at the individual investment level.

(h) Data sources and processing

Data sources used to attain the sustainable investment objective of the financial product

A number of data sources may be used to attain the sustainable investment objective, which may include:

- Responses from investee companies during pre-investment diligence (see section on “*Due Diligence*” of this disclosure for further details).
- PAI data is specifically requested directly from investee companies.
- Independent research on impact assessment and outcomes (see section on “*Methodologies*” of this disclosure for further details).
- Responses to the screening questionnaire.
- Ongoing engagement between portfolio companies and Pegasus and/or other advisors (as required).
- The investment team also intends to utilize various data sources, to assess country risk: leading international organizations and risk rating agencies, IHS risk data, reputational risk databases, and other databases to obtain reliable, country-specific data in order to assess overall country credit risk ratings, currency risks, risks related to economic development, country and sector dependencies, risk related to the parties engaged at an investment or project level, and political, regulatory and legal risks.

Measures taken to ensure data quality

A number of measures are taken to ensure data quality, including:

- During pre-investment diligence, information provided by potential investee companies is interrogated by Pegasus or other third party advisors and, where applicable, third party technical experts.
- Research on impact assessment and outcomes is selected from independent, third party sources to ensure robustness and credibility.

Data processing

Data is processed by Pegasus and/or other advisors, as appropriate.

Proportion of data estimated

- Actual data provided by investee companies will be used, where available. Where no data is available, estimates may be used.

(i) Limitations to methodologies and data

Limitations to the methodologies and data primarily arise because of a lack of available data from investee companies and/or a lack of infrastructure in place for the collection and processing of relevant data from investee companies. In some cases, investments are made in early or growth-stage businesses, which have not yet developed adequate data collection processes. Pegasus does not anticipate that these limitations will be significant enough to affect the attainment of the sustainable investment objective over time.

(j) Due diligence

Pre-Investment Screening: First, the team reviews whether the company's output fits sector-specific priorities—positively contributing to long-term outcomes. The team develops and assesses a research-based, positive climate impact thesis for each potential investee during sourcing, also taking into account analysis of the potential for foreseeable negative externalities that may outweigh the expected benefits of the investment. This includes a review of the investee's ESG practices. Due diligence on the underlying assets is carried out by Pegasus and/or external advisors including, where necessary, third-party technical consultants. Specifically, the investment should pass the Screening Stage consisting of a variety of criteria.

Optional Technical Screening: If required, a project may be evaluated with respect to its technical, economic, environmental, social, and legal feasibility and appropriateness. The first process is a gap analysis, which is intended to define the specific assessments required to capture the necessary data for a qualified decision on whether the investment corresponds to the Fund's requirements and can progress to the due diligence stage. Based on the results of this analysis, responsibilities and tasks for the technical assessment will be determined, which may entail the initiation of an initial field mission, conducting a feasibility study as well as validating existing materials and studies by qualified partner organizations.

Due diligence: Based on the analyzed high-level project information and validated feasibility of the project, the Investment Committee undertakes extensive due diligence for investments. All findings are reviewed and any open items addressed to the Investment Committee's satisfaction.

Investment Decision Stage: All information of the impact objectives' contribution to the Fund's sustainable targets and how they can be obtained should inform the investment decision. If a quantitative statement cannot be made at this stage, a qualitative assessment should be comprehensive enough to make an informed decision.

Investment Agreement Stage: Impact objectives should be included in the legal investment agreement(s), as appropriate.

(k) Engagement policies

The Fund may add value to investee companies through engagement on positive climate impact. Through analytics, research, and impact advisory, the Fund engages with portfolio companies on early-stage setup, processes and policies, new product development, and other areas collinear with impact and business growth. The Fund has a process in place to engage with investee companies in order to align impact with the operating success of every investment. The Fund seeks to hold majority equity positions with board control whenever possible to help ensure the required autonomy in defining strategic and operational value-creation measures. Where appropriate, the Fund also actively engages with local governments and communities in accordance with consultation and engagement guidelines that correspond to the standards of internationally recognized impact certification entities.

(I) Attainment of the sustainable investment objective

The Fund does not rely on an EU Climate Transition Benchmark or EU Paris-aligned Benchmark and does not seek to align with the methodological requirements set out in Delegated Regulation 2020/1818.

The Fund seeks to invest in businesses with a positive climate impact or lower carbon emissions (largely in the form of mitigation of climate change) in view of achieving the long-term global warming objectives of the Paris Agreement.