ESG & IMPACT POLICY
(18-ago-2023)

1. The Fund

Vinci Partners ('Vinci') believes that investments can promote a positive transformation in the society by generating shared value. Climate change effects are part of the biggest challenges that the society faces, and a massive re-allocation of capital is required to meet the international climate objectives. At the same time, climate change requires a Diversity and Inclusion lens, since it is likely to increase existing inequality, and climate-related solutions can be enhanced by more diverse and inclusive groups.

Vinci Climate Change ('VICC′ or 'The Fund') is a private equity fund managed by Vinci with an intentionality to promote investments in assets and/or projects in Brazil that contribute to the climate change mitigation. All investments made by VICC will also have two complementary objectives:

i. Increase diversity and inclusion across portfolio companies, specially from a gender perspective, in their leadership and workforce, with a clear intention to promote impact in communities where these companies are active;
ii. Promote the adoption of good ESG practices and management within companies and projects.

The Fund intends to create a leading portfolio of scalable climate solutions that have clear potential to increase positive climate impact alongside compelling financial returns. The Fund mainly focuses on pre-operational assets, from development to divestment, that tackles climate change in different ways. Through an active ownership strategy, we aim to help our portfolio companies to grow, enhance their value, achieve better ESG standards, increase its contribution to a low-carbon and resilient economy and deliver an additional impact to the society: more and better opportunities for a diverse workforce.

2. Purpose and Scope

The purpose of this ESG & Climate Investment Policy ('Policy') is to describe the Fund's approach to integrating environmental, social, governance (ESG) and climate issues into the investment cycle. This approach has the following objectives: (i) prioritize investments with a clear contribution to climate change mitigation and a potential contribution to climate adaptation; (ii) increase their capacity to deliver climate impact; (iii) incorporate a diversity and inclusion lens into their impact management; and (iv) mitigate ESG risks.

The Fund has dedicated processes, tools and governance to meet these commitments and goals.[1] These elements are presented in this Policy as part of our investment sourcing, selecting and monitoring processes.

Regarding human rights and ethics, the fund has zero tolerance approach towards hat any modern slavery or forced labor and is committed to creating and maintain effective systems and controls in place to safeguard against any form of modern slavery or forced labor taking place within portfolio companies' businesses or supply chains of each subproject. The Fund follows Vinci Partner's Code of Ethics[2].

3. Climate Investment Thesis

Through an established framework that considers relevant ESG risks and climate-related attributes, climate change investments can generate competitive financial returns for investors and shared value for stakeholders. They can contribute to the achievement of the Nationally Determined Contributions (NDC) under the Paris Agreement and to the progress towards the 2030 Sustainable Development Agenda, mainly regarding the Sustainable Development Goal (SDG) #13[3] and with potential positive collateral effects to other SDGs (e.g. #6 - Clean water and sanitation; #7 - Affordable and Clean Energy)

VICC primarily aims to bridge the existing gap between asset developers and access to long-term capital in Brazil. The Fund targets investments that have climate contribution, i.e., projects that actively contribute to climate change mitigation and might also potentially contribute to climate change adaptation.

Several economic sectors actively contribute to the climate agenda, ranging from low-carbon and reliable utilities (e.g. renewable energy generation, water treatment) to the efficient use of natural resources and reduced emissions from other sources (e.g. energy efficiency solutions in industries and commercial, public and residential sectors).

There are several climate-related investment opportunities in the energy sector. Renewable energy generation is a key component for climate contribution as it releases less GHG compared to fossil fuels. Although the Brazilian electricity matrix can be considered one of the cleanest in the world, there is a growing potential to increase the use of renewable sources and further limit the use of available fossil fuels in the country. Also, the Brazilian matrix still mainly relies on hydropower resources, which means that there are relevant climate-related physical and transition risks related to water outages. In terms of renewable energy generation, for example, Brazil is a key global player for achieving carbon reduction goals. The national installed capacity of wind and solar photovoltaic has been growing at a solid pace. The country has great potential regarding these two generation sources, yet little of it has been fully explored, which represents potential for further development and financial returns. In addition, bioenergy is another significant subsector to be considered.

[1] We recognize that climate change is an ESG topic. However, it is mentioned as a separate topic in this Policy in order to highlight our focus to prioritize investments that contribute to the climate agenda.
[2]https://www.vincipartners.com/Home/informacoes.
[3] SDG #13: Climate Action - Take urgent action to combat climate and its impacts.

Growth in renewables also impacts transmission & distribution, as investments in new transmission systems and improvements of existing systems are needed in order to integrate those energy sources into the grid. It also leads to the expansion of an emerging market. Considering that wind and solar power are inevitably intermittent sources, Brazil's increasing reliance on them requires shifting and balancing the generation curve with the consumption curve. This might be accomplished for instance with battery energy storage systems. Furthermore, the forthcoming introduction of hourly spot energy prices in Brazil and sharply decreasing costs could fast-track the adoption of battery storage solutions, spurring a fast-growing battery market in the region.

Changes in industrial processes regarding low-carbon and efficient energy generation are also important and lacking. Such changes may result in the reduction of energy consumption and, thus, less GHG emissions. Energy efficiency also plays a major role in climate change mitigation, as actions range from industrial, residential, and commercial sectors. Improvements, such as in efficient lighting, reduction of heat losses and waste heat recovery, lead to less energy consumption, which then leads to less GHG emissions, helping to mitigate climate change while saving costs throughout the chain.

Low-carbon, efficient and resilient utilities are also climate-related opportunities in Brazil. While water is essential for generating power in Brazil, at the same time millions of people do not have access to water distribution, representing another investment opportunity for VICC. The climate contribution of better and more efficient water use largely lies in the reduction of technical losses (thus avoiding wasting water) and in the universalization of access to this vital natural resource, which also leads to positive social contributions to the served communities.

The waste and wastewater sectors are still overlooked in Brazil, especially considering that they are relevant carbon emission sources and, therefore, should be part of climate solutions. The gap between water and resources consumption and wastewater and waste management represents new technological challenges and hence could also become new investment opportunities. Treatment of effluents and wastewater can mitigate and avoid polluting water resources, which triggers another set of contributions, such as better energy management and possible reduction of water scarcity. Actions towards reducing, reusing, and recycling waste can help to eliminate using more uncontrolled, non-technological landfills and extraction of new natural resources, which are still largely present in Brazil. Waste also may be used for energy generation, through biogas from urban, organic waste and also from wood waste. All these actions contribute not only to control Greenhouse Gas (GHG) emissions, but also to diminish and even avoid emissions.

In respect to non-energy GHG reductions, other types of projects can represent emerging opportunities, such as Carbon Capture and Storage (CCS) technologies and green hydrogen. The International Energy Agency[4] considers CCS the third most important opportunity for CO_2 emissions reduction, after energy efficiency and development of renewables. Hydrogen has several roles in decarbonizing major sectors of the economy, such as energy use in transport and the industry. It also enables large-scale, efficient renewable energy integration by acting as a buffer to increase the resilience of electricity grids. The development of green hydrogen has the potential to promote a new hydrogen trading system in which

[4] IEA World Energy Outlook 2017 (2040 Scenario).

countries with large solar and wind resources, such as Brazil, take the lead. Therefore, VICC may identify potential investment opportunities to assist the development of these two new markets in Brazil.

Based on the Brazilian market context and the aforementioned concept of climate contribution, the Fund focuses on projects from the following sectors[5]: Renewable Energy Generation, Heat Production and other Renewable Energy Application, Transmission & Distribution, Low-Carbon and Efficient Energy Generation, Energy Efficiency, Non-Energy GHG Reductions, Water & Water Use Efficiency and Waste & Wastewater. VICC will then aim to originate equity investments within these sectors as they are scalable opportunities with great potential to deliver compelling risk-adjusted returns to investors.

To define eligible sectors and assets/projects for investments, the VICC has designed a proprietary taxonomy. VICC Taxonomy is a local-based tool that lies on key world-class references from the financial sector. This tool has been developed with elements from the European Union Taxonomy, the Climate Bonds Standards and investment guidelines from international development finance institutions (DFIs) that have a clear climate strategy, namely the *Agence Française de Developpement (AFD)* and the European Investment Bank (EIB). VICC Taxonomy also considers The Coolest Bonds[6] as a reference. The latter is a Brazilian-based taxonomy that has been adopted by local bond issuers and particularly assesses the contribution of highly relevant sectors to Brazilian economy.

Vinci understands that these standards are key references for climate-related investments. They help identify (i) major sectors that can clearly contribute to climate change, (ii) others in transition that need to be sped up and (iii) sectors that supply technology for and/or facilitate such transition and adoption of new solutions.

4. Diversity & Inclusion

Historically, the Brazilian job market suffers from inequalities in terms of race, gender, disabilities, among others. Vulnerable groups earn less, are more susceptible to poor working conditions and do not occupy leadership positions. For instance, according to *Observatório do Clima*[7], 52% of black women have informal jobs and their earnings are 56% lower than white men's in Brazil. Increasing the diversity and inclusion among real economy companies is not only an ethical issue, but also contributes to overcome other barriers to the sustainable development, as stated by the UN Women[8].

[4] In order to be more focused and aligned with the Vinci´s experience and track record, the Fund will not focus on low-carbon agriculture investments.

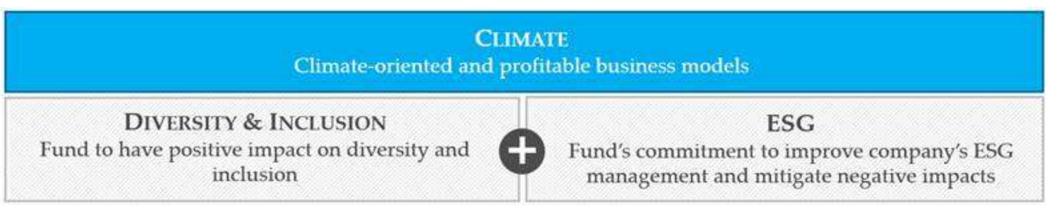
[6] Developed by NINT, under the SITAWI name, this study presents assets and projects, divided by key economic sectors, and how they may contribute to the Brazilian Nationally Determined Contributions (NDCs) to meet the Paris Agreement climate goals. NINT is a Brazilian organization that develops financial solutions for social impact and advise the financial investors on how to incorporate social and environmental issues into its strategy, risk management and investment analysis. NINT is the ESG advisor for the Fund.
[7] Infographic "*Por que gênero e clima?*". Source: https://generoeclima.oc.eco.br/infografico-porque-genero-e-clima
[8] "Turning promises into action: Gender equality in the 2030 Agenda for Sustainable Development"

Under the climate change context, the Diversity and Inclusion (D&I) has a greater importance. Firstly, there is correlation between diversity and vulnerability to climate change. The UN Framework Convention on Climate Change states that climate change exacerbates global inequalities. According to the International Union for Conservation of Nature (IUCN), men and women experience climate change differently. Women make up a large percentage of poor communities worldwide that rely on natural resources for their livelihoods, which means impacts of climate change, such as extreme weather, are acutely felt by them. Climate justice can be also considered racial justice. For instance, the UN Working Group of Experts on People of African Descent also identifies that black people are exposed to far more climate-related effects than other groups.

However, as much as groups considered vulnerable are disproportionately affected by this matter, they also play a crucial role in climate change mitigation and adaptation. Capabilities that came from diverse groups are indispensable, and representatives from these groups ought to take place as decision makers, stakeholders and experts in order to achieve successful, long-term solutions to climate change.

Alongside the Fund's climate thesis, there is a clear potential for a climate fund to drive portfolio companies towards an increased diversity and inclusion within their operations. Vinci recognizes that and commits to incorporate a D&I perspective within VICC investments. VICC will leverage the ongoing efforts at the Manager's level to generate relevant impact on gender diversity and inclusion, as well as other diversity perspectives. In 2020, Vinci committed with the Women Empowerment Principles (WEPs) to develop gender diversity practices within workforce and suppliers. In this continuous improvement journey, Vinci will work with all VICC portfolio companies to generate positive impact on gender equality and, when possible, identify other opportunities to increase the diversity and inclusion of other vulnerable groups.

Supported by tools designed for the purpose, VICC aims to work with portfolio companies towards improving collection of data for diversity indicators, ensuring quality and comparability, which are key points towards sustainable development as stated by the UN Women. Also, the Fund aims to support these companies to improve their performance on this theme, contributing to the diversity and inclusion agendas in Brazil.



5. Impact Management Framework

Both Impact (on climate and D&I) and ESG perspectives are integrated to the investment cycle according to a proprietary framework, which has been designed according to references from national and international standards, as follows:

(i) **Climate impact:** The framework combines elements replicated or adopted from financial-sector specific references, including:

a. international taxonomies (e.g. EU Taxonomy, list of climate-related eligible investments from EIB and AFD);
b. standards typically adopted by climate-related project developers to raise funds and monitor their impact (e.g. Climate Bonds Standards, Green Bond Principles and its Harmonized Framework for Impact Reporting);
c. metrics usually recommended for social enterprises and impact investors (e.g. IRIS+) regarding GHG emissions, water and waste.

These references guide the Fund's team to ensure that both potential and portfolio investments are aligned to the Climate Investment Thesis (see section 3) and to the expectations of the Fund's Limited Partners regarding the positive impact on climate change.

(ii) **Diversity and inclusion impact:** The framework enables the Investment team to identify opportunities to increase diversity and inclusion across portfolio companies, as well as to monitor their progress. The references came from the 2X Challenge[9] criteria for direct investments and the IRIS+ indicators[10], but are not limited to the gender perspective.

(iii) **ESG risk management:** International standards and market best practices that support the Fund's investment team in identifying, assessing, mitigating and monitoring the risks related to the environmental (e.g. resource efficiency, biodiversity protection), social (e.g. labor rights, relationship with communities) and governance (e.g. ethical conduct, transparency) aspects.

National laws and regulations, the Principles for Responsible Investment (UN-PRI, to which Vinci Partners is a signatory since 2012), the International Finance Corporation (IFC) Performance Standards, some recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), and other environmental & social safeguards regularly adopted by other international DFIs (e.g. Exclusion lists) were the key references to prevent negative impacts to the society and financial losses to the investors.

These references are implemented through dedicated processes and tools in four stages within the Fund's investment cycle, as illustrated bellow. This set of tools shall aid the Fund's team not only in selecting target investments, but also in tracking the investments' evolution in terms of ESG and climate contribution.

[9] The 2X Challenge is a multilateral initiative launched by G7 DFIs with the objective of deploying and mobilizing capital to support projects that empower women as entrepreneurs, as business leaders, as employees and as consumers of products and services that enhance their economic participation. The dimension #5 is not applicable to direct investments, while dimension #4 is not applicable to the investment's business models.
[10] In 2021, the 2X Challenge, the GIIN and CDC Group launched a guide on how to measure the gender impact of investments, linking IRIS+ to the 2X Challenge criteria.

Initial screening	Ex-ante assessment	Signing and closing	Monitoring and reporting
• **Exclusion list** • **ESG Risk Categorization Tool** • **Climate Taxonomy Tool**	• **Climate Impact Tool** • **ESG & Climate Due Diligence** • **D&I Assessment Tool**	• **ESG & Impact Action Plan** • **List of indicators -** ESG risk management + D&I + climate contribution	• **List of indicators** (monitoring, at asset level) • **ESG & Impact Action Plan** (monitoring, at asset level) • **Climate dashboard** (portfolio level) • **ESG Report** (portfolio level)
ESG & Impact Policy			

This framework builds on Vinci's track record in integrating the ESG aspects across its investment strategies and specifically in managing impact-oriented private equity and infrastructure funds. Lessons learned from Vinci´s previous experiences and additional climate-related references were integrated to design a framework that meets our Climate Investment Thesis.

6. Investment sourcing and initial screening

As the first stage of the framework, the initial screening addresses the eligibility of target investments and the associated decision-making process. The investment team shall screen all originated deals through a set of pre-defined steps to determine whether they are indeed eligible.

The first step consists in reviewing potential investment targets against a list of excluded investments ('**Exclusion List**'). This tool is aligned with the ESG best practices adopted by DFIs that support social and economic development in emerging markets. Furthermore, to consider potential negative impacts on ESG aspects, including climate.

After the negative screening in the first and second steps, the third step evaluates whether the project is aligned to Fund´s taxonomy by applying the **VICC Taxonomy Tool**. The project shall be within the scope of one of the target sectors in the previous section. Aiming towards implementing a low-carbon strategy aligned with the Paris Agreement[11] goals, the VICC Taxonomy Tool indicates how each of the eligible target investments contributes to the different global temperature rise scenarios within the Brazilian context.

[11] The Paris Agreement is a legally binding international treaty on climate change. Its goal is to limit global warming to below 2°C (scenario 1), preferably to 1.5°C (scenario 2), compared to pre-industrial levels. The Nationally

The **ESG Risk Categorization Tool** measures the potential investment's exposition to ESG risks, such as exposition to resources scarcity, floods and interference with indigenous people and areas of cultural significance. Through answering a set of questions related to the economic activity and contextual issues of the project (e.g. location), as well as backed by the IFC categorization scheme and its High-Risk Sectors List and the EDFI's High-Risk Sectors List, this tool categorizes the investment as following[12]:

- Low Risk (C) - Activities, works or projects with minimal social and environmental risks and/or impacts, nonexistent or with very small probability of occurrence;
- Medium Risk (B) - Activities, works or projects with potential risks and/or negative social and environmental impacts that are limited, scarce, generally localized and easily reversible and mitigatable;
- Medium-high Risk (B+) - Activities, works or projects with risks and/or adverse social and environmental impacts, limited and reversible from easily applicable mitigation measures (higher complexity compared to category B: higher size or sensitivity of the territory);
- High Risk (A) - Activities, works or projects with potential risks and/or diverse negative social and environmental impacts, irreversible or unprecedented, of cumulative and/or transboundary nature.

The risk categorization methodology considers the assessment of two sets of risks:

(i) risks which are inherent to the economic activity (sector risk); and
(ii) risks related to the activity's location and contextual aspects.

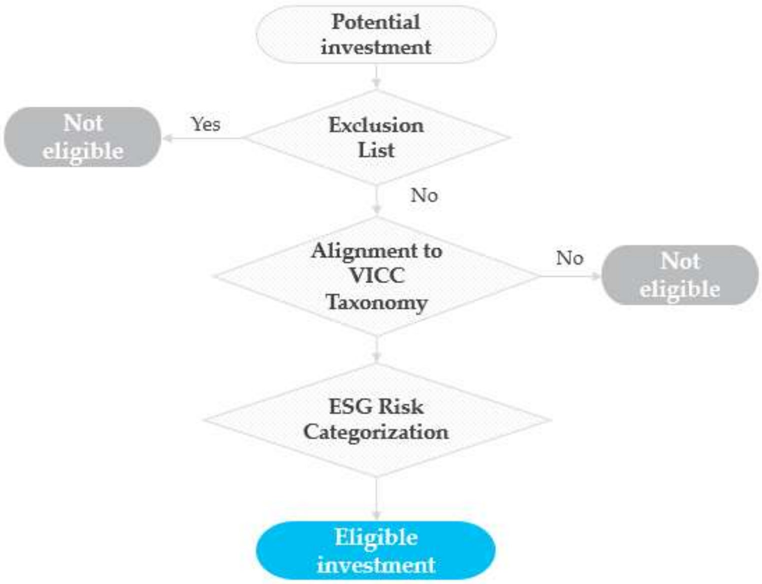
If there are any particular triggers and red flags in the second set of risks, then the final risk increases, i.e.:

- For High risk sectors: if there are red flags in the contextual and location aspects, then the VICC Risk Categorization output is A+ (High risk). Else, it is B+ (Medium-high risk).
- For Medium risk sectors: if there are red flags in the contextual and location aspects, then the VICC Risk Categorization output is B+ (Medium-high risk). Else, it is B (Medium risk).
- For Low risk sectors: if there are red flags in the contextual and location aspects, then the VICC Risk Categorization output is B (Medium risk). Else, it is C (Low risk).

Indicative lists of High-risk and Medium-risk sectors can be found in the Annex (II and III).

Determined Contributions (NDCs) is an action plan submitted by countries in which they communicate their actions to reduce greenhouse gas emissions measures to adapt to the impact of rising temperatures.
[12] The final ESG Risk Categorization may be revised at the Due Diligence process, if the Investment Team and the ESG external contractor find any additional information related to high risk issues.

The flowchart below summarizes all these initial steps.



7. Ex-ante assessment

Once the potential investment is deemed eligible, the ex-ante assessment phase starts. There are two main goals: (i) to assess the ESG risks that arise from the project and its developer (if the case), as well as providing recommendations to increase the project, company and/or the developer's capacity to manage them; (ii) to determine the potential climate contribution of each potential investment and identify how this positive outcome shall be managed and monitored.

The **Climate Impact Tool** determines the potential investment's climate impact. The impact is defined by the combination of two criteria:

(i) Project's climate contribution: the investment's capacity to contribute to climate change mitigation (and adaptation, when possible) and measure and demonstrate positive climate contributions. For instance, the climate impact tool points out ranges of potential reduction of GHG emissions and natural resources use

(ii) Climate risk management: the investment's capacity to identify, prevent, manage and compensate risks and the associated negative impacts from climate issues.

These two criteria are combined because, for example, an investment might have a clear positive impact for avoided GHG emissions, but also be negligent in the use of water resources, which overtime tends to be scarcer as a result of climate change. The output of this tool is a rating that translates the climate impact for each investment.

Still in this step, Vinci also conducts the **ESG & Climate Due Diligence** (i) to identify potential risks and requirements on ESG risk management and climate contribution and (ii) to develop the systems, controls and metrics for the investments. The Due Diligence will also include an assessment of the project's environmental licensing process, describing available Environmental and Social Impact Assessment studies, among other topics. All transactions, regardless of their risk categorization, undergo a comprehensive due diligence, carried out by an external contractor. Another goal of this step is to assess whether the company demonstrates capacity to adopt ESG good practices. Particularly for B+ projects, the Due Diligence process also includes on-site visits conducted by the external contractor and representatives from Vinci.

During this phase, the Investment Team also applies the **D&I Assessment Tool** to support the evaluation of diversity and inclusion issues within potential investees prior to the investment and identify impact opportunities to be addressed when they become part of the Fund's portfolio. Companies/projects are assessed under six themes (Entrepreneurship, Leadership, Policies & Engagement, Inclusive culture, Retention & recruiting and Income equity), considering metrics that include the adaptation of three of the gender dimensions defined by the 2X Challenge to direct investments.

2X Challenge dimensions

1. Entrepreneurship	1A. If the share of women ownership is over 51% 1B. If the business was founded by a woman
2. Leadership	2A. If the share of women in senior management is over 20, 25 or 30%. The number depends on the company's business sector 2B. If the share of women on the Board is over 30%
3. Employment	3A. If the share of women in the workforce1 is over 30, 40 or 50%. The number depends on its business sector 3B. If it attends to one "quality" indicator beyond compliance, which is a policy or program, beyond those required for compliance, addressing barriers to women's quality employment

The tool's main output is the D&I Score, which translates the company/project's overall D&I practices in a straight-forward way, with secondary Scores particularly for the gender and race dimensions. The collected information can generate insights for impact-driven opportunities, allowing action in a specific theme or diversity dimension, in order to increase D&I. The tool's versatility also allows Vinci to assess the future investees' progress in diversity and inclusion during the Monitoring phase.

Regarding ESG risk management, the **ESG & Climate Due Diligence** identifies the ESG material issues that can represent a risk for the investment and assesses the company's capacity to deal with these risks. The framework to assess ESG issues is adapted from the IFC Performance Standards. The World Bank

Environmental, Health and Safety (EHS) Guidelines and the United Nations Guiding Principles on Business and Human Rights are also references for the ESG assessment.

The climate contribution perspective focuses on a deeper assessment on the project's capacity to generate and monitor its outcomes, according to each type of project. It means that the assessment of a renewable energy investment will be partially different from a wastewater investment assessment, for instance. Other aforementioned references (e.g. Climate Bonds Standards and The Coolest Bonds) are also used to support the Fund's team to measure the positive climate impacts.

The outputs from the previous tools (e.g. the type of climate investment, from the VICC Taxonomy; the ESG Risk Categorization Tool) feed answers into this in-depth due diligence. As a result of the Due Diligence, the Investment Team will have the key recommendations for corrective actions regarding:

- ESG risks and opportunities for value creation;
- Positive climate impact;
- D&I impact.

Considering that VICC focuses on pre-operational investments, in such cases Vinci will apply all the above-mentioned processes and tools in a way that all criteria will be incorporated as requirements for the development of the asset. All projects will be assessed under the IFC Performance Standards, with adaptations depending on their development stage. Thus, the Investment team will use the IFC Performance Standards to guide the creation and implementation of operational policies and practices after the Signing and closing phase.

8. Signing and closing

At this stage, the Fund and companies agree on specific actions and targets to be achieved during the investment period. The Fund must ensure that all portfolio companies will comply with the Fund's ECS requirements and ensure that has put in place a grievance redress mechanism or equivalent commensurate to the nature of the activities. All portfolio companies will be submitted to the **ESG & Impact Action Plan** to address ESG risks, monitor performance evolution and achieve positive results on climate and D&I. The Fund's **List of Indicators Tool** contains relevant metrics to measure the performance of each portfolio company regarding ESG risk management (e.g. workforce accidents; water consumption), D&I (e.g. % of women in leadership positions, % black people in the total workforce, # new jobs to people with disabilities) and climate contribution (e.g. avoided GHG emissions; renewable energy installed capacity), according to each type of project.

The Fund sets measurable D&I targets for each investment. These targets will depend on the results from the company's assessment and the identified opportunities to increase diversity and inclusion within the context of each company. Nevertheless, Vinci will work with all companies on two specific measures:

- develop a leadership program towards diversity (gender, race, disabilities, etc.); and/or
- develop affirmative hiring programs, aiming the hiring of women, black people, people with disabilities, aged people and other representatives from vulnerable groups in the job market.

Based on previous experiences, and in particular with SMEs and pre-operational assets, Vinci anticipates that most of Fund's target companies will not have an appropriate system to manage and measure some ESG and impact KPIs. Therefore, the Fund aims to take advantage or our active ownership and technical resources to drive and help these companies to develop or improve their KPIs' monitoring systems and company policies.

9. Monitoring

Finally, the Fund monitors and reports to the Fund's investors. After the investment is closed, Vinci will start quarterly measuring and monitoring the climate, D&I and ESG performance of each portfolio investment, during the investment process. The **D&I Assessment**, **List of Indicators** and the **ESG & Climate Action Plan** also contribute to this stage.

Moreover, with the **Climate Dashboard Tool**, Vinci aggregates climate metrics from all investments into a portfolio view for high-level analysis and reporting. Vinci shall conduct semi-annual reviews of the portfolio and each investments performance. In this process, each investment goes through the **Climate Impact Tool** for a new assessment in order to compare previous and expected ratings in order to assess improvements on climate contribution. The results shall be used to improve operational and strategic investment decisions.

During this phase, VICC shall use a tool with guidelines for ESG monitoring to assess the progress on the Action Plan and the project performance against the IFC Performance Standards.

Monitoring also consists of quarterly on-site visits by the E&S Officer for A and B+ projects and semi-annual on-site visits for other projects. Vinci will also propose if the external advisor will need to participate during on-site visits.

10. Reporting

Vinci reports to the Fund's investors regarding investments performance, use of proceeds and the ESG and climate benefits, through indicators and the measures taken by the portfolio companies.

Vinci approaches reporting in the follow terms:

- *Internal portfolio companies' report, at the individual level*: A common template to be adopted by all portfolio companies to individually report each year their performance to the Fund: the **List of Indicators** and its progress within the **Action Plan**.
- *Internal fund's report, at the consolidated level:* An **Annual ESG & impact report** to prepared by Vinci to the Fund's limited partners. This report will look across all the investments including climate, D&I and ESG performance per investment and of the aggregated portfolio.
- *Publicly available fund's report, at the consolidated level:* This annual report will provide external stakeholders (e.g. partners, peers, communities, regulators) with selected information from the "Internal fund's report". The key aim is to make publicly available the impact generated by the Fund.

All templates are designed to meet the Limited Partner's expectations and will take the best efforts to comply with the TCFD recommendations, considering the appropriate adaptations according to the size of portfolio companies.

11. Exit

Throughout the divestment processes, Vinci will consider the effects on impact sustainability and prioritize, alongside its financial goals, transactions where impact maintenance is secured or less harmed. Regardless of the market scenario and the expected financial returns, Vinci will not approve exit transactions where the buyer is mentioned in some way in the UN Exclusion List.

12. Governance

The Fund has assigned roles and responsibilities related to this ESG & Climate Framework, in order to fully implement the incorporation of these issues into the investment processes.

The following governance positions at the Manager's level are part of the ESG & Climate Framework:

- **Vinci ESG Officer:** The ESG Officer is responsible for leading the development, implementation and monitoring of ESG strategies at the Vinci level. The Officer oversees these issues for all funds managed by Vinci and provides inputs for the Investment teams to continuously improve the practices at the individual funds' level.

- **Investment Committee:** besides the responsibilities included in the Fund documents, as part of the investment process the Investment Committee is responsible for reviewing ESG & Impact issues assessed by the Investment Team in the due diligence of investment opportunities and monitoring of portfolio companies.

The Fund has also dedicated teams that oversee implementing the ESG & Climate Framework, as follows:

- **VICC Investment Team:** responsible for conducting the ESG & Climate assessments and monitoring the portfolio companies.

- **VICC Impact & ESG Officer:** responsible for overseeing the adequate use of ESG & impact tools and processes. Its primary role is to manage E&S due diligence, portfolio monitoring, technical advice and value add in investees. This professional might also be the focal point for the Fund's Limited Partners and portfolio companies on ESG and impact issues. In addition, the Fund might also engage third-party consultants - such as NINT - to support the assessment of both potential and portfolio investments.

- **E&S Working Group:** The E&S Working Group seeks to leverage its members' industry and E&S expertise to assist the manager by consulting on various E&S matters related to the portfolio companies. This group will be composed of at least Vinci's E&S officer and Climate Change/E&S officers of the Limited Partners, with a maximum of 9 members in total.

- **External Impact & ESG Advisor:** The Fund engages NINT as a third-party specialist to support the development and implementation of the ESG & Impact Framework.

Legal Team: The Legal and Compliance Teams are responsible for assisting on legal and compliance matters that include ESG Issues, mainly those related to clauses and covenants on the Investment Agreements.

Annex I: Exclusion List

Vinci Climate Change will not invest in any company involved in[13]:

i. Production or activities involving forced labor[14] or child labor[15] or human trafficking[16].
ii. Activities (trade, production, breeding or possession) or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
   a. Ozone depleting substances[17], PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals, including substances that are progressively withdrawn from the market or have been banned internationally according to the Rotterdam Convention (www.pic.int) and the Stockholm Convention (www.pops.int).
   b. Wildlife or products regulated under the Convention on International Trade in Endangered Species (CITES)[18] or Wild Fauna and Flora.
   c. Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).
iii. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals and fossil fuels (gasoline, kerosene, and other petroleum products).
iv. Cross-border trade in waste and waste products, unless compliant to the Basel Convention[19] and the underlying regulations.
v. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is trivial and/or adequately shielded.
vi. Production or trade in unbonded asbestos fibers.
vii. Construction and refurbishment of new and extension of any existing fossil fuel-fired power plants[20].
viii. Any power generation project not meeting an emission performance standard set at 250 gCO_2 equivalent per kWh-e.
ix. Destruction of High Conservation Value areas.

[13] This exclusion list was built-on the requirements provided by the international development finance institutions, which adopt recognized best practices to define harmful projects and activities they do not invest in.
[14] "Forced labor" refers to any work or service performed involuntarily and exacted from an individual by threat of force or punishment as defined in the conventions of the International Labor Organization (ILO).
[15] Employees must be at least 14 years of age as defined in the ILO's Declaration on the Fundamental Principles and Rights at Work (C138 – Minimum Age Convention, Article 2), unless local laws require compulsory schooling or a minimum age for admission to employment or work. In such circumstances, the highest age requirement must be used.
[16] Council of Europe Convention on Action against Trafficking in Human Beings (2005); Directive 2011/36/EU.
[17] Any chemical component which reacts with, and destroys, the stratospheric ozone layer leading to the formation of "holes" in this layer. The Montreal Protocol lists ozone depleting substances (ODS), their reduction targets and the deadlines for phasing them out.
[18] CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington, 1973).
[19] Trade in cultural property is regulated by the Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property (1970)
[20] Except for projects involving mini-grids served by hybrid power plants (combining renewable energies and fossil fuels).

x. Production or trade in wood or other forestry products other than from sustainably managed and non-native forests and land that had the status of high carbon stock and high biodiversity areas (i.e. primary and secondary forest, peatlands, wetlands, and natural grasslands).

xi. Commercial logging operations for use in primary tropical moist forest.

xii. Production or activities that impinge on the lands owned, or claimed under adjudication, by Traditional Peoples (indigenous and quilombolas), without full documented consent of such peoples.

xiii. Racist and/or anti-democratic media or media which promotes discrimination against part of the population.

xiv. Pornography and/or prostitution.

xv. Production or trade of weapons and munitions, military/police equipment, infrastructure or correctional facilities, prisons[21].

xvi. Mining activities that use rudimentary extraction methods or panning.

xvii. In the event that any of these following products form a substantial part of a project's primary financed business activities:
   a. Alcohol beverages (except beer and wine)
   b. Tobacco
   c. Gambling, casinos and equivalent enterprises[22]
   d. Motels, saunas and adult entertainment establishments

xviii. Destruction[23][24] of Critical Habitats[25][26], and:
   a. Any financing in the:
   - sites of the Alliance for Zero Extinction (AZE)[27][28];
   - natural and mixed sites on the UNESCO World Heritage List[29] and;
   - legally protected areas (as defined by the International Union for Conservation of Nature - IUCN)[30].
   b. Any forest project or agriculture project with broad coverage (>100ha) that does not implement a methodology[31] ensuring zero-deforestation.

xix. Live animals for scientific and experimental purposes, including the breeding of these animals.

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[21] Considering these activities and the ones listed in topic xvii represent more than 10% of the turnover of the counterparty financed or, if the client is a financial intermediary, more than 10% of the outstandings of its portfolio.

[22] Any direct financing of these projects or activities including them (for example, a hotel incorporating a casino). It does not concern urban development plans that could subsequently integrate such projects.

[23] Destruction or residual impact, meaning a project's measurable impact on a biodiversity value, after implementation of avoidance and mitigation measures, but before implementation of restoration and compensation measures.

[24] Destruction or Irreversible impact, meaning, permanent conversion or degradation of biodiversity or of the ecological functions or characteristics that warranted the critical habitat designation.

[25] Critical habitat: within the meaning of the World Bank's Environmental and Social Standard 6 – 2018 or IFC-GN PS6 2019.

[26] Unless the said project is of overriding general interest for the destination country, in which case a derogation can be presented to the Group's governance for a decision.

[27] Unless the area of influence of the funded activities and their associated facilities does not encroach on zones that effectively meet the criteria for being designated as an AZE site – https://zeroextinction.org/site-identification/aze-site-criteria/

[28] Unless the financing aims to conserve or restore these areas.

[29] Unless the financing aims to conserve or restore these areas.

[30] Unless the financing aims to conserve or restore these areas or complies with the management and spatial planning plans for the latter, such as those formalised in plans with international standards relating to the activities being financed – categories I-VI in World Database on Protected Areas | IUCN.

[31] Methodology including (i) a reference tool equivalent to the HCS approach, allowing for forest classification, (ii) a guarantee that no high carbon stock forest will be converted under the project and (iii) monitoring of forest cover (field or satellite monitoring).

xx. Projects which have the effect of limiting people's individual rights and freedoms or violating their human rights[32].
xxi. Purchase of logging equipment for use in tropical natural forests or high value forests in all regions.
xxii. Activities that lead to clear cutting and/or degradation of tropical natural forests or high value forests.
xxiii. Commercial concessions over, and logging on tropical natural forest; conversion of natural forest into plantation.
xxiv. Any business with political or religious content.
xxv. Activities running with energy generated from incineration or any other form of thermal treatment of biowastes or biomass as part of mixed residual wastes.
xxvi. New palm oil plantations.
xxvii. Operations resulting in an irreversible alteration or a significant displacement of a critical element of cultural heritage[33].
xxviii. Research, purchase, promotion or multiplication of genetically modified seeds and organisms genetically modified (GMO), as well as introduction of exotic species[34].
xxix. Projects where it is known that a forced eviction (within the meaning of the United Nations[35]) or involuntary resettlement was carried out on the impact site of the proposed project, and which eviction or involuntary resettlement can be causally linked to the purpose of this project and which eviction or involuntary resettlement is materially impossible to compensate[36].
xxx. Activities involving organs, tissues and products of the human body, or genetic engineering activities[37].
xxxi. Trade or activities that facilitate illicit traffic of cultural property.
xxxii. Infrastructure associated to a facility for producing, storing or processing fossil energy resources (mines, processing facilities, storage, etc.) or for generating electricity from fossil energy sources, referred to in point VIII of this list[38].
xxxiii. Projects for the exploration, production or processing or dedicated exclusively to the transport of coal, gas and oil (convention or non-conventional).
xxxiv. Exploitation of diamond mines and marketing of diamonds in countries that have not adhered to the Kimberley Process.

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[32] https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf

[33] "Critical cultural heritage" is considered to be any part of the heritage that is internationally or nationally recognised as being of historical, social or/and cultural interest.

[34] Programming Act No. 2021-1031 of 4 August 2021 on inclusive development and combating global inequalities prohibits financing by AFD of activities involving the purchase, promotion or multiplication of genetically modified seeds (LPDSLI – Cadre de partenariat global [Global Partnership Framework] Part II – B – b / - 3 - paragraph 6). AFD adds research activities to this (Territorial and Ecological Transition Strategy 2020-2024).

[35] United Nations Sub-Commission on Human Rights Resolution 1993/41: "Forced Eviction". "The term 'forced evictions' [...] is defined as the permanent or temporary removal against their will of people, families and/or communities from the homes and/or land which they occupy, without the provision of, and access to, appropriate forms of legal or other protection (Committee on Economic, Social and Cultural Rights, General Comment No. 7).

[36] Due to the project sponsor's refusal or its inability to identify the populations that are victims of forced evictions. Projects for which an effective remedy can be provided for violated rights will not be excluded.

[37] The Convention for the Protection of Human Rights and Dignity of the Human Being with regard to the Application of Biology and Medicine: Convention on Human Rights and Biomedicine (Oviedo, 04/04/1997); Council of Europe Convention against Trafficking in Human Organs (Saint-Jacques-de-Compostelle, 25/03/2015).

[38] The term "associated Infrastructure" is used when the infrastructure is associated with a production facility using fossil fuel if the two following conditions are fulfilled: i) the infrastructure would not have been built in the absence of this fossil fuel facility, and ii) the fossil fuel facility would not be economically viable without the infrastructure.

xxxv. Biomaterials and biofuel production that use feedstock that can serve as food or compromise food security, i.e., 1st generation biofuel projects, among others.
xxxvi. Any equipment, sector or service subject to economic sanctions issued by the United Nations, the European Union or France, without absolute or relative restriction regarding the amount.
xxxvii. Production or use of persistent organic pollutants (POPs).
xxxviii. Production or activities that affect the ownership of the territory or land, or claimed for adjudication, by indigenous peoples without documented Free, Prior and Informed Consent from said peoples.
xxxix. Operations in protected areas[39] with special legislation, when the operation has the potential to jeopardize the objective of creating/establishing the protected area.
xl. Extensive monoculture plantations.
xli. Irrigated forests.
xlii. Export-oriented agribusiness models that focus on long-haul air cargo for commercialization (i.e. investments dependent on the long-haul, intercontinental air-cargo shipment of fresh, perishable agricultural goods).
xliii. Any actions that amount to retaliation in its operations.
xliv. Any gender-based violence and harassment in the context of projects.
xlv. Biomass co-firing with fossil fuels and/or peat", which restricts further co-firing (beyond coal).

[39] Also within areas designated in each place, including, among others, world heritage sites (defined in the Convention of World Heritage: http://whc.unesco.org/nwhc/pages/doc/main.htm), the list of national parks and protected reserves of the United Nations, wetlands declared as having international importance (Ramsar sites, defined in the Ramsar convention: www.ramsar.org), or determined areas defined by the IUCN (e.g. natural parks, wildlife reserves, natural monuments, among others: www.iucn.org)

Annex II: List of High-risk Sectors

This is a non-exhaustive list for indicative purposes. Risk categorization depends on the particularities of each investment.

Infrastructure

- Railways
- Ports, harbors and terminals
- Airports
- Toll roads
- Crude oil and petroleum product terminals
- Pipelines
- Long distance (>250 km) overhead transmission lines
- Large dams (hydro power plants / irrigation/water supply)
- River-run-off hydro power plants (> 50 MW)
- Thermal power: new plants (> 50 MW)
- Thermal power: existing plants (> 50 MW)
- Wind power – large scale (> 50 MW installed capacity)

Oil & Gas

- Offshore oil and gas development
- Onshore oil and gas development
- Liquefied natural gas (LNG) facilities

Large Scale Primary Production (Plants / Animals)

- Plantation crop production
- Forestry
- Aquaculture
- Animal production

Heavy Industry

- Cement and lime manufacturing
- Glass manufacturing
- Construction materials extraction
- Integrated steel mills
- Base metal smelting and Refining
- Pulp and paper mills
- Foundries
- Pharmaceuticals and biotechnology manufacturing
- Coal processing

- Natural gas processing
- Oleo chemicals manufacturing
- Nitrogenous fertilizer manufacturing
- Phosphate fertilizer manufacturing
- Pesticides manufacturing and packaging
- Petroleum-based polymers manufacturing
- Petroleum refining
- Large volume petroleum-based organic chemicals manufacturing
- Large volume inorganic compounds manufacturing and coal tar distillation

Mining

- Mining (open pit and underground)

Socially Critical Projects

- Projects with large groups of low-skilled labor
- Projects potentially affecting indigenous or tribal populations (e.g. due to land take, limitation of access to natural resources)
- Projects which may affect areas of archaeological or cultural significance (e.g. cultural heritage site, temple, place of worship, grave)
- Projects which cause or have caused (during last 5 years) physical or economic resettlement
- Projects which cause retrenchment of more than 10% of the present work force (or > 50 workers)
- Transboundary impacts on neighboring countries (e.g. access to water of downstream-users due to hydropower project impacts)

Environmentally Critical Projects

- Projects in or bordering ecological sensitive or protected areas (e.g. agriculture in Amazon area, large scale tourism projects)
- Large scale conversion of natural habitats
- Large scale land reclamation
- Projects that have potential to heavily impact ecosystem services (e.g. due to intensive use of ground water, timber, land)
- Projects that have negative long-term impacts on the human environment (e.g. through air pollution, water pollution, noise generation, odour etc.)

Annex III: List of Medium-risk Sectors

This is a non-exhaustive list for indicative purposes. Risk categorization depends on the particularities of each investment.

Infrastructure

- Wind power (<50MW installed capacity)
- Solar power
- River-run-off hydro power plants (< 50 MW)
- Geothermal power (<50 MW)
- Biomass power
- Biofuel power
- Biogas power
- Green hydrogen
- Conversion of existing power plants
- Cogeneration of heat/cool and power from solar energy
- Thermal applications of geothermal power
- Thermal applications of bioenergy
- New transmission systems or new systems and improvement of existing systems to facilitate the integration of renewable energy sources into grid
- Storage of renewable energy and other associated facilities
- Green mini-grid systems or off-grid solutions
- Retrofit of transmission lines to reduce energy use or technical losses
- Medium distance (<250km) overhead transmission lines
- Water storage
- Water treatment and distribution
- Water monitoring
- Water desalination
- Flood defenses
- Nature based solutions
- Treatment of wastewater
- Waste-to-energy
- Recycling or reuse

Low-carbon and efficient energy generation

- Conversion of existing fossil-fuel based power plant to co-generation technologies that generate electricity in addition to providing heating/cooling
- Hybridization of existing power plants through adding a renewable-energy based component
- Renewable energy based hybrid system
- Waste heat recovery improvements

Energy efficiency

- Energy efficiency in industry
- Energy efficiency in commercial, public and residential sectors and in public services - large scale
- Greenfield energy efficiency in commercial and residential sectors (buildings)

Non-energy GHG reductions

- Carbon capture and storage (CCS)
- Air conditioning and refrigeration - large scale
- Industrial processes