SOLSTICE SUPPLIERS DECARBONISATION FUND SCA SICAV-RAIF

"SOLSTICE"

SUSTAINABILITY-RELATED DISCLOSURES

PUBLICATION OF SUSTAINABILITY INFORMATION ON THE WEBSITE ARTICLE 10 (SFDR)

2024

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SOLSTICE SUPPLIERS DECARBONISATION FUND SCA SICAV-RAIF

LEI : 636700UYLVVOWBJ9CL09

(the "Fund")

This section is to provide investors in the Fund with information required by the Sustainable Finance Disclosure Regulation ('SFDR').

More information about the Fund can be found in the Shareholders Agreement of the Fund.

'Sustainability-related disclosure' section information:

(a) 'Summary';

(b) 'No sustainable investment objective';

(c) 'Environmental or social characteristics of the financial product';

(d) 'Investment strategy';

(e) 'Proportion of investments';

(f) 'Monitoring of environmental or social characteristics';

(g) 'Methodologies';

(h) 'Data sources and processing';

(i) 'Limitations to methodologies and data';

(j) 'Due diligence';

(k) 'Engagement policies

(l) where an index is designated as a reference benchmark to attain the environmental or social characteristics promoted by the financial product, 'Designated reference benchmark'.

(A) SUMMARY

The Fund promotes environmental characteristics but does not have as its objective sustainable investment within the meaning of SFDR. Its primary environmental characteristic is the promotion of climate change mitigation by supporting the decarbonisation of the supply chain.

The Fund seeks to achieve this by providing financing to companies that are implementing or accelerating decarbonisation strategies, or whose products and services enable the transition to a low-carbon economy. Financing is directed to activities such as energy and process efficiency, renewable energy, clean transportation and other low-carbon industrial processes. Complementary themes may include pollution prevention, sustainable agriculture and aquaculture and forest and land conservation.

To safeguard these characteristics, the Fund applies clear sustainability assessment criteria, independent external validation of expected carbon savings and a set of exclusion and good governance principles. These assessments form a mandatory part of the investment committee process.

Monitoring is undertaken at least annually, using a primary impact indicator, tonnes of CO_2 avoided or reduced per EUR 1 million invested, together with other relevant indicators and qualitative assessments.

Further detail on the Fund's environmental characteristics, investment strategy, methodologies, monitoring and due diligence is provided in the sections that follow.

(B) NO SUSTAINABLE INVESTMENT OBJECTIVE

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

(C) ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

The Fund promotes climate change mitigation by financing activities that support the transition to a low-carbon economy across the supply chain.

Its environmental characteristics include:

- supporting companies that are implementing or accelerating decarbonisation strategies,
- investing in businesses that enable the shift to low-carbon technologies and processes, and
- directing capital to projects that deliver improved outcomes in:
    - process efficiency and resource optimisation,
    - renewable energy generation and integration,
    - clean transportation, and
    - innovative low-carbon industrial processes.

In addition, the Fund promotes secondary environmental characteristics by seeking opportunities that contribute to:

- pollution prevention and control,
- sustainable agriculture and aquaculture, and
- forest and land conservation.

To safeguard these characteristics, the Fund applies sustainability assessment criteria and exclusion rules to avoid investment in activities considered harmful to society or the environment.

(D) INVESTMENT STRATEGY

The Fund invests predominantly in private debt and debt-like instruments.

The Fund invests in

(i) asset-based or corporate-level financing; as well as
(ii) sustainability-linked fixed income instruments including without limitation bonds and loans

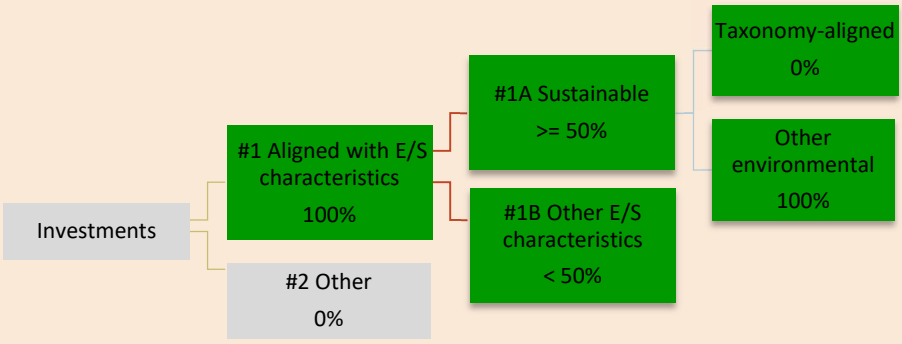
The Fund intends to achieve a financial return while actively seeking intentional, positive impact supporting the transition towards a low-carbon economy of the supply chain. Investment selection follows a structured process that includes systematic consideration of ESG factors. The Portfolio Manager's investment team is responsible for the initial analysis of Investments against ESG and impact criteria based on the information obtained directly from Investee Company as part of the due diligence process. The outputs of ESG due diligence form a mandatory section in the final investment proposal put to the approval of the Investment Committee.

The Manager ensures that the Investments align with the environmental characteristics promoted by the Fund.

Throughout the life of each investment, progress is tracked using the Fund's annual Impact KPI alongside other relevant indicators. The Impact KPI is reviewed at least once a year and may be updated where needed to reflect actual performance and improved data availability.

(E) PROPORTION OF INVESTMENTS

The Fund intends that all Investments are aligned with the environmental characteristics promoted by the Fund. Further, the Fund intends to have a minimum proportion of fifty percent (50%) of sustainable investments; such proportions to be attained from the second anniversary of the Final Closing Date until the end of the Fund's Investment Period.



#1 Aligned with E/S characteristics included the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other included the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

(F) MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The Portfolio Manager will monitor the Fund's investments on an ongoing basis to ensure that they remain aligned with the environmental characteristics promoted by the Fund. Monitoring will take place both at the time of investment and throughout the holding period.

Key monitoring practices will include:

- Impact KPI: The Fund will use a primary impact indicator; tonnes of CO_2 equivalent avoided or reduced per EUR 1 million invested; to assess its contribution to climate change mitigation.
- Principal Adverse Impact (PAI) indicators: In line with SFDR requirements, the Portfolio Manager will consider relevant PAI indicators where data is available to evaluate and mitigate potential negative sustainability impacts.
- Company engagement: Data will be gathered directly from Investee Companies as part of reporting and dialogue. Where possible, the Portfolio Manager will encourage enhanced ESG practices and disclosure.
- Annual impact report: The Fund will provide investors with an annual allocation and impact report, including quantitative indicators (such as GHG emissions effectively reduced and other relevant indicators where applicable such as renewable energy capacity installed or energy saved) and qualitative outcomes.
- Governance: Oversight of monitoring will be carried out by the Portfolio Manager's investment team and sustainability specialist.

This monitoring approach will ensure that the Fund's investments support the transition to a low-carbon economy and contribute positively to the environmental objectives it promotes.

(G) METHODOLOGIES

The Fund's investment objective is climate change mitigation, measured through the reduction or avoidance of greenhouse gas (GHG) emissions. Its primary indicator is annual potential avoided GHG emissions per EUR 1 million invested.

Before any investment is made, the expected carbon savings are assessed by an independent carbon consultant. This is a distinctive feature of the Fund's methodology and ensures that assessments of GHG reduction or avoidance are evidence-based.

In addition, for an investment to be classified as "sustainable," validation of carbon savings must be accompanied by compliance with defined eligibility criteria, which focus on specific factors and technologies such as energy and process efficiency, renewable energy, clean transportation and other activities that materially advance the low-carbon transition.

Investments may qualify through one of three routes:

1. Dedicated purpose financing: sustainable if the use of proceeds 100% aligns with eligible activities.
2. Sustainability-linked financing: sustainable if terms substantially align with recognised market principles and are tied to material sustainability performance targets.
3. General purpose financing to "pure-play" companies: sustainable if at least 90% of revenues energy generation, or expenditure relates to eligible activities.

The Fund also applies the following safeguards:

- Exclusion principles and controversy screening: All investments are screened against the Solstice Exclusion List and for involvement in severe ESG controversies. The Fund will not invest in activities considered harmful to society or the environment (e.g. fossil fuels, controversial weapons).
- Good governance assessment: The Portfolio Manager applies a structured governance assessment, based on a set of questions designed to test compliance with good governance practices. This includes management structures, employee relations, remuneration policies and tax compliance.

This methodology ensures that every sustainable investment is underpinned by independent validation of its carbon savings potential, compliance with strict eligibility criteria, exclusion and controversy checks and confirmation of good governance practices.

(H) DATA SOURCES AND PROCESSING

The Fund will use a combination of internal and external sources to assess whether investments align with its environmental objectives.

- Company information: Data provided directly by Investee Companies during due diligence and monitoring will form an important source of sustainability information, including internal reports, analyses and studies.
- Independent validation: Expected carbon savings will be reviewed and validated by an external consultant before an investment is made. This provides an objective check of the investment's contribution to climate change mitigation and serves as the key reference point in the Fund's methodology.
- Comparison and challenge: The Portfolio Manager will compare Investee Company information with the consultant's analysis, challenging both where necessary to ensure that carbon savings are assessed consistently and credibly.
- Supplementary sources: Where Investee Company-level data or validation is incomplete, the Portfolio Manager may use recognised databases, industry benchmarks or modelled estimates to complete the analysis.

The data collected will include both quantitative indicators (such as expected GHG emissions avoided or reduced, or the share of revenues from eligible activities) and qualitative assessments (such as governance standards and controversy screening).

The Portfolio Manager applies internal processes to test the consistency and reliability of the data it uses, while recognising that sustainability data in private markets is still evolving and may not always be complete or directly comparable.

(I) LIMITATIONS TO METHODOLOGIES AND DATA

The Fund's methodologies are designed to provide a consistent framework for assessing the environmental contribution of its investments, with a particular focus on carbon emissions savings per EUR 1 million invested. Nonetheless, certain limitations remain:

- Financing type: Data availability and precision differ between dedicated project or process financing (where specific use-of-proceeds can be measured) and corporate-level financing (which relies more heavily on company-wide disclosures).
- Sector and technology: While GHG emissions avoided or reduced per EUR 1 million invested is applied as a common benchmark, additional KPIs will vary depending on the sector or technology funded.
- Data availability: Information from Investee Companies may be incomplete or unavailable, particularly in private markets or early-stage companies where sustainability reporting is not yet standardised.
- Comparability: Variations in how companies calculate or disclose impacts may limit direct comparability across investments.

- Use of estimates: Where company data or external validation is insufficient, benchmarks, industry studies or modelled estimates may be applied, introducing a degree of uncertainty.

- Evolving standards: Sustainability measurement and disclosure practices continue to develop. As these mature, the Fund's methodologies may be refined accordingly.

The Portfolio Manager seeks to mitigate these limitations by combining Investee Company disclosures with independent consultant validation of carbon savings. Available information is cross-checked, and internal processes are applied to test the reliability and robustness of the data used.

(J) DUE DILIGENCE

Before the Fund makes any investment, the Portfolio Manager will conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances of each opportunity. The objective of the due diligence process is to identify material issues to assess both the attractiveness of the investment and its alignment with the Fund's environmental characteristics.

In conducting due diligence, the Portfolio Manager will:

- Draw on a range of resources, including information provided by the counterparty or originator, public information, and, where appropriate, external consultants or advisers.

- Engage an independent carbon consultant to review and validate expected carbon savings, providing an objective assessment of the investment's potential contribution to climate change mitigation.

- Screen all opportunities against the Fund's exclusion list and perform controversy checks to rule out involvement in harmful or unsustainable activities.

- Apply a structured good governance assessment, covering management structures, employee relations, remuneration practices, business ethics, and tax compliance.

- Assess each investment against the eligibility criteria set out in the Fund's sustainable finance framework.

The results of this sustainability due diligence form a mandatory part of the investment proposal and are submitted to the Investment Committee alongside financial analysis. This ensures that environmental criteria, exclusions, and governance standards are consistently applied before any investment is approved.

(K) ENGAGEMENT POLICIES

The Fund supports the decarbonisation of the supply chain primarily through financing, with engagement used as a complementary tool. The Portfolio Manager values open and constructive dialogue with Investee Companies to promote transparency, validate carbon savings with the support of an independent consultant,

and ensure relevant information is available for due diligence and ongoing monitoring. Engagement also encourages clear reporting of sustainability data, and, where appropriate, the Portfolio Manager may share insights from experience across sectors to help companies strengthen their transition pathway.

(L) DESIGNATED REFERENCE BENCHMARK

No index has been designated as a reference benchmark to attain the environmental or social characteristics promoted by the Fund.

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