

About Alcazar Energy

Alcazar Energy is a sustainable infrastructure fund focused on developing and investing in utility scale renewable energy capacity in selected emerging markets.

Through our first vehicle, Alcazar Energy has proven that it can successfully raise equity and debt financing from leading development financial institutions, build a portfolio of renewable energy assets to international Environmental, Social and Governance (ESG) best practice standards, and exit investments that deliver value for shareholders.

Through our investment vehicle, Alcazar Energy Partners II (AEP-II), we continue enabling the development of renewable energy infrastructure across selected geographies. We focus primarily on onshore wind and solar photovoltaic assets in the Middle East, North Africa and Turkey (MENAT) and Eastern Europe and Central Asia (EECA) regions. Through such investments:

- We substantially contribute to climate change mitigation and the transition towards a low-carbon economy;
- We directly support our institutional investors to deploy climate finance in emerging markets; and
- We provide access to reliable, clean, and competitive sources of energy and support governments meeting their clean energy targets.

Commitment towards Responsible Investing

Alcazar Energy is committed to a long-term focused investment approach that systematically integrates ESG considerations into investment analysis, decision making, and active ownership and management of our assets. We do so in the same balanced way we manage other key risks which determine an investment's performance.

We believe that by investing responsibly and proactively integrating ESG factors into our strategy and our culture, we are not only better managing the associated risk to our investments and enabling sustainable long-term returns, but also acting in the best interests of our investors and the broader interests of society as a whole, in line with our fiduciary duty.

We also believe that by ensuring ESG aspects are identified and managed throughout the investment cycle, from deal origination through to exit, we are able to leverage opportunities to maximise the social and environmental benefits that our investments have the potential to bring.

Alcazar Energy became a signatory to the United Nations Principles for Responsible Investment (PRI) in 2022 and is therefore committed to the PRI's Six Principles.

Aim and Scope

This Responsible Investment Policy reinforces our commitment towards responsible investment, outlines the underlying ESG principles that drive our strategy, and describes the processes for the proactive integration and practical implementation of ESG considerations into investment analysis, decision-making, and active ownership of our assets within the context of our fiduciary duty. It is intended to ensure that our responsible investment processes are understood and practiced by our professionals in a compliant and coherent manner but also intended to communicate our ESG approach to regulators, investors, and other stakeholders in a transparent way.

This Responsible Investment Policy applies to all our businesses activities, for prospective investments as well as assets under management, across all geographic regions and all technologies. It forms part of an overarching framework which is linked to a broader package of ESG-related policies, procedures, guidelines, and proprietary tools which are in place at an organisational and developed for each asset.

Our Strategic Impact

Alcazar Energy seeks to invest in assets that, alongside financial returns, significantly contribute to climate change mitigation, support governments meet their clean energy targets, and accelerate the energy transition

We believe that our investment strategy, which focuses primarily on greenfield development, inherently encompasses the impact objective of 'climate change mitigation' through the investment in the development, delivery, and operation of 'clean energy' infrastructure. The development of such clean energy assets increases the share of renewable energy capacity and generation in the energy mix of the countries where we invest. Once operational, our clean energy plants enable the avoidance of greenhouse gas (GHG) emissions which would have otherwise been emitted through conventional sources of electricity generation in the country.

Our ESG Priorities

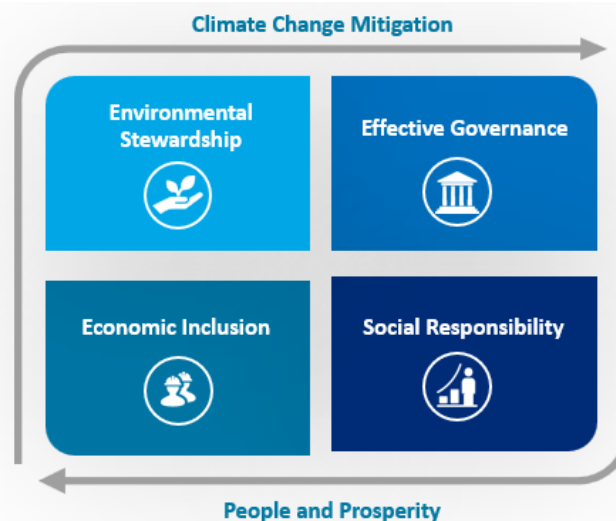
Alcazar Energy believes renewable energy infrastructure assets must be sustainable in the most literal sense, not only developed to perform financially and be technically-sound but also

developed diligently, to minimise adverse effects on society and the environment and to be resilient against potential sustainability risks and impacts.

We identify different 'ESG priorities' that might affect the short, medium, and long-term performance of our investments. At the same time, these ESG priorities may directly or indirectly impact our stakeholders, wider society, and the environment. Our ESG priorities therefore encompass the concept of 'double materiality'.

The analysis and consideration of ESG priorities forms an integral part of our investment decision-making processes and active management approach. For the ESG priorities of our investments, we establish adequate management systems, we set objectives, we monitor performance, and we disclose such performance to our stakeholders. We believe that this approach results in investments with lower environmental impact, more social focus, better governance, and ultimately, higher value.

The ESG priorities that we believe are generally most relevant to our renewable energy investments are presented below:



Environmental Stewardship

- ✓ Greenhouse gas emissions
- ✓ Biodiversity
- ✓ Resource efficiency
- ✓ Waste management and pollution prevention
- ✓ Management of lifecycle impacts
- ✓ Climate-related risks & opportunities

Economic Inclusion

- ✓ Local employment
- ✓ Local procurement
- ✓ Training and capacity building
- ✓ Supply chain management
- ✓ Community development and investment
- ✓ Responsible land management

Social Responsibility

- ✓ Occupational health, safety and security
- ✓ Employee wellbeing
- ✓ Labour practices and human rights
- ✓ Diversity and inclusion
- ✓ Stakeholder engagement
- ✓ Grievance mechanism

Effective Governance

- ✓ Sound management structures and accountability
- ✓ Risk management and compliance
- ✓ Executive remuneration
- ✓ Business ethics & conduct
- ✓ Whistleblower protections
- ✓ Reporting and transparency

Our Strategic Impact

For the assessment and management of impacts around our ESG priorities, we refer to E&S policies, standards, and frameworks of our investors, regarded as international best practice guidelines, as well as the OECD Due Diligence Guidance for Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights.

For the assessment of positive impacts and value-added for the organization, society, and the environment, we also refer to the United Nations Sustainable Development Goals (SDGs) as well as the IRIS+ taxonomy and themes. We believe our investments on renewable energy infrastructure substantially contribute to the achievement of SDG7 on Affordable and Clean Energy and SDG13 on Climate Action. On the other hand, and given our responsible and diligent ESG approach, we trust our investments positively contribute to the achievement of a number of SDGs.

Our ESG Compliance Framework drives our culture and investment management practices. It is comprised of a series of standards, industry frameworks, guidelines and principles, some of which we have voluntarily adopted. Even though varied in nature, our ESG Compliance Framework is translated and operationalised through our Environmental and Social Management System (ESMS).

ESG Compliance Framework

- ✓ IFC Performance Standards on Environmental & Social Sustainability, and IFC EHS Guidelines
- ✓ EBRD Performance Requirements
- ✓ European Investment Bank Environmental & Social Standards
- ✓ U.S. International Development Finance Corporation Environmental & Social Policy and Procedures
- ✓ EU Sustainable Finance Disclosure Regulation (SFDR)
- ✓ Principles underpinning the SDGs and the Ten Principles to the United Nations Global Compact (UNGC)
- ✓ International Labour Organisation (ILO) Fundamental Conventions and ILO Declaration on Fundamental Rights and Principles at Work
- ✓ Recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)
- ✓ UN Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Rights
- ✓ OECD Guidelines for Multinational Enterprises
- ✓ UN Women Empowerment Principles (WEPs)
- ✓ International Standards of good practice: ISO 9001:2015 on Quality Management; ISO 14001:2015 on Environmental Management; and ISO 45001:2018 on Occupational Health and Safety Management

Our Strategic Impact



Our work is about providing **clean, reliable and competitive energy** from renewable resources to enable energy diversification and to ensure a brighter future in the countries where we operate

We directly support governments materializing their **renewable energy strategies** and achieving their associated targets for the reduction of greenhouse gas emissions

The nature of our business is to produce clean and affordable energy and therefore contributing to climate change mitigation

Our ESG Priorities



- We prioritise the responsible management of **natural resources**, focused in optimizing cleaning strategies that minimise **water use** of solar PV assets
- We develop and implement tailored protocols for the monitoring of avifauna and the operational management of wind farm assets for the effective **protection of biodiversity**
- We maximise **local employment** through capacity building whilst fulfilling the protection of internationally proclaimed **labour and human rights**
- We promote **fair and equal opportunities** and avoid any form of discrimination and harassment
- We roll out **on-the-job training** programs and provide opportunities for internships of **local youth**
- We also develop mechanisms to prevent any form of **bribery or corruption** within our activities but also work with local government to build inclusive societies

We do so by respecting and promoting best practices across all environmental, social, economic and governance aspects of our investments

Further supported SDGs



- We invest in a variety of initiatives for **local schools**
- we raise awareness and provide training within the local supply chain to **promote gender parity**;
- We support the capacity of local communities to maintain sustainable agricultural **livelihoods**
- These targets are mostly addressed through **social development initiatives** tailored to the most relevant needs of our host communities, hence their applicability would differ between geographies and projects

We deliver broader positive impact through social investment programs, primarily around three specific SDGs: gender equality, quality education, and zero hunger

ESG Integration at Investment Level

For Alcazar Energy, *ESG Integration* is the explicit and systematic inclusion of ESG issues in mainstream investment analysis, investment decisions and asset management processes: from the identification of investment opportunities, and due diligence, throughout the development, financing, delivery, and operation of our renewable energy assets

Through the process of ESG Integration we apply both a qualitative and quantitative approach in assessing the ESG risks and opportunities, and that could both, bring environmental and social benefits or hinder the probability of achieving the intended environmental or social impact.



Project Sourcing

We take a highly disciplined and selective approach to capital investments on renewable energy infrastructure. We evaluate each investment opportunity against a number of financial attractiveness, ESG and strategic fitness-related indicators.

At this stage, our Investments Team identifies potential investment opportunities in line with our business strategy and the investment criteria of the Fund and conducts a ‘negative screening’ of such opportunities against the ‘Environmental & Social List of Excluded Activities’¹.

Screening

For all prospective investments, our E&S team conducts an in-house screening assessment to gain an understanding of any potential environmental, health & safety, social, governance and business integrity risks or issues as well as any ‘fatal flaws’ from a responsible investment perspective. This assessment serves as the basis for evaluating whether those E&S risks can be effectively managed through standard industry practices, and if so, determining key E&S areas to focus, direction and extent of the subsequent detailed due diligence. Based on this assessment, the potential investment is assigned an E&S risk and Project categorisation which is documented in the E&S Screening Checklist.

The main findings are presented within the Investment Memorandum prepared for the Investment Committee. The E&S input is a pre-requisite of each investment proposal, so that the decision of the Investment Committee to proceed to the next stage of due diligence (or otherwise) is also informed by ESG-related related issues.

Due Diligence

Following concept approval, each investment opportunity is taken through an exhaustive process of due diligence. Throughout this process, we apply the principle of ‘proportionality’ when analysing risks and determining management measures to reduce such risks. This is essential to effectively determine whether those ESG risks could be adequately managed throughout the life of the asset.

Building on the findings of the previous phase, the E&S team conducts an assessment to further identify any potential environmental, social, health & safety and governance risks and issues associated with a prospective project as well as opportunities for creating positive social and environmental impact. This assessment is informed by any relevant E&S studies conducted for the project in the case of greenfield projects, or available resources in the case of existing operational assets, as well as information gathered during a *site reconnaissance* visit. This risk-based assessment is guided and documented in the E&S Due Diligence Questionnaire, an in-house tool designed in line with our ESG Compliance Framework.

As part of the assessment, an E&S Action Plan is prepared detailing the different potential ESG risks together with the mitigation measures, management actions and controls required to bring the risks to acceptable levels, as well as the timeframe, proposed responsibilities and estimated costs of such actions.

At this stage, we also take into consideration ‘Principal Adverse Impacts’ (PAI) as defined by the SFDR. The main findings are presented within the Investment Memorandum prepared for the Investment Committee. to pursue the development of a project or the investment on an existing operational asset.

¹ [Environmental & Social List of Excluded Activities.pdf](#)

ESG Integration at Investment Level

Development

In the case of greenfield projects, the development stage is critical to ensure that potential environmental and social impacts are timely identified and assessed, and relevant mitigation and management measures considered to enable alignment with our ESG Compliance Framework. Considerations to ensure alignment with the requirements of the EU Taxonomy for the relevant technologies are also taken into account at this stage.

For projects that are categorised as High Risk from an E&S point of view, an Environmental and Social Impact Assessment (ESIA) is conducted. As per the Project categorisation, an ESIA may also be conducted for Medium Risk projects. The purpose of the ESIA process is to predict and assess potential adverse environmental and social impacts of the project and to develop suitable mitigation measures, which are documented in an Environmental & Social Management Plan (ESMP). The ESIA includes a variety of qualitative and quantitative assessments of E&S impacts. In the case of wind farms for example, modelling assessments are generally conducted for noise propagation, for the risk of collision for birds and for the generation of landscape and visual impacts and shadow flicker. In line with good practice, ESIA's may also include climate change risk assessments, human rights due diligence assessments within the supply chain and gender-specific vulnerability assessments among others.

The main outcomes of the ESIA are disclosed publicly within our website as well locally at the Project level for the relevant period prior the achievement of financial close.

<u>ESIA and Non-technical Summary</u>	<u>E&S Action Plan (ESAP)</u>
<ul style="list-style-type: none">✓ Assessment of potential adverse E&S impacts✓ Identification of opportunities for E&S improvements / benefits✓ Develop of suitable mitigation and management measures✓ NTS in local language and English for disclosure and comment	<p>Key tool for meeting E&S requirements including international best practice</p> <ul style="list-style-type: none">✓ Actions and controls✓ Timeframe✓ Responsibilities✓ Performance Indicators
<u>Stakeholder Engagement Plan</u>	<u>Specialised E&S Plans</u>
<p>Stakeholder engagement planning</p> <ul style="list-style-type: none">✓ Identification of stakeholders✓ Public disclosure and consultation✓ Grievance mechanism principles✓ Establishment of Community Grievance mechanism	<p>Specialised E&S management plans as applicable for key social impacts</p> <ul style="list-style-type: none">✓ Land acquisition and resettlement✓ Cultural heritage✓ Indigenous peoples / Vulnerable groups✓ Human rights or Labour Influx

Disclosure of meaningful E&S information

Traditionally, ESIA's would focus on the identification and mitigation of adverse E&S risks. We believe the development stage presents an advantage for recognising and optimising potential E&S benefits that could be realised during the construction and operational stages of the asset. As such, we carefully manage the process of Stakeholder Engagement to communicate potential project impacts and benefits, but also to better identify opportunities for value creation at local level.

The ESAP is an important tool to ensure that assets are developed, constructed, and operated in line with the applicable E&S requirements and best international practice. The ESAP is also considered within the E&S Employer Requirements which are developed at this stage, specifically for each Project and taking due consideration relevant conditions precedent and subsequent as per ESAP. Covenants also include contractual and financial arrangements to incentivise E&S performance. This helps reduce our exposure, as well as our lenders and investors', to potential ESG risks associated with the development, construction, and operation of the asset.

Asset Management

Our investment approach is not limited to 'owning' assets and ensuring compliance with applicable laws and regulations. We place a strong emphasis on the active management of our investments. Our unique business model combines an investor and developer approach, which allows us to play a direct and active role in monitoring, assessing, and influencing the ESG performance of our investments. The management of ESG aspects of our activities, including the management of contractors, is guided by our integrated and proprietary ESMS.

Contractors (and suppliers as applicable) are required to comply with Alcazar Energy's policies, the ESG Compliance Framework, the ESAP and the E&S Employer Requirements. The E&S Employer Requirements form part of Engineering, Procurement and Construction (EPC) contracts and Operations & Maintenance (O&M) contracts. Contractors are required to develop a project-specific quality, health, safety & environmental management system (QHSEMS) for the construction and operational stages respectively. The Project-specific QHSEMS consists of management plans, procedures, documents, and records that the contractor is required to implement.

As much as we hold our contractors accountable for ESG performance of our assets, we are cognisant that engaging and working alongside them during the construction and operational phases is crucial to duly manage ESG risks and leverage on opportunities to create positive impact

ESG Integration at Investment Level

Monitoring

The E&S performance and implementation of the specific management measures, mitigations and required actions by the contractor, and its subcontractors, is actively monitored by Alcazar Energy through its project-based personnel as well as through a system of regular monitoring, inspections, and audits. We also monitor (and manage) the occurrence of environmental, social, security or health and safety related incidents, grievances, or accidents. The performance of our assets against the identified ESG priorities is measured both quantitatively and qualitatively. We do so by collecting, on a monthly basis, a comprehensive set of specific ESG performance indicators, across our portfolio in development, construction and operation.

Environmental Performance

- ✓ GHG emissions
- ✓ Bird monitoring and shutdowns
- ✓ Environmental incidents
- ✓ Waste generation and management
- ✓ Hazardous materials generation and management
- ✓ Resource efficiency – Water, fuel and energy consumption

Social Performance

- ✓ Employment creation (including sex-disaggregated data)
- ✓ Local employment creation
- ✓ Complaints and grievances
- ✓ Labour practices & working conditions monitoring
- ✓ Employee training

Health & Safety Performance

- ✓ Occupational health & safety incidents
- ✓ Community health & safety incidents
- ✓ Emergency drills and scenarios
- ✓ Security incidents
- ✓ Supply chain incidents
- ✓ Training and awareness

Governance Performance

- ✓ Regulatory compliance through permitting
- ✓ Stakeholder engagement
- ✓ Responsible business conduct through Code of Conduct violations
- ✓ Controversy monitoring
- ✓ Employee training

Key Performance Indicators (KPIs) that address significant environmental, social, health and safety and governance aspects of our activities, are also determined and their performance against established targets measured for each project. We also plan to monitor the performance of the fund and each investment against the applicable PAI indicators in line with SFDR requirements for mandatory disclosure of ESG performance.

Reporting

We are committed to industry-leading ESG performance reporting on assets performance and fund performance, both towards the Partnership, investors, and lending institutions, and publicly towards relevant stakeholders. Internal reporting is conducted on a monthly, quarterly, and annual basis in line with the requirements of the ESMS and on the basis of robust and comprehensive ESG data gathered from each of the assets.

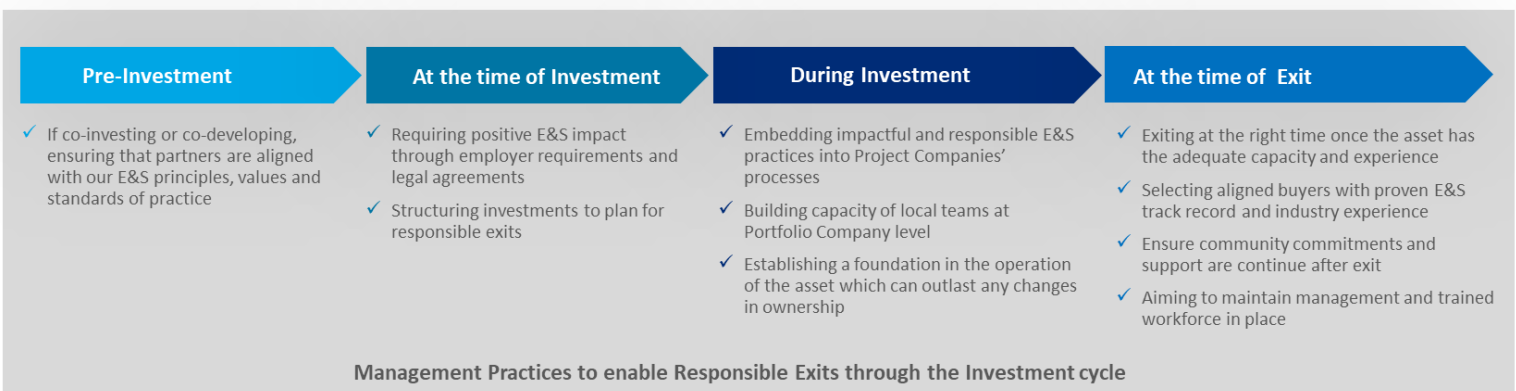
ESG-related public disclosures include: an annual UNGC Communication on Progress of progress in support of the Ten Principles and an annual PRI Transparency Report through the respective platforms as well as the EU SFDR related disclosures through the alternative investment fund manager (AIFM).

Exit

We safeguard the continuity and durability of our established positive environmental and social impact through carefully planned and executed exit strategies that favour the long-term interests of our investors, our employees, our customers, and wider stakeholders. Our strategy is manifold:

- We plan exits when the portfolio/s is sufficiently de-risked, which means the capacity building of the Project Companies would have taken place and could continue to grow;
- We assess potential buyers on the basis of their reputation, their track record of regulatory compliance and the application of ESG standards;
- We take into consideration the continuity of engagement, investment, and support to the local communities to the assets after our exit;
- We promote management continuity and workforce retention at the project level as play a central role in maintaining the standards and to preserving the positive social impact created locally.

Additional practices are considered through the investment life:



ESG Integration at Organisational Level

Alcazar Energy combines an investor and developer approach. Our organisational strategy enables us to effectively integrate ESG factors throughout the investment process as well as vertically through to the asset level

Our organisational structure is supported by strong in-house capabilities, with specialists in origination, investment management, project finance, tax, and compliance, as well as specialist teams on the ESG and the delivery fronts including engineering, construction, and operations management. This also includes in-house resources at country and at project-level where our infrastructure assets are located. We trust our unique approach is essential for the successful development, execution, and operation of our assets, gives us a competitive advantage in the market and allows to confidently put into practice our responsible investment commitments.

ESG Responsibilities

ESG is a shared responsibility within Alcazar Energy. This is embedded within our culture, committed to through our policies, communicated through awareness, and translated into responsibilities across the different teams. In particular, the E&S team works closely with the Investment Management, Corporate Functions and Technical Services teams. This is essential to ensure that E&S requirements are effectively integrated across the organisation.

The E&S team is fully dedicated to the implementation of the E&S strategy and ensuring alignment with the ESG Compliance Framework across the business. It is responsible for the development and implementation of the ESMS, for the E&S due diligence of investment opportunities, and the monitoring of performance across activities, assets, and geographies.

ESG Working Group

The ESG Working Group is composed of the Managing Partner, the Partner-Corporate, the Partner-Technical Services and the E&S Manager. The responsibilities include:

- Integrating of ESG factors as part of the decision-making for all potential investment opportunities and AUM;
- Ensuring sufficient resources are available to implement the ESG strategy and management measures across the business;
- Communicating our ESG strategy and approach to investors, prospective investors, and potentially other stakeholders;
- Actively engaging with industry associations and promoting Alcazar Energy's ESG position, values and achievements.

Training and Capability

Ensuring that our employees have adequate knowledge to implement this Responsible Investment Framework and abide by other associated ESG policies is essential. Training on key aspects of our ESG standards, strategy and requirements is provided across the Alcazar Energy platform. Such training is tailored to each employee's role and responsibilities within the business to enable employees to identify, consider, and when needed escalate, ESG risks and opportunities.

ESG-related Performance Incentives

Alcazar Energy has an established business performance incentive scheme, which includes ESG Performance-related targets both at Corporate Level and at Employee level (for certain employees). Such employees are then assessed on their ability to adhere to the sustainability considerations relevant to their role. ESG-related KPIs are therefore linked to all employee's variable performance-based compensation in different degrees.

Industry Engagement

Alcazar Energy actively collaborates with a number of industry groups to foster responsible investment within the sustainable finance industry. We trust it is an effective way to engage with like-minded organisations, investment managers and institutional investors, to leverage on potential opportunities for collaboration, to learn and explore responsible investment trends and practices, to get involved in policy consultation and to support stewardship initiatives. We trust such engagement may also assist the improvement of ESG performance across our portfolio

Signatory of:



In support of





Responsible Investment Policy (AE-ESG-POL-001)

Date of Issue: **October 2023**

LEGAL NOTICE - Alcazar Energy reserves the right to modify, suspend or revoke this Responsible Investment Policy and any related policies, procedures, and programs at any time. Alcazar Energy also reserves the right to interpret and amend the Responsible Investment Policy and any related policies at its sole discretion. Any amendments to this Responsible Investment Policy will be disclosed and reported as required. This Responsible Investment Policy is posted on our website and intranet and is a controlled document. Neither the Responsible Investment Policy, nor any of the policies referred to herein, confer any rights, privileges or benefits on any Business Partner, create an entitlement to continued business relationship, or create an express or implied contract of any kind between Alcazar Energy and the Business Partner, and does not modify the business relationship between Alcazar Energy and the Business Partner