Environmental, Social & Governance (ESG) Policy

SHIFT Fund

- 2024 -

Reed Management SAS, a company with a capital of €4,000,000
Paris Trade and Companies Register: RCS 949 366 363
Registered office: 15, rue Soufflot - 75005 Paris - France
Approved by the Autorité des Marchés Financiers (AMF) under No. GP-20230019

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Objectives

This policy describes Reed SHIFT Fund's ESG approach. It aims to:

I. present our purpose and principles to make substantial contribution to sustainability goals,
II. explain our approach to key stakeholders,
III. guide our internal fund management and operations to execute our ESG strategy while withholding the best-in-class standards.

To ensure that Reed SHIFT fund's approach aligns with the progressively evolving market requirement, this policy will be regularly revised and updated accordingly to meet the lifted standards.

Our purpose & principles

Our investments serve to facilitate the SHIFT into a sustainable future

Reed SHIFT aims to accelerate the energy transition and support the transformation of the energy (including mobility and digital economy), waste and water sectors. Reed SHIFT is created to play a leading role in facilitating the transition into a more low-carbon, inclusive and circular economy. The fund hence offers an innovative response to the challenges of the energy transition by contributing *inter alia* to the long-term financing of infrastructure projects and long-dated assets together with enabling technologies to scale and operate efficiently such assets, essential to the "shift" of the economies of countries where Reed SHIFT is active.

By providing essential and affordable services and scaling innovative solutions combining technologies and infrastructure, Reed SHIFT also advances the sustainable transition of the critical sectors of water, waste and energy, and strives to contribute to making a positive impact to the society. Sustainability topics are intertwined with the core financial consideration. The financial resilience and competitiveness of assets in the energy, waste and water sectors depends on its capacity to respond to a wide range of environmental and social challenges.

The consideration of environmental and social objectives is an integral part of Reed SHIFT's investment strategy. It enables us to comprehensively compare amongst investment opportunities and to capture the impact of invested solutions. It is taken into account throughout our investment decision making, from screening to due diligence to fund-level reporting to manage performance of the portfolio over time. Above all, Reed SHIFT will manifest contributions to the achievement of the shift into a sustainable future, by proactively tracking the sustainable footprint of our investments.

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ESG approach

We go beyond responsible investment by seeking a material sustainable contribution

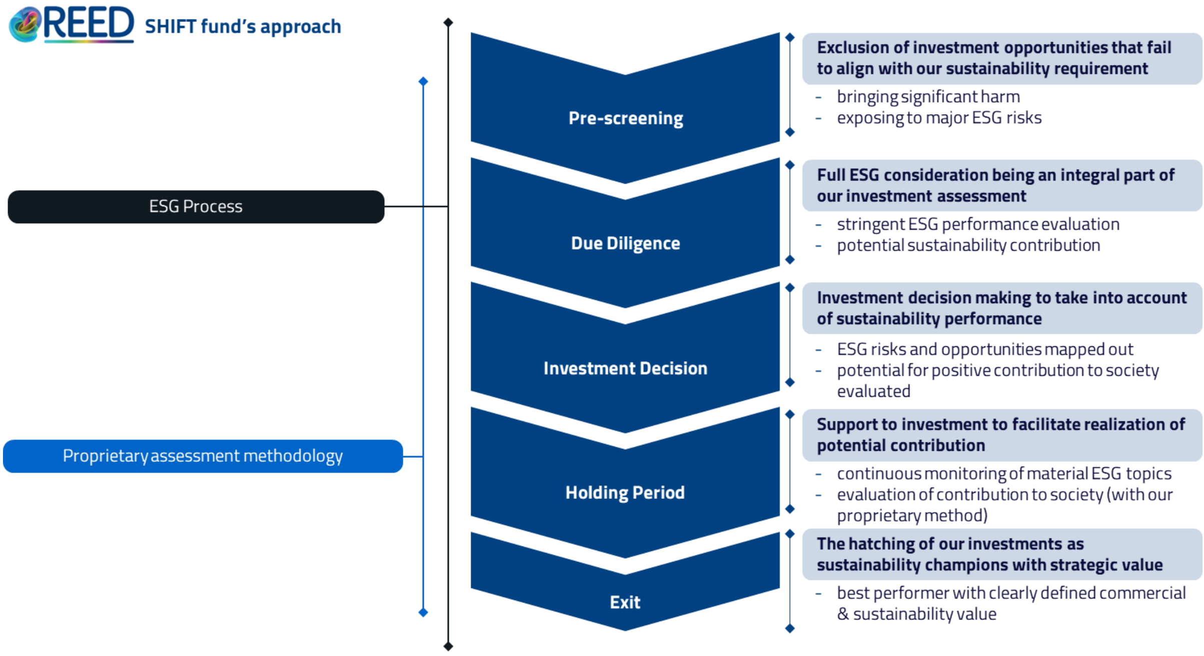
Our commitment to sustainable investment is a cornerstone of our investment approach.
The Reed SHIFT fund is classified under Article 9 of the European Sustainable Finance Disclosure Regulations (SFDR).
It will invest in companies and assets with high potential for positive impact contribution, avoiding investment in companies or assets likely to cause significant environmental or social damage that cannot be remediated. This approach complements our commitment to the principles of responsible investment.

Responsible investment	Sustainable investment	Substantial contribution
We act as a responsible investor by ruling out investment opportunities deemed as misaligning with our sustainable goals while proactively favoring investments that promote them.	We promote sustainable investments by managing and minimizing negative externalities brought by projects and infrastructure we invest.	We demonstrate our substantial contribution by measuring the contribution made by our investments towards environmental and social objectives.

The detailed description of our definition of sustainable investment is available in Appendix A.

An integrated approach in the fund management

At Reed SHIFT, assessment of ESG performance of investments is inseparable from the financial performance, and ESG mindset is embedded within the entire investment team. We incorporate ESG due diligences and considerations, from a responsibility to a substantial contribution perspective, throughout the investment process and investment lifecycle of the fund.



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ESG governance

Accountability at the highest level

The oversight and decision making on ESG is undertaken at the highest organisation level, as it is indispensable to realise the fund's ambition and contributions. The CEO and CIO hold complete accountability in developing and implementing a robust ESG framework and drive responsibility to manage ESG matters within the fund.

ESG as part of investment teams' mandate, supported by experts

To undertake our sustainable investment goals, ESG is an integral part of Reed SHIFT investment team's mandate. The entire Reed SHIFT team is devoted to integrating ESG into fund management and operations.

We see ESG performance intrinsically tied to financial resilience of our investments. The team therefore strategically considers and manages ESG topics, along with financial parameters of investments – from pre-screening to exit. We are also supported by external sustainability experts, to ensure the adoption and execution of state-of-the-art sustainability methodologies and regulatory reporting requirements of the highest standards.

ESG integration in the investment process

Decision making at every step takes ESG into account adequately

We have translated our determination to bring substantial sustainability contribution into concrete steps to be undertaken at each stage across the investment cycle.

1. Pre-screening

We do not select opportunities that do not correspond to our investment strategy, in which the potential for sustainability is essential

Potential investments are screened for any revenue generation that may trigger an exclusion, based on the detailed exclusion list defined for Reed SHIFT (see Appendix B). Further, any potential investment that is identified to satisfy conditions in this exclusion list is eventually not pursued.

Additional criteria are applied to filter out opportunities with significant sustainability risks

In addition to exclusion, Reed SHIFT incorporates another layer of considerations to screen the potential investment opportunities from those exposed to significant environmental and/or social risks.
At the screening stage, the potential investment's involvement in substantial ESG violations or controversies is also assessed to inform the investment team whether the identified exclusion is obligated.

We also consider internationally recognised codes and guiding principles to respect and safeguard the fundamental environmental and social objectives. This is achieved in alignment with, but not limited to:

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I. The Ten Principles of the United Nations Global Compact (UNGC);
II. Guidelines for Multinational Enterprises on Responsible Business Conduct, Organisation for Economic Cooperation and Development (OECD);
III. International Labour Standards, International Labour Organization (ILO).
IV. Final Report on Minimum Safeguards - Platform on Sustainable Finance

2. Due diligence

Opportunities are examined thoroughly to get an in-depth analysis of all material risks & opportunities

Apart from a standard ESG due diligence, and deep-dives on potential issues identified in screening phases, the following topics are systematically accounted for – as they are material issues for Reed SHIFT and are indispensable for their ESG performance:

I. Carbon footprint
II. Pollution – air, land, & water
III. Human health & well-being
IV. Climate – physical and transition risks
V. Potential overall positive contribution to society, based on ESG opportunities and issues identified.

3. Investment decision

Full ESG integration into investment case evaluation drives more relevant decision making

- The ESG analysis is systematically included in investment memos, and discussed with the same level of scrutiny as other aspects in the investments,
- The CEO and CIO are accountable for ESG in investment committees.

4. Holding period

We support our investments to realize full potential in sustainability contribution

During the holding period, the investments are proactively managed to ensure proper follow-up of the key ESG and climate action items identified in DD phase. Notably, the asset management team works with the investees to identify and address E&S risks and opportunities as Reed SHIFT strives to support them in reaching the potential sustainability goals.

For each investment, E&S and sustainability indicators are re-evaluated each year and whenever events occur that could alter them.

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5. Exit

Our efforts contribute to creating sustainability champions with high sustainability and strategic value

Our well-rounded management team, implementing necessary measures to mitigate material risks and pursuing positive E&S impact will ensure that our investments achieve strong financial and E&S performance within the sector. Finally, our vision is to ensure that the investment, post exit continues to be flagship case study in the market to demonstrate the highest sustainability and financial impacts.

Assessment framework & methodology

To execute Reed SHIFT's commitment to measure our contribution to sustainability goals, we have equipped ourselves with a bespoke assessment framework encompassing a set of defined metrics and tools to capture the impact of our investments. This assessment framework sheds light on our decision making and facilitates reporting and effective management of our investments.

ESG data are systematically collected, processed and synthesized into actions

A data collection system is in place to ensure complete coverage of all material ESG topics during our analysis across the investment cycle. A complete yet concise list of indicators, to different extents of granularity depending on the stage of investment, supports the analysis by generating actionable insights leading us to making better informed decisions.

Proprietary assessment methodology is engineered to solidify impact of our investments

Reed SHIFT has chosen to build a specific evaluation framework to systematically assess the potential contribution of an investment to sustainability objectives, concerning the material E&S topics.

Its proprietary methodology is designed based on the concept of SROI (Social Return on Investment), leveraging existing methodological developments and literature while also pioneering original advancements unique to Reed SHIFT. The SROI methodology synthetizes diverse E&S impact dimensions into a single, impact KPI that enables effective comparison of the potential investment's impact versus other technologies/solutions. This method will be used to complement an ESG risk & opportunity assessment, to comply with Article 9 SFDR classification requirements, and to monitor impacts throughout the investment cycle, both at investee and at portfolio level.

Full implementation is guaranteed by our teams leveraging all supporting resources

Reed's team is responsible for implementing the assessment framework in a robust and comprehensive manner and ensures that the investment decision-making always integrates identifying and addressing material sustainability issues. The process is carried out with the support of a suite of guiding materials and tools from publicly available reputed and peer-reviewed sources and external subject matter experts when applicable.

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Further detailed description of our proprietary methodology around its features, limitations and application is provided in Appendix B.

Stakeholder engagement strategy

Impact must not only be made, but must also be seen to be made

We communicate our way to manage our investment sustainably not only to satisfy the disclosure requirements of regulators and investors, but also to showcase how we realize our contribution to the sustainable transition concretely and materially to the industry. We are dedicated to demonstrating our strategy and our footprint among industry partners, to lead with the most advanced methodology, while continuously improving and to staying ahead in the game.

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Appendix A – Sustainable investment definition

Reed SHIFT will target sustainable investments, i.e. investments in economic activities that contribute to an environmental and/or social objective, provided that these investments do not significantly harm any environmental or social objective and that the invested companies follow good governance practices, as defined in Regulation EU 2019/2088, art 2(17).

By scaling innovative technologies and infrastructure to accelerate the energy, water and waste management transition, Reed SHIFT pursues a sustainable and high-impact investment objective: to have a positive environmental and social impact for the society by providing essential and affordable services. However, due to the diverse investment universes, the nature and maturity of the technologies involved, externalities can be broad and relate to diverse impact dimensions.

In order to embrace these diverse impact dimensions while ensuring comparability between invested solutions' impact, necessary for fund-level reporting and to track the sustainability of the portfolio over time, Reed SHIFT has chosen to build its proprietary methodology on the concept of SROI (Social Return on Investment), building on existing methodological developments and literature while also contributing original advancements. The SROI methodology enables to synthetize diverse impact dimensions into a single, comparable impact KPI.

Note: this method will be used as a complement to an ESG risk & opportunity assessment approach to comply with Article 9 SFDR classification requirements, and to monitor impacts throughout the investment cycle, both at investee and portfolio level.

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Appendix B – Exclusions

Reed SHIFT shall not make any Investment in the following Portfolio Companies, and shall ensure Portfolio Companies do not become the following Portfolio Companies:

(a) Portfolio Companies generating significant turnover from sectors mentioned hereafter:

1. Conventional Oil and Gas

(i) Oil and gas companies primarily dealing with exploration and production stages of oil and gas (upstream);

(ii) Oil and gas companies primarily dealing with the processing, storing, transportation of oil and gas (midstream);

(iii) Oil and gas companies primarily dealing with the conversion of oil and gas into a finished product (downstream).

2. Unconventional Oil and Gas

(i) Oil sands producers with at least 20% of their "reserves" based on oil sands;

(ii) Oil sands producers whose production represents at any time more than 5% of the worldwide production of oil sands;

(iii) Oil and gas producers/operators (i) whose more than 10% of their production derives at any time from AMAP region or (ii) producing more than 5% of the worldwide oil sand volume;

(iv) Oil and gas producers deriving more than 30% of their production from fracking / shale oil and gas;

(v) Infrastructure assets exclusively dedicated to shale oil or shale gas extraction (upstream activities), or pipelines, storage or other gathering facilities that are exclusively dedicated to the transportation or storage of share oil or shale gas;

(vi) Companies that are significantly involved in oil sands transportation.

3. Coal Mining and Coal-Based Energy

(i) Power generation companies with coal share of power production (energy mix) over 30%;

(ii) Power generation companies with coal-based power "expansion plans" over 300 MW;

(iii) Any expansion plan on thermal call mining or thermal coal transportation facility;

(iv) Power generation companies with a coal-based power installed capacity over 10 GW;

(v) Mining companies with coal share of revenues over 10%;

(vi) Mining companies with annual coal production over 20 Million Tons.

4. Tobacco Manufacturing Industry

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5. Controversial weapon

(i) Companies involved in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of controversial weapons and their key components;

(ii) Companies owning 50% or more of an excluded company (i.e. a company described in sub-paragraph (i) above) are also blacklisted.

6. Soft commodities

(i) Short-term instruments based on food ("soft") commodities;

(ii) Speculative transactions that may contribute to price inflation in basic agricultural or marine commodities (e.g. wheat, rice, meat, soy, sugar, dairy, fish, corn).

7. Palm oil production, agricultural land, timberland and forestry

(i) Palm oil production companies that have (a) not achieved roundtable on sustainable palm oil (or equivalent) certification, (b) unresolved land rights conflicts, (c) are unable to prove the legality of their operations and complied with all laws and standards, (d) have not undertaken social and environmental impact assessments, (e) have not consulted with stakeholders prior to commencing operations, or (f) have undertaken illegal logging;

(ii) Companies that conduct logging operations (a) in primary tropical moist forest, (b) in high conservation value forest (HCVF), unless the precautionary principle is applied and conservation based management plans which deliver preservation or enhancement of the high conservation values are implemented; (c) in critical natural habitats; (d) that are in violation of local or national laws in respect of illegal logging; or (e) that include any species listed in convention on international trade in endangered species of wild flora and fauna (CITES);

(iii) Companies which are directly involved with (a) the purchase, trade or process timber from the above sources; (b) illegal logging and the uncontrolled and/or illegal use of fire in their forestry or plantation operations (including the preparation of land for planting); or (c) conversion of primary tropical moist forest or HCVF to plantation / agricultural land use.

(b) Companies that directly or indirectly *contravene any of the 10 principles of the United Nations Global Compact*

(c) Companies with controversial or illegal activities representing more than fifteen percent (15%) of their revenues, such as, but not limited to, gambling, pornography, genetically modified organisms, tobacco distribution and defence.

(d) Companies that do not comply with international trade sanctions or are situated in the countries under the sanctions, including, but not limited to, OFAC sanctions and EU sanctions.

Any direct equity or debt interest of the entities whose name and financial instrument global identifier are listed on the restricted investment list provided to the Management Company.

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