

# Article 10 (SFDR)

## Website disclosure for an Article 8 fund

### **RiverRock Brownfield Infrastructure Fund 2**





**Product name: RiverRock Master Fund IV S.C.A., SICAV-SIF - RiverRock Brownfield Infrastructure Fund II**

**Legal entity identifier: 2138005VO22O106JFB26**

Does this financial product have a sustainable investment objective?

☐ Yes

☒ No

☐ It will make a minimum of **sustainable investments with an environmental objective: \_\_%**

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective: \_\_%**

☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it had a proportion of \_\_% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

☒ It promotes E/S characteristics, but **will not make any sustainable investments**



## A. Summary

RiverRock Brownfield Infrastructure Fund 2 ("RBIF2" or the "Sub-Fund") promotes socio-economic and environmental characteristics but does not have sustainable investment as its objective. RiverRock ESG Framework ensures that the selected investments have an outstanding Environmental, Social and Governance ratings and adhere to good governance practices. The Sub-Fund promotes environmental and social characteristics including selecting best-in-class investments based on RiverRock European Capital Partners LLP's (the "Portfolio Manager") proprietary ESG score (the "Sustainable Opportunity Score") and aligning to the UN's Sustainable Development Goals ("SDGs") which forms a core part of the investment decision-making, while taking into consideration an ESG criteria (further described in the disclosures below).

For this purpose, the Portfolio Manager has codified a methodology which is aligned to the UN SDGs, the application of which forms a core part of the investment decision-making process.

In addition, the Portfolio Manager tracks the alignment of the Sub-Fund's operations to SDGs through a selected set of Key Performance Indicators ("KPIs"). Each potential investment will be allocated at minimum of 3 KPIs are determined to ensure the SDGs targeted by the investment are met. The Portfolio Manager tracks the alignment of the Sub-Fund's operations to the selected SDGs 8, 9, 11, and 12, by ensuring the adherence to at least one of the sustainability KPIs assigned for those selected SDGs. The Sub-Fund aims at engaging with clients and stakeholders to track performance against these indicators and reports annually on progress.

For partner companies that are aligned with E/S characteristics of the Sub-Fund, the Portfolio Manager monitors the evolution of environmental, social and governance qualitative/quantitative indicators and ensures that those companies achieve a positive change overtime.



RBIF2 does not use a benchmark to assess its environmental or social performance but uses RiverRock in-house proprietary Double ESG Rating system (i.e., the Sustainability Opportunity Score & the ESG Risk Management rating) to assess such performance of its investments.

The Sub-Fund promotes environmental and social characteristics including selecting best-in-class investments based on the Sustainable Opportunity Score where each new and existing investment is required to have a minimum Score of 3 (on a scale from 1 (the lowest) to 5 (the highest)) to be considered within the portfolio. The Sub-Fund also applies sectoral exclusions that aims at excluding, and in some cases limiting the exposure, to specific sectors that have potential negative contribution on the society and the environment. As part of the due diligence process, the Portfolio Manager ensures that each transaction comply with the exclusion list and assesses the governance practices of the underlying investments, in particular themes such as sound control of corruption, government effectiveness or voice and accountability.

Furthermore, the Portfolio Manager ensures that partner companies that are aligned with E/S characteristics do not score less than 2 in its ESG Risk Management Rating. The Portfolio Manager actively requests partner companies to appoint an ESG representative to coordinate RiverRock ESG Risk Management Rating assessment on a regular basis.

Lastly, the Portfolio Manager ensures that partner companies aligned with the E/S characteristics have a dedicated person responsible for ESG considerations and/or have a program in place to ensure that the investments follow the Sub-Fund's ESG criteria. Compliance with the ESG characteristics is monitored on a regular basis through interaction and engagement with the companies and reporting on these results is done at least annually.



## B. No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective a sustainable investment.



## C. Environmental or social characteristics of the financial product

### What are the environmental or social characteristics promoted by this financial product?

The Sub-Fund promotes environmental and social characteristics including selecting best-in-class investments based on the Sustainable Opportunity Score (as described below), negatively screening investments based on sectoral exclusions, and aligning to the UN SDGs which forms a core part of the investment decision-making, while taking into consideration the following ESG criteria, amongst others:

- Environmental: Renewable energy, environmental degradation, chemical waste management, climate change awareness;
- Social: labor rights, safe working environment, education; and
- Governance: sustainable public procurement practices.





## D. Investment strategy

### What investment strategy does this financial product follow and how is the strategy implemented in the investment process on a continuous basis?

The Sub-Fund attains its environmental and social characteristics through a binding best in class approach based on the Sustainable Opportunity Score, through sectoral exclusions, and through aligning to the UN's Sustainable Development Goals (the "SDGs") which forms a core part of the investment decision-making.

In the pre-investment phase, the Portfolio Manager negatively screens all investments to exclude, and in some cases to limit exposure to, specific sectors that have potential negative contribution on the society and the environment. As part of due diligence process, the Portfolio Manager ensures that each transaction comply with the exclusion list (Appendix 1 of RiverRock's ESG Policy, which is available at <https://riverrock.eu/esg/>).

Additionally, prior to and during the investment phase, each new and existing investment is assessed and monitored in line with the Portfolio Manager's proprietary Sustainable Opportunity Score that measures the extent to which a primary asset or a company has a tangible environmental and/or social contribution and ranges from 1 to 5 (1 being the lowest). Based on Sustainable Opportunity Score, a best-in-class approach is applied, where only investments attaining a Score of 3 or above will be considered within the portfolio.

Furthermore, the Portfolio Manager has codified an ESG policy aligned to delivering on key indicators of the UN's SDGs. By using the underlying ESG criteria, the Portfolio Manager tracks the alignment of the Sub-Fund's operations to SDGs 8, 9, 11 and 12 through a selected set of Key Performance Indicators ("KPIs"), as indicated in the sustainability indicators section below. The Sub-Fund aims at engaging with clients and stakeholders to track performance against these indicators and reports annually on progress.

Lastly, for partner companies that are aligned with E/S characteristics of the Sub-Fund, the Portfolio Manager monitors the evolution of environmental, social and governance qualitative/quantitative indicators (mentioned in - Section F) and ensures that those companies achieve a positive change overtime.

### What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

By the time the Sub-Fund is fully invested, the following binding elements shall be complied with:

- (i) the Portfolio Manager's RBIF2 ESG checklist,
- (ii) the exclusion of companies exposed to economic activities set out under the exclusion list (Appendix 1 of RiverRock's ESG Policy, which is available at <https://riverrock.eu/esg/>),
- (iii) Maintaining the average Sustainable Opportunity Score of the Sub-Fund at or above 3,
- (iv) the adherence to at least one of the sustainability KPIs assigned for the selected SDGs 8, 9, 11, and 12,
- (v) ensuring that partner companies that are aligned with E/S characteristics have a dedicated person responsible for ESG considerations and/or have a program in place to



- (vi) ensure that the investments follow the ESG criteria mentioned in the investment strategy section above; and, ensuring that partner companies that are aligned with E/S characteristics do not score less than 2 in RiverRock Risk Management rating.



### What is the policy to assess good governance practices of the investee companies?

As part of the due diligence process, the Sub-Fund assesses the governance practices of the underlying investments, in particular themes such as sound control of corruption, government effectiveness or voice and accountability.

### Does this financial product take into account principal adverse impacts on sustainability factors?

☒ Yes, the Portfolio Manager assesses, and monitors indicators described in the ESG checklist of the Sub-Fund that are deemed to indicate the presence of a principal adverse impact. The main focus is on the following adverse impact indicators with reference to Annex I of the Commission Delegated Regulation (EU) 2022/1288:

- Indicator 6 of Table 2: Water usage and recycling
- Indicator 7 of Table 2: Investments in companies without water management policies
- Indicator 12 of Table 2: Unadjusted gender pay gap
- Indicator 13 of Table 2: Board gender diversity
- Indicator 14 of Table 2: Exposure to controversial weapons (anti- personnel mines, cluster munitions, chemical weapons and biological weapons)
- Indicator 1 of Table 3: Investments in companies without workplace accident prevention policies
- Indicator 2 of Table 3: Rate of accidents
- Indicator 4 of Table 3: Lack of a supplier code of conduct
- Indicator 9 of Table 3: Lack of a human rights policy
- Indicator 10 of Table 3: Lack of due diligence
- Indicator 13 of Table 3: Operations and suppliers at significant risk of incidents of forced or compulsory labour
- Indicator 15 of Table 3: Lack of anti-corruption and anti-bribery policies

The Portfolio Manager also excludes countries under any OFAC sanction programme, or any sanction adopted by the European Council in full force and effect.

The Sub-Fund addresses adverse impacts by engaging with debtors or borrowers and encouraging them to apply best practices and put appropriate policies in place when missing, where possible and appropriate.



Information on how principal adverse impacts on sustainability factors were considered will be made available in the periodic reporting of the Sub-Fund.

☐ No

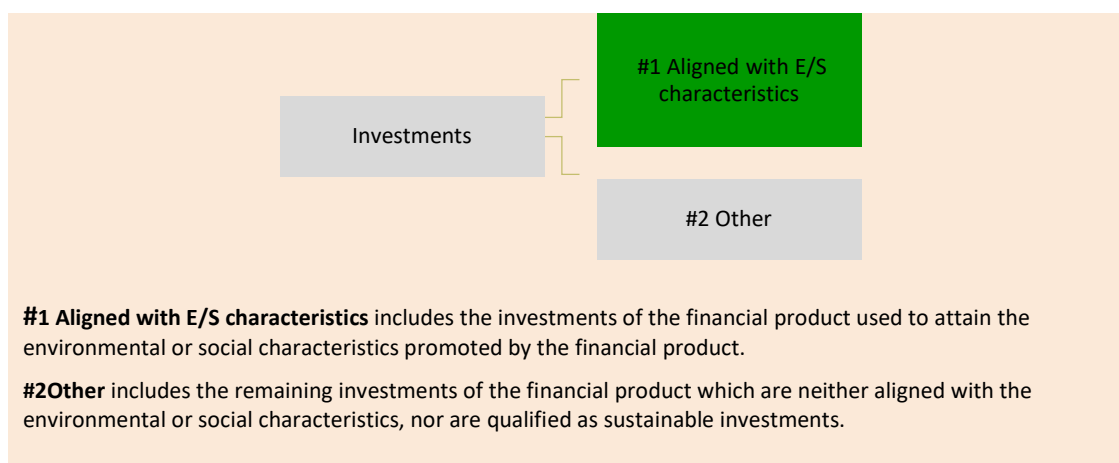


## E. Proportion of investments

### What is the planned asset allocation for this financial product?

The Sub-Fund is expected to invest at least 80% of its NAV in companies that qualify as aligned with the environmental and social characteristics promoted by the Sub-Fund (#1 Aligned with E/S characteristics).

The Sub-Fund is allowed to invest the remaining portion (i.e., up to 20% of its NAV) in investments held for liquidity or hedging purposes or those that fail to respect the ESG criteria of the Sub-Fund (#2 Other).



### What is the minimum share of investments with an environmental objective aligned with the EU Taxonomy? (including what methodology is used for the calculation of the alignment with the EU Taxonomy and why; and what the minimum share of transitional and enabling activities)

The Sub-Fund promotes environmental and social characteristics but does not commit to making any sustainable investments. As a consequence, the Sub-Fund does not commit to a minimum extent of sustainable investments with an environmental objective aligned with the EU Taxonomy. As the Sub-Fund does not commit to invest any sustainable investments within the meaning of the EU Taxonomy Regulation, the minimum share of investments in transitional and enabling activities within the meaning of the EU Taxonomy Regulation is therefore also set at 0%.

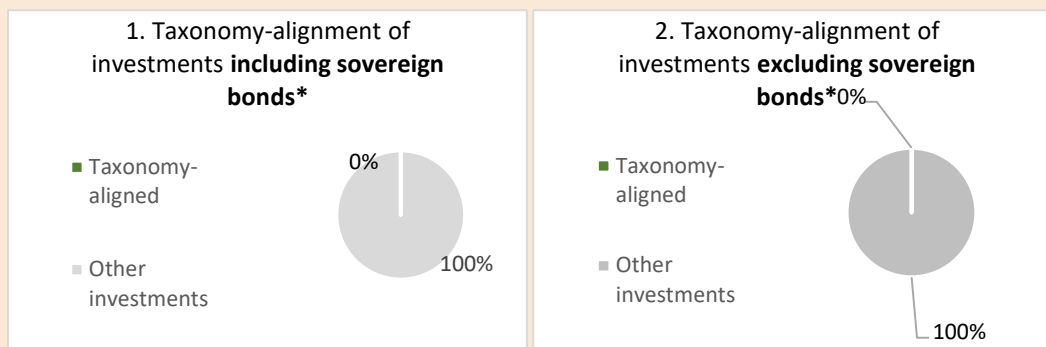


*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

**The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.**



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures

#### **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Sub-Fund promotes environmental and social characteristics but does not commit to making any sustainable investments. As a consequence, the Sub-Fund does not commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.

#### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

“Other” investments include:

- Cash, cash equivalents for the purposes of liquidity.
- Hedging instruments to reduce market risks.
- Downgraded investments which do not respect the minimum ratings Sustainable Opportunity Score less than 3 fall under “Other” for scrutiny.





## F. Monitoring of environmental or social characteristics

### What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by this financial product?

The sustainability indicators used to measure the attainment of the environmental and social characteristics promoted by the Sub-Fund are, but not limited to:

- The percentage of partner companies with a dedicated person responsible for ESG
- The percentage of partner companies that have in place a program considering ESG criteria:
  - Environmental – Renewable energy, environmental degradation, chemical waste management, climate change awareness
  - Social – labor rights, safe working environment, education
  - Governance – sustainable public procurement practices
- The percentage of investments attaining a Sustainable Opportunity Score below 3
- Number of jobs created by/during the project (SDG 8)
- CO2 emissions (SDG 9)
- Number of companies with damage to critical infrastructure attributed to disasters (SDG 11)
- Number of companies publishing sustainability reports (SDG 12)

RiverRock measures the positive impacts and applies a **Sustainable Opportunity Rating** to each potential investment: for each investment, at least 3 sustainability KPIs will be determined to ensure the Sustainable Development Goals targeted by the investment are met.

Investments which score less than 3 on the Sustainable Opportunity rating will not be considered as “aligned with E/S characteristics” and will fall in the “Other” category.

Furthermore, for all partner companies, the Portfolio Manager monitors the evolution of social and governance qualitative/quantitative indicators including, but not limited to:

- Percentage of female directors in the company’s board of directors
- Number of jobs created by/during the project
- Accident rate
- Gender wage equality
- Percentage of female employees
- Percentage of employee turnover
- Number of conflicts of interest policy breach
- Number of conduct risk events
- GHG Emissions
- Percentage of energy generated through renewable sources
- Water consumption
- Land and/or water contamination
- Percentage use of recyclable materials

Based on those indicators, we will apply an **ESG Risk Management Rating** to all partner companies. RBIF2 partner companies must score 2 on the ESG Risk Management Rating to be approved. Investments with Partner companies which score less than 2 will not be considered as “aligned with E/S characteristics” and will fall in the “Other” category.

### How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanism?



RiverRock Sustainable Impact Officer monitors the evolution of its partners' rating by requiring resubmission of checklists on at least a semi-annual basis for every investment. The Portfolio Manager also conducts spot checks to ensure the reliability of the assessments.

ESG performance is presented to RiverRock management during each valuation committee held by the Risk management team (quarterly at minimum). Additionally, the planned asset allocation of the Sub-Fund is also examined during the valuation committee. After the investment period, if the Sub-Fund fails to meet its planned asset allocation commitment, the Portfolio Manager will set a 120-day period for the Sub-Fund to meet the allocation requirement.



## G. Methodologies

### What is the methodology to measure the attainment of the environmental or social characteristics promoted by the financial product using the sustainability indicators?

RiverRock uses a proprietary Double ESG Rating system to assess and monitor ESG characteristics promoted by the Sub-Fund for all investments and partner companies.

In order to assess and monitor partner companies to ensure they are aligned with RiverRock's ESG standards, RiverRock grades each of them with an **ESG Risk Management Rating**. Each company RiverRock works with must complete an ESG Risk Management Checklist covering environmental, social and governance risks. RiverRock's internal ESG model calculates an ESG risk management rating based on information provided by the company.

RiverRock measures the positive impacts and applies a **Sustainable Opportunity Rating** to each potential investment of the Sub-Fund: for each investment, at least 3 sustainability KPIs will be determined to ensure the SDGs targeted by the investment are met.

ESG Risk Management			Sustainable opportunity	
Score	Score from checklist	Criteria	Score	Criteria
5	80-100%	Robust ESG management systems in place	5	The primary asset or company is inherently sustainable, generating tangible positive environmental or social impacts
4	60-79%	ESG policy and measures put in place to assess and manage ESG risks	4	Sustainability is heavily embedded into operations driving efficiencies and significantly reducing environmental and social impact of activities
3	40-59%	Moderate exposure to ESG risks, basic ESG risk management	3	The investment or company's primary purpose is not ESG. Has exposure to some sustainable business activities in its operations or products/services.



2	20-39%	No or little management in place for ESG risks	2	Not generating any tangible environmental or social impacts
1	0-19%	No consideration of ESG factors and risks	1	Transaction in an industry

RiverRock holds quarterly valuation committee to review the attainment of the environmental or social characteristics of the Sub-Fund.



## H. Data sources and processing

**What are the data sources used to attain each of the environmental or social characteristics including the measures taken to ensure data quality, how data is processed and the proportion of data that is estimated?**

RiverRock uses its in-house system to gather and process ESG and sustainability data. Partner companies are required to provide data through RiverRock's ESG Checklists at inception and periodically. Such data is historical and is processed to calculate ESG Risk Management Score using RiverRock rating system. ESG Checklists are tailored for each type of investment of the Sub-Fund, allowing specific data to be gathered when available (GHG emissions, energy consumption, recycling etc.).

To calculate Sustainable Opportunity Score, apart from the data collected from ESG Checklists, the Portfolio Manager makes use of public available data like country level economic data and private data including but not limited to third-party technical assessment reports, business plans, annual financial reports, etc. As for new projects, the Portfolio Manager could rely on estimated forward looking data to calculate the Sustainable Opportunity Score. The Portfolio Manager tracks the historical data and monitors the gap between the estimated and realized data to ensure the gap is within acceptable range. The data quality control is described in the following section.



## I. Limitations to methodologies and data

**What are the limitations to the methodologies and data sources? (Including how such limitations do not affect the attainment of the environmental or social characteristics and the actions taken to address such limitations)**

ESG and Sustainability data is primarily provided by the partner companies unless relevant data can be collected or verified from publicly available sources. To address this data source limitation, data is checked by portfolio manager for accuracy and relevance.

As an added control, RiverRock Sustainable Impact Officer performs spot checks. These control layers minimize the effect of data source limitation on the attainment of the environmental or social characteristics as the evolution of different indicators can still be effectively graded and monitored.





### J. Due diligence

**What is the due diligence carried out on the underlying assets and what are the internal and external controls in place?**

As part of its due diligence the Portfolio Manager assesses RBIF2 partner companies to ensure compliance with all the binding elements of the investment strategy mentioned above. Amongst other binding elements, RBIF2 partner companies must score 2 on the ESG Risk Management Rating and not less than 3 on the Sustainable Opportunity Rating to be approved as aligned with the environmental and social characteristics of the Sub-Fund. Throughout the life cycle of the Sub-Fund, RiverRock monitors evolution of its partners' ratings, alignment with the selected SDGs and adherence to the exclusion list by requiring resubmission of ESG checklists on at least a semi-annual basis for every investment. No external controls for due diligence are in place for the moment.



### K. Engagement policies

**Is engagement part of the environmental or social investment strategy?**

☐ Yes

☒ No



### L. Reference benchmark

**Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?**

☐ Yes

☒ No