

Product Name: Incus Capital European Credit Fund IV SCSp (the “Fund”)

a) Summary

- **No sustainable investment objective:** this financial product promotes environmental or social characteristics for 90% of the capital invested. The remaining 10% of capital will be directed towards investments with a sustainable investment objective.
- **Environmental or social characteristics of the financial product:** The product will promote the exclusion of investments that do not meet the credible standard of ESG, and the improvement of the environmental, social and corporate governance (ESG) performance of its investments. By integrating ESG considerations into the investment process, the Fund seeks to promote the improvement of ESG performance.
- **Investment Strategy:** The Fund, in line with SFDR Article 8, emphasizes environmental, social, and corporate governance (ESG) in its investment approach.
 - Key strategies include:
 - Exclusionary Approach: The Fund excludes investments not meeting credible ESG standards, ensuring a sustainable portfolio.
 - Ongoing Risk Management: Post-investment, the Fund continuously monitors its investments to identify, assess, and mitigate any emerging ESG risks, safeguarding both financial and ESG objectives.
- **Proportion of investments:** The Fund expects to allocate 90% of its capital to investments that promote the aforementioned environmental and social characteristics. The remaining 10% will be allocated to sustainable investments in accordance with Article 9 (2) of Regulation (EU) 2019/2088.
- **Monitoring of environmental or social characteristics:** The monitoring of the environmental and social characteristics promoted, and the associated sustainability indicators occurs throughout the entire lifecycle of the Fund.
- **Methodologies:** Every investment is evaluated through a materiality assessment to identify the most pertinent indicators for inclusion in loan covenants, which are then monitored annually. This evaluation leverages SASB's financial materiality approach. For the proportion of capital allocated to sustainable investments, certain methodologies are used to calculate the fund-level KPIs and the PAI indicators.
- **Data sources and processing:** The fund engages with borrowers on a quarterly basis to monitor progress throughout the reporting year.
 - **Data sources:** Information is gathered directly from the portfolio companies. PAI indicators are collected via a data request Excel sent to the appropriate person.
 - **Data quality:** The Fund may engage with an external advisor to check and review the information to ensure data quality. In cases where data quality is put into question, the Fund, with the help of the external advisor, will engage with the borrower to iterate the data until it is correct and undertakes an internal validation.
 - **Data processing:** The data obtained from portfolio companies is processed by the fund with the help of an external ESG consultant.
 - **Data estimation:** The fund relies on real data provided by borrowers and does not use estimates to the extent possible, with the limitations outlined below.
- **Limitations to methodologies and data:** Limitations to the methodologies and data referred to in the above sections include, but are not limited to:
 - limited capacity to measure or report from borrowers,
 - different reporting periods and group perimeters,
 - human error in the provision of data,

- data collection is done by email and Excel, which could lead to human error.
- We expect to improve data quality and minimize the limitations mentioned above as we improve the data collection process.
- **Due diligence:** The ESG due diligence process of the fund follows a structured and formal approach that ensures a thorough evaluation of the environmental, social, and governance aspects of potential investments.
- **Engagement policies:** The investment team holds monthly/quarterly meetings with borrowers to monitor and assess the progress made.
- **Summary provided in the official language of the home Member State of where the fund is made available (Luxembourg):**
- Objectif d'investissement non durable : ce produit financier promeut des caractéristiques environnementales ou sociales pour 90% du capital investi. Les 10% restants du capital seront dirigés vers des investissements ayant un objectif d'investissement durable.
- Caractéristiques environnementales ou sociales du produit financier : Le produit favorisera l'exclusion des investissements qui ne répondent pas à la norme crédible ESG, ainsi que l'amélioration de la performance environnementale, sociale et de gouvernance d'entreprise (ESG) de ses investissements. En intégrant les considérations ESG dans le processus d'investissement, le Fonds vise à promouvoir l'amélioration de la performance ESG.
- Stratégie d'investissement : Le Fonds, conforme à l'article 8 du SFDR, met l'accent sur les aspects environnementaux, sociaux et de gouvernance d'entreprise (ESG) dans son approche d'investissement. Les principales stratégies comprennent :
- Approche d'exclusion : Le Fonds exclut les investissements ne répondant pas aux normes ESG crédibles, garantissant un portefeuille durable. Gestion continue des risques : Après l'investissement, le Fonds contrôlera en permanence ses investissements pour identifier, évaluer et atténuer les risques ESG émergents, préservant ainsi les objectifs financiers et ESG.
- Proportion des investissements : Le Fonds prévoit d'allouer 90% de son capital aux investissements qui favorisent les caractéristiques environnementales et sociales susmentionnées. Les 10% restants seront alloués à des investissements durables conformément à l'article 9 (2) du Règlement (UE) 2019/2088.
- Suivi des caractéristiques environnementales ou sociales : Le suivi des caractéristiques environnementales et sociales promues, ainsi que des indicateurs de durabilité associés, sera effectif tout au long du cycle de vie du Fonds.
- Méthodologies : Chaque investissement est évalué au moyen d'une analyse approfondie pour identifier les indicateurs les plus pertinents à inclure dans les clauses de prêt, qui sont ensuite suivis annuellement. Cette évaluation s'appuie sur l'approche de matérialité financière du SASB. Pour la proportion de capital allouée aux investissements durables, certaines méthodologies sont utilisées pour calculer les KPI du niveau du fonds et les indicateurs PAI.
- Sources de données et traitement : Le fonds interagit avec les emprunteurs sur une base trimestrielle pour suivre les progrès tout au long de l'année de déclaration. a. Sources de données : Les informations sont collectées directement auprès des entreprises du portefeuille. Les indicateurs PAI sont collectés via une demande de données envoyée à la personne appropriée. b. Qualité des données : Le Fonds peut faire appel à un conseiller externe pour vérifier et examiner les informations afin d'assurer la qualité des données. Dans les cas où la qualité des données est remise en question, le Fonds, avec l'aide du conseiller externe, interagira avec l'emprunteur pour itérer les données jusqu'à ce qu'elles soient correctes et entreprendra une validation interne. c. Traitement des données : Les données obtenues auprès des entreprises du portefeuille sont traitées par le fonds avec l'aide d'un consultant externe en ESG. d. Estimation des données : Le fonds s'appuie sur des données réelles fournies par les emprunteurs et n'utilise pas d'estimations dans la mesure du possible, avec les limitations décrites ci-dessous.

- Limites des méthodologies et des données : Les limitations des méthodologies et des données mentionnées dans les sections ci-dessus comprennent, sans s'y limiter : a. capacité limitée à mesurer ou à rapporter des informations par les emprunteurs, b. périodes de déclaration et périmètres de groupe différents, c. erreurs humaines dans la fourniture de données, d. la collecte de données se fait par e-mail et Excel, ce qui pourrait entraîner des erreurs humaines.
- Nous prévoyons d'améliorer la qualité des données et de minimiser les limitations mentionnées ci-dessus à mesure que nous améliorons le processus de collecte des données.
- Due diligence : Le processus de due diligence ESG du fonds suit une approche structurée et formelle qui garantit une évaluation approfondie des aspects environnementaux, sociaux et de gouvernance potentielle des investissements.
- Politiques d'engagement : L'équipe d'investissement tient des réunions mensuelles/trimestrielles avec les emprunteurs pour suivre et évaluer les progrès réalisés.

b) No sustainable investment objective

This financial product promotes environmental or social characteristics for 90% of the capital invested. The remaining 10% of capital will be directed towards investments with a sustainable investment objective.

For those investments that have a sustainable investment objective:

- **How the sustainable investment does not significantly harm any of the sustainable investment objectives:** The Fund will exclusively invest in renewable energy infrastructure projects that qualify as environmentally sustainable according to Regulation (EU) 2020/852 (Taxonomy Regulation). An investment will therefore be determined to contribute to an environmental objective without significantly harming any other environmental objective if it complies with the technical screening criteria (TSC) established by the European Commission for that economic activity. Compliance with these criteria will be assessed in the due diligence phase through engagement with the technical and/or ESG advisor who will assess the potential investment's performance against the specific criteria for that economic activity.
- **How the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex I, are taken into account:** The Fund considers all mandatory PAIs and "Emissions of ozone depletion substances" and "Investments in companies without workplace accident prevention policies" only for the capital allocated to making sustainable investments. Incus collects data during the initial due diligence phase and ongoing monitoring phases on an annual basis.
- **Whether the sustainable investment is aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights:** The Fund has developed questionnaire to assess compliance with the minimum social safeguards in the pre-investment phase. This questionnaire assesses the investment's alignment with the OECD Guidelines for MNEs, the UN Guiding Principles on Business and Human Rights including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work, and the International Bill of Human Rights

c) Environmental and social characteristics of the financial product

The product will promote the exclusion of investments that do not meet the credible standard of ESG, and the improvement of the environmental, social and corporate governance (ESG) performance of its investments. By integrating ESG considerations into the investment process, the Fund seeks to promote the improvement of ESG performance through mechanisms, such as:

- The reduction of negative impacts caused on the environment through the investment's activities;
- The promotion of safe working conditions for all employees;
- The improvement of corporate governance structures and the establishment of strong compliance policies.

d) Investment Strategy

The Fund's investment strategy to meet the environmental and social characteristics: The Fund, in line with SFDR Article 8, emphasizes environmental, social, and corporate governance (ESG) in its investment approach.

Key strategies include:

- **Exclusionary Approach:** The Fund will exclude investments not meeting credible ESG standards, thus ensuring a sustainable portfolio.
- **Ongoing Risk Management:** Post-investment, the Fund will continuously monitor to identify, assess, and mitigate any emerging ESG risks, safeguarding both financial and ESG objectives.

Policies to assess good governance:

The Fund uses an ESG questionnaire, based on the UN PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire and a KYC process to ensure compliance with anti-bribery, anti-money laundering and anti-corruption laws and regulations. The investment is monitored on an annual basis and any identified risks are addressed in the Investment Advisory Committee.

e) Proportion of Investments

The Fund expects to allocate 90% of its capital to investments that promote the aforementioned environmental and social characteristics. The remaining 10% will be allocated to sustainable investments in accordance with Article 9 (2) of Regulation (EU) 2019/2088.

F) Monitoring of environmental or social characteristics

The monitoring of the environmental and social characteristics promoted, and the associated sustainability indicators occurs throughout the entire lifecycle of the fund:

Acquisition Phase

Every investment undergoes a thorough review against the fund's exclusion criteria. Should any activities from this list surface during the evaluation, the investment is promptly declined. Comprehensive due diligence ensures full legislative compliance. Concurrently, a materiality assessment identifies the pertinent sustainability KPIs tailored to the particular investment. Potential investments are equally screened against the Sustainable Development Goals (SDGs) to assess whether they contribute to one or more of the goals. When directly applicable to one of the SDGs, KPIs will be selected and monitored on an annual basis.

Control Mechanisms:

- All investments are scanned against the Fund's exclusion list
- ESG covenants included in the loan agreement

Holding Period

During the holding period, the borrower will report the aforementioned KPIs to the Fund on an annual basis.

Control Mechanisms:

- KPIs will be tracked on a regular basis by the Fund as part of its regular asset management engagement with the borrowers (typically on a quarterly basis).

- Non compliance with any of such ESG undertakings will follow the ordinary course of remedies set out in the loan documentation. These can reach from cure mechanisms all the way to acceleration events or events of default, depending on the severity of the breach.

Sustainable Investments:

The monitoring of the sustainable investment objective, and the associated sustainability indicators occurs throughout the entire lifecycle of the Fund:

Acquisition

The Fund channels investments into renewable energy initiatives that align with the objective of climate change mitigation set by the Taxonomy Regulation. In its pursuit of taxonomy alignment, the Fund's due diligence will meticulously evaluate each prospective investment based on the technical criteria tailored to its economic activity, such as solar or wind energy. Should any gaps arise in achieving taxonomy alignment, we promptly devise a corrective action plan.

In addition, two indicators have been set to assess the attainment of the sustainable investment objective at a fund-level:

- Emissions avoided (tCO₂e); and
- MWh of renewable energy for sale.

Control Mechanisms:

- Due diligence completed by an external third party to assess alignment.

Holding Period

The fund annually reviews progress on the action plan for Taxonomy alignment. Likewise, fund-level KPIs undergo yearly monitoring.

Control Mechanisms:

- KPIs will be tracked on a regular basis by the Fund as part of its regular asset management engagement with the borrowers (typically on a quarterly basis).
- Non compliance with any of such ESG undertakings will follow the ordinary course of remedies set out in the loan documentation. These can reach from cure mechanisms all the way to acceleration events or events of default, depending on the severity of the breach.

g) Methodologies

Every investment is evaluated through a materiality assessment to identify the most pertinent indicators for inclusion in loan covenants, which are then monitored annually. This evaluation leverages SASB's financial materiality approach.

For the proportion of capital allocated to sustainable investments, the following methodologies are used to calculate the fund-level KPIs and the PAI indicators.

Fund-Level KPIs:

- Emissions avoided (tCO₂e)
- MWh of renewable energy for sale

PAI Indicators (for sustainable investments only):

Environmental:

- Carbon emissions (Scope 1 & 2) in tCO₂e
 - *Scope 1 emissions are defined as direct emissions at company facilities and company-owned vehicles.*
 - *Scope 2 emissions are defined as indirect emissions from energy purchased and used by the organization.*
- Carbon footprint intensity (tco₂eq/€)
 - *Carbon footprint intensity is calculated per company as the total scope 1 and 2 emissions, divided by the company's revenues, in €, multiplied by the weight of the current investment.*

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i} \right)$$

- GHG intensity (tco₂eq/€revenue)
 - *GHG intensity of investee companies is calculated per company as the sum of current value of investment divided by the current value of all investments, multiplied by the company's Scope 1, 2 and 3 GHG emissions divided by the investee company's revenue in millions of euros.*

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i} \right)$$

- Renewable and non-renewable energy consumed, expressed as a percentage.
 - *Information provided by companies based on their office/facility energy bills. Where no information is available, a proxy is used based on the national electricity mix.*
- Renewable and non-renewable energy produced (if the company produces energy), expressed as a percentage.
 - *Information provided by companies based on their office/facility energy bills. Where no information is available, a proxy is used based on the national electricity mix.*
- Energy intensity (kWh/€m revenue)
 - *Energy intensity is calculated as total energy consumption per million EUR of revenue of investee companies.*
- Emissions to water
 - *Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.*
- Quantity of hazardous waste produced, expressed in tonnes.
- Hazardous waste ratio
 - *Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average.*
- Emissions of ozone depleting substances
 - *Tonnes of ozone-depleting substances equivalent per million EUR invested.*

$$\frac{\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's emissions of ozone - depleting substances}_i \text{ (in tonnes)} \right)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

Social:

- Unadjusted gender pay gap: *average unadjusted gender pay gap of investee companies, where the pay gap means the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees.*
- Rate of accidents: *rate of accidents in investee companies expressed as a weighted average.*

Governance:

- Board gender diversity: *diversity average (woman/man ratio) in investee companies.*

1. **Data sources:** Information is gathered directly from the borrowers. PAI indicators are collected via a data request Excel sent to the appropriate person in the company.
2. **Data quality:** The Fund may engage with an external advisor to check to review the information to ensure data quality. In cases where data quality is put into question, the fund, with the help of the external advisor, engages with the borrower to iterate the data until it is correct and undertakes an internal validation.
3. **Data processing:** The data obtained from borrowers and is processed by the advisor. The data is collected in a digital format.
4. **Data estimation:** The Fund relies on real data provided by the companies and does not use estimates to the extent possible, with the limitations outlined below.

i) Limitations to methodologies and data

Limitations to the methodologies and data referred to in the above sections include, but are not limited to:

- limited capacity to measure or report from borrowers,
- different reporting periods and group perimeters,
- human error in the provision of data,
- data collection done by email and Excel, which could lead to human error.

We expect to improve data quality and minimize the limitations mentioned above as we improve the data collection process.

j) Due Diligence

The ESG due diligence process of the Fund follows a structured and formal approach that ensures a thorough evaluation of the environmental, social, and governance aspects of potential investments:

Screening: All potential deals are screened against the Fund's exclusion criteria. If any potential investment is active in one of the excluded sectors, the investment will be rejected and not pursued.

Identification of Material Themes: A comprehensive analysis is undertaken to identify the key material themes of the investment. This is based on SASB's financial materiality methodology which identifies those sustainability themes that are financially material based on sector and industry. Each theme has associated KPIs which will be monitored throughout the entire holding period and collected on an annual basis. If the potential investment contributes to a specific SDG, the appropriate KPIs related to its target will equally be monitored.

Sustainable Investments:

The sustainable investments that the Fund makes undergo an additional assessment that is carried out in the technical due diligence done by a specialised third-party advisor. This will assess the investment's compliance with the technical screening criteria of the Taxonomy Regulation based on the specific economy activity it pertains to. The purpose of this exercise is to determine the investment's current level of alignment with the Taxonomy Regulation and to elaborate an action plan to achieve full alignment if not currently aligned.

Control Mechanisms: The findings of the due diligence are summarised in the Investment Memo and presented to the Investment Advisory Committee to make a final decision.

This formal and robust ESG due diligence process ensures a comprehensive assessment of potential investments, with control mechanisms in place to ensure alignment with the fund's sustainability objectives.

k) Engagement Policies

The investment team holds quarterly meetings with borrowers to monitor and assess the progress made.

Failure to comply with ESG covenants will trigger the ordinary remedies foreseen in the loan documentation. These will range from customary cure remedies to loan acceleration mechanisms and/or events of default depending on the severity of the breaches.

l) Designated reference benchmark

The Fund has not designated a reference benchmark.