



# Keppel Core Infrastructure Fund

## SFDR Disclosures – Articles 5, 6 & 8

July 2023

The disclosure was developed based on existing policies of Keppel Corporation in conjunction with SGS and seeks to align with UNPRI principles and incorporate general best practices. This disclosure is a deliverable as part of a plan to partner with and help Keppel Capital develop and enhance further their group-wide and responsible investment strategy through to implementation – used explicitly for Keppel Core Infrastructure Fund, which aims to be Article 8 EU SFDR aligned.

Answers stated in the following disclosure is based on SGS's interpretation of the relevant regulation and should not be taken as legal advice.

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## ARTICLE 5 SFDR – WEBSITE

### Transparency of remuneration policies in relation to the integration of sustainability risks

This disclosure is made in accordance with Articles 5(1) and (2) of Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (SFDR). Keppel Capital (the “**Company**”) advocates a performance-based remuneration system that is responsive to the market, as well as the Keppel Group's and individual employees' financial and non-financial performance and the creation of shareholder wealth (the “**Policy**”).

The Policy is regularly reviewed and the above considerations are achieved in the following ways:

- by placing a significant portion of executives' remuneration at risk (“**At Risk component**”) and in some cases, subject to a vesting schedule;
- by incorporating appropriate key performance indicators (“**KPIs**”) for the awarding of annual incentives:
  - (i) there are four scorecard areas that the Company has identified as key to measuring the performance of the Company – (A) Financial; (B) Process; (C) Stakeholders; and (D) People. Certain of the key sub-targets within each of the scorecard areas include key financial indicators, safety goals, risk management including not encouraging excessive risk-taking, including with respect to sustainability risks and the sustainability rules and risk profile of a particular fund, control measures, environmental, social and governance responsibilities, employee engagement, talent development and succession plan; and
  - (ii) the four scorecard areas have been chosen because they support how the Keppel Group achieves its strategic objectives. The framework provides a link for staff to understand how they contribute to each area of the scorecard, and therefore to the Company's overall strategic goals. This is designed to achieve a consistent approach and understanding across the Keppel Group;
- by requiring those KPIs or conditions to be met in order for the At Risk components of remuneration to be awarded or to vest; and
- by forfeiting the At Risk components of remuneration when those KPIs or conditions are not met at a satisfactory level.

## ARTICLE 6 – PRE-CONTRACTUAL

### Transparency of the integration of sustainability risks

At Keppel Capital, we embrace sustainability not only as a guiding principle, but on all strategic and operational levels. With sustainability at the heart of our strategy, we aim to create enduring value for our stakeholders—through Environmental Stewardship, Responsible Business practices and nurturing our People and the Communities, wherever we operate.

We align our sustainability management framework with that of the Keppel Group, including incorporating 10 of the United Nations Sustainable Development Goals (SDGs) as a supporting framework. In addition, we take reference from the Group's policies to further guide our management of Environmental, Social and Governance (“ESG”) issues. These policies include:

- Keppel Corporation Board Diversity Policy
- Keppel Group Code of Conduct
- Keppel Group Environmental Sustainability Policy
- Keppel Group Global Anti-Bribery Policy
- Keppel Group Health, Safety and Environment Policy
- Keppel Group Human Rights Policy
- Keppel Group Statement on Diversity & Inclusion
- Keppel Group Supplier Code of Conduct

As a signatory of the United Nations Global Compact, Keppel Capital is committed to the Ten Principles of the UN Global Compact, which include human rights, labour, environment and anti-corruption.

Keppel Capital is also a CDP capital markets signatory, dedicated to driving corporate environmental transparency toward a low-carbon, sustainable future. As a signatory of the United Nations-supported Principles for Responsible Investment (“PRI”), Keppel Capital is committed to adopting and implementing the six Principles, where possible.

This Responsible Investment Policy (“the Policy”) communicates our overarching ESG philosophy and investment approach. For the avoidance of doubt, “ESG” and “Sustainability” will be used interchangeably in the Policy. Keppel Capital will periodically review and update the Policy as necessary.

In regard to KCIF, ESG and sustainability integrated into all our investment processes, procedures and decision-makings. We aim to engage in business practices that are environmentally and socially sound, and to ensure that the investments are compliant with customarily adopted local environmental, social and governance ESG good practices. Our strategies on achieving financial returns are strongly focused on investing in economic and social infrastructure, energy transition infrastructure, and digital infrastructure in a responsible manner by integrating ESG in investment decisions.

## ARTICLE 8 – PRE-CONTRACTUAL

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Keppel Core Infrastructure Fund, LP (UEN T22LP0151K)

### Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input type="radio"/> Yes	<input type="radio"/> <input checked="" type="radio"/> No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___% <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments



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

Keppel Core Infrastructure Fund, LP (the “Fund”) promotes environmental and/or social characteristics. The objective is to invest in economic and social infrastructure, energy transition infrastructure and digital infrastructure.

Firstly, this will be reflected in the **Fund's responsible investment policy**:

- ✓ The Fund’s mandate is to invest in infrastructure which contributes to the UN Sustainable Development Goals<sup>1</sup> (“UN SDGs”) we have identified.

<sup>1</sup> The Sustainable Development Goals (SDGs) (or Global Goals for Sustainable Development) are a collection of 17 global goals set by the United Nations in 2015: "Transforming our World: the 2030 Agenda for Sustainable Development". The goals are broad and interdependent, yet each has a separate list of targets to achieve. Achieving all 169 targets would signal accomplishing all 17 goals. The SDGs cover social and economic development issues including poverty, hunger, health, education, global warming, gender equality, water, sanitation, energy, urbanisation, environment and social justice.

- ✓ The UN SDGs targeted are:
  - Goal 6. Ensure availability and sustainable management of water and sanitation for all.
  - Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all.
  - Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
  - Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable.
  - Goal 12. Ensure sustainable consumption and production patterns.
  - Goal 13. Take urgent action to combat climate change and its impacts.
- ✓ By targeting these SDGs, the Fund will seek to invest in infrastructure with a goal of:
  - improving access to clean water and renewable energy
  - improving resilience and disaster response of cities
  - reduce pollution and increase resource recovery
  - mitigate the impacts of climate change
- ✓ In addition, where the Fund has significant control, the Fund will work to improve the ESG performance of selected investee companies or projects via identified sustainability roadmaps.
- ✓ Areas of ESG performance can include but are not limited to:
  - ✓ Business ethics (incl. anti-corruption)
  - ✓ Governance (incl. systemic risk management, selling practices and product labelling)
  - ✓ Community health, safety, and security
  - ✓ Occupational health and safety (OHS)
  - ✓ Labor management
  - ✓ Land access, use and acquisition
  - ✓ Carbon emissions
  - ✓ Biodiversity conservation & ecosystem services
  - ✓ Extreme weather
  - ✓ Resource efficiency and pollution prevention

Finally, the Fund conducts negative screening to exclude investments in businesses that involves thermal coal. All Investments made by the Fund should be outside of the above exclusions and should promote environmental and social characteristics. In addition, the Manager will overlay its active management approach and will endeavour to promote ESG best practices, which will aim at mitigating any adverse risks identified at the investee company level. Further detail on this is set out below.

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

The Fund will track the portfolio's contribution to the identified UN SDGs by tracking indicators such as:

- Volume of hazardous waste treated
- Volume of wastewater treated
- kWh of renewable energy generated

Where practicable, the Fund may consider using indicators based on standardised scoring

methodologies, such as GRESB infrastructure assessments, to measure the portfolio's ESG performance. Furthermore, the Fund may consider tracking PAI indicator: "Exposure to companies active in the fossil fuel sector" and report on it on an annual basis as the Fund matures.

For selected assets where the Fund has controlling influence, the Fund will actively track investee company's ESG performance based on the identified sustainability roadmap to improve their ESG performance. Indicators that may be tracked include greenhouse gas emissions of the organisation, incidence of accident rates, training hours, or other relevant metrics.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable, as the Fund does not currently target sustainable investments within the meaning of Article 2(17) of SFDR.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable, as the Fund does not currently target sustainable investments within the meaning of Article 2(17) of SFDR.

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

Not applicable, as the Fund does not currently target sustainable investments within the meaning of Article 2(17) of SFDR.

- **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

Not applicable, as the Fund does not currently target sustainable investments within the meaning of Article 2(17) of SFDR.

*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.*



**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes, \_\_\_\_\_

No

## ● What investment strategy does this financial product follow?

The Fund's investment objective and strategy is to invest in a diversified portfolio of high-quality core infrastructure businesses with predominantly contracted, regulated, established and/or stable revenues in the Focus Areas (as defined below) and Eligible Sub-Sectors (as defined below).

The Fund intends to focus on investing in (a) companies with assets that are in operation or will become operational and generate cash flows within a reasonable period of time after the investment; and (b) pre-operating "greenfield" projects which are suitable for investment under certain circumstances.

The Fund will invest in Asia Pacific countries as the "**Focus Areas**". In addition, the Fund may make Investments in (a) developed markets as determined by the General Partner, (b) other jurisdictions in which Keppel Corporation and/or its affiliates have expertise and experience and (c) any other acceptable jurisdictions as determined by the General Partner, (the "**Other Areas**") subject to the Diversification Limits.

The Investment Team's approach to ESG will include:

- (a) comprehensive due diligence of the investment / portfolio company prior to entry, including assessment of historical and current ESG performance, risks and scope for improvement;
- (b) incorporating covenants, undertakings and restrictions relating to ESG in the relevant transaction (e.g. shareholders agreement, share purchase agreement and/or subscription agreement) and financing documentation relating to the acquisition and/or portfolio company's business;
- (c) ESG-related conditions precedent (e.g. submission of satisfactory EIA reports and/or verification by 3rd party ESG consultant) to initial and subsequent equity injection and drawdowns; and
- (d) on-going monitoring and reporting requirements including incident disclosures and engagement and remedial plans, UN SDG contribution and indicators based on specified sustainability roadmaps.

The Investment Team will assess a ESG issues using a screening checklist prior to making any investment, which will typically include the following ESG factors:

### *Environmental*

- Environmental risks and impact, e.g. GHG emissions, extreme weather impacts
- Pollution and sustainable use of resources
- Impact on local ecosystem and biodiversity

### *Social*

- Social risks and impact
- Labour and working conditions
- Community health, safety and security
- Land acquisition and involuntary resettlement
- Impact on indigenous peoples including rights, dignity, aspirations and culture
- Cultural heritage, including tangible and intangible cultural forms

### *Governance*



- Corporate governance and management credentials
- Independent audit processes and committees
- Health and Safety including accident management
- Business ethics
- Transparency of payments, related party transactions, and compensation arrangements
- Conflict management
- Integrity considerations including anti-money laundering, anti-bribery, know your customer, terrorist financing, checking against sanctions lists etc.

Under the Fund's ESG framework, the project/transaction is assigned certain classifications and ratings (e.g. utilising GRESB infrastructure scorecard) after the review of relevant documentation and a site visit inspection.

Thereafter, appropriate actions are taken depending on the rating and classification including deciding not to proceed with an "low" rated / "lowly scored" transactions or projects that are deemed to have a potential adverse impact on the environment, social and governance aspects in accordance with the ESG checklist and scorecard– unless acceptable corrective action can be implemented as a mitigant.

For selected assets where the Fund has controlling influence, the Fund will actively track investee company's ESG performance based on the identified sustainability roadmap to improve their ESG performance. This can include requirements for annual GRESB reporting, capacity building to tap on sustainability-linked loans and grants, conditional investments based on ESG metric performance.

For all investments, there will be engagement with and/or reliance on independent ESG consultants who are expected to opine on compliance with local ESG regulatory standards and requirements.

- ***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?***

The Manager will not knowingly invest in companies or projects that are involved in illegal drug or human trafficking, child labour, human slavery, and illegal weapons manufacturing.

In addition, all suppliers engaged by the Manager will be screened to avoid unlawful activities as stated above. The Fund's management team enforces the relevant Group policies, such as Keppel Group's Anti-bribery Policy, Human Rights Policy, and its Supplier Code of Conduct.

Furthermore, the Fund will not invest in companies deriving more than 5% of its revenue from armaments, alcohol, gambling, pornography, non-medical animal testing and tobacco. The Fund will also not invest in any businesses that involves thermal coal, e.g. coal-fired power plants.

These exclusions will be reviewed periodically to incorporate updates in market norms and new scientific information.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. The Fund does not have a committed minimum rate to reduce the scope of the Investments.

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

As stipulated in the questions above, the Fund actively excludes all investments in companies or projects that are involved in illegal drug or human trafficking, child labour, human slavery, and illegal weapons manufacturing.

All investee companies, projects (and suppliers) must comply with the relevant Group policies, such as Keppel Group's Anti-bribery Policy, Human Rights Policy, and Supplier Code of Conduct.

Furthermore, the Fund assesses the investee's ESG performance in the areas of corporate conduct, business ethics, labour management, among others, during the screening, due diligence and monitoring phase. This is conducted through direct engagement with investees and desktop research with the ESG screening checklist and other tools such as the GRESB scorecard as guidelines.



● **What is the asset allocation planned for this financial product?**

The Fund will allocate 51% of its investments to assets that meet the environmental or social characteristics promoted by the Fund categorised as "#1 Aligned with E/S characteristics" with the remaining investments allocated under "#2 Other". We plan for the Fund to have majority of its investments to comply with our responsible investment strategy set out in its Private Placement Memorandum and responsible investment policy.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

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

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

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Not applicable. The Fund does not use derivatives to attain the environmental and social characteristics promoted.



● **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable, as the Fund does not currently target sustainable investments within the meaning of Article 2(17) of SFDR.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable, as the Fund does not currently target sustainable investments within the meaning of Article 2(17) of SFDR.



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

Not applicable, as the Fund does not currently target sustainable investments within the meaning of Article 2(17) of SFDR.



**What is the minimum share of socially sustainable investments?**

The question is not applicable to the Fund because it does not currently target sustainable investments within the meaning of Article 2(17) of SFDR.



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

"#2 Other" includes cash and derivatives for which there are no minimum environmental or social safeguards.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

The question is not applicable to the Fund because an index has not been designated as a reference benchmark for the purpose of attaining the environmental and social characteristics promoted.



**Where can I find more product specific information online?**

More product-specific information can be found on the website: <https://www.kepcapital.com/en/our-business/private-funds/keppel-capital-alternative-asset/kcif/>