

Second-Party Opinion

Prime Green Energy Infrastructure Fund

A fund managed by Prime Capital AG

Evaluation Summary

Sustainalytics is of the opinion that the mandate of the Prime Green Energy Infrastructure Fund S.A. SICAV-RAIF (the “Fund”) is credible and impactful and will deliver overall positive environmental impacts. Sustainalytics is of the opinion that the principles of impact and transparency that underlie the green and responsible investment industry, as well as many of its norms and standards, are applicable to renewable energy equity funds, and that the Fund aligns with those principles. This assessment is based on the following:



IMPACT The Fund will invest in equity shares of renewable energy assets, with a prioritization towards onshore wind power projects. Other renewable energy technologies, such as offshore wind, wind-plus-solar, wind-plus-storage, as well as other related infrastructure projects may be considered. The geographic focus of the investments will be primarily in the Nordic region, with projects in other European countries subject to case-by-case consideration. Sustainalytics considers investments in renewable energy projects to deliver environmental benefits.



TRANSPARENCY The Fund demonstrates the principle of transparency through both its upfront disclosures and commitment to ongoing reporting. The portfolio manager of the Fund, Prime Capital AG (“Prime Capital”), intends to invest the proceeds of the Fund over a three-year period, and has disclosed to Sustainalytics target allocations for its investments by renewable energy technology, as well as the intended geographic focus of projects.

The Fund’s governance and decision-making structures have been appropriately described within the Investment Policy, and Sustainalytics considers that they are adequate to ensure the robust management of proceeds and the mitigation of environmental and social risk. Furthermore, Prime Capital provides ESG reporting metrics to its investors as part of its quarterly reporting package.

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| Evaluation date | February 2020 |
| AIF Location | Luxembourg, Grand Duchy of Luxembourg |
| Portfolio Manager Location | Frankfurt am Main, Germany |

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Green Energy Infrastructure Fund

Introduction

Prime Capital AG (“Prime Capital”) is an asset manager and financial services provider specializing in alternative asset classes, with approximately EUR 15.1 billion in assets under management.¹ Founded in 2006 and based in Frankfurt, Germany, Prime Capital has developed its expertise across five business segments: absolute return, real assets, private debt, outsourced asset management, and access solutions.

Prime Capital will serve as Portfolio Manager for the Green Energy Infrastructure Fund (the “Fund”), which targets an investment amount of EUR 500 million in renewable energy assets over a three-year initial investment period. The Fund will employ a value-add strategy through early-stage engagement with developers, as well as leveraging a strategic partnership with Siemens Gamesa Renewable Energy (“SGRE”) to identify high-potential opportunities, focusing exclusively on grid-parity projects in the Nordics.

Prime Capital engaged Sustainalytics to review and assess the ESG credentials of the Fund. Sustainalytics has reviewed the Fund’s Investment Policy (dated August 2019),² Offering Memorandum,³ and Investor Presentation, as well as other Fund-specific and corporate documents, such as the Prime Capital Group Corporate Social Responsibility Report. Sustainalytics is providing a second-party opinion on the Fund’s environmental credentials and its alignment with the underlying principles of impact and transparency, which Sustainalytics considers to be key principles of sustainable finance. Sustainalytics notes that these norms are espoused, in whole or in part, by a variety of industry standards and initiatives, including the Global Impact Investing Network’s (GIIN) Core Characteristics,⁴ the International Capital Market Association’s (ICMA) Green Bond Principles 2018 (GBP 2018),⁵ the Climate Bonds Initiative (CBI),⁶ the Green Loan Principles,⁷ and the European Union’s (EU) taxonomy for sustainable activities.⁸ The Fund’s Investment Policy has been published in a separate document.⁹

As part of this engagement, Sustainalytics held conversations with various members of Prime Capital’s management team to understand the sustainability impact and planned use of proceeds, as well as management and reporting aspects of the Fund. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Fund’s Investment Policy and should be read in conjunction with that Policy.

¹ Figures are as of June 30, 2019.

² Prime Capital, “Investment Policy”, (2019). This confidential document has been provided to Sustainalytics for review.

³ This opinion was prepared on the basis of a draft Offering Memorandum presented by Prime Capital AG, dated September 6th, 2019 and other supporting documentation drafted in preparation for setting up the Fund. The SPO was subsequently revised to reflect any updated information in the Confidential Offering Memorandum dated February 2020. The Fund’s terms and conditions, including the scope of the eligible investment universe, the strategy and pricing are not fixed and subject to changes without prior notice. The Fund is not incorporated and in the process of establishing commitments from seed investors. and it is hence not currently possible to subscribe for interest in the Fund or similar. The Fund is expected to launch (First Closing) at the beginning of Q2 2020.

⁴ The Global Impact Investing Network has provided a definition of impact investing, as well as providing its four core characteristics, and are available at <https://thegiin.org/characteristics>. Based in the GIIN’s approach, impact investments must be made with the intention of generating positive environmental or social impacts, and these impacts must be measurable.

⁵ The Green Bond Principles, administered by the International Capital Market Association, are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>. The GBP have defined market norms surrounding eligible projects, project selection, management of funds, and reporting transparency.

⁶ The Climate Bond Initiative operates a labelling scheme for bonds and debt investments that are consistent with a low-carbon trajectory, and are available at <https://www.climatebonds.net/standard>. The CBI’s standard define eligibility across various project types, as well as defining best practices for transparency.

⁷ The Green Loan Principles, administered by the Loan Mark Association, define four core components that align with those of the Green Bond Principles, see: https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf.

⁸ The European Union has proposed a package of measures which aims to standardize the sustainable finance industry and channel investment to environmental sustainable economic activity, see: https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en

⁹ The Investment Policy is available to investors and potential investors, and has been provided to Sustainalytics for review.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Green Energy Infrastructure Fund

Summary

Sustainalytics is of the opinion that the Funds' strategy is credible and impactful and will deliver overall positive environmental benefits. Sustainalytics further notes the alignment of the Fund's Investment Policy with the concepts underpinning the sustainable finance market, namely those of impact and transparency.

Impact

By investing exclusively in equity stakes in renewable energy assets, the Fund will deliver environmental benefits related to greenhouse gas mitigation and support the transition to a low-carbon economy. Sustainalytics highlights the following elements of the Fund's Investment Policy:

- The Fund's investment strategy is to target allocation of at least 75% of funds to onshore wind power projects. When developed responsibly this well-established technology has clear environmental benefits.
- Other wind-related technologies may comprise up to 25% of the Fund's investments. Prime Capital has communicated to Sustainalytics that these may include offshore wind, hybrid solar/wind, and hybrid wind/storage projects. Sustainalytics notes that these technologies can be anticipated to deliver environmental benefits, and additionally notes the following:
 - Offshore wind power projects may pose distinct environmental risks, such as impacts on marine habitats, and should be subject to appropriate risk mitigation measures.
 - The inclusion of energy storage, in conjunction with renewable energy generation, may provide additional environmental benefits related to the displacement of fossil-fuel power generation.
 - The deployment of wind-solar hybrid systems may, depending on site-specific factors, provide environmental benefits beyond those of stand-alone facilities.
- The Fund's Investment Policy has defined the Nordic region as the geographical focus area. With the prior consent of investors, this scope may be expanded to other countries in Western Europe.
 - The Nordic region has a high share of energy generation from renewables (primarily hydro), as well as significant growth potential due to the availability of other resources such as wind. Coupled with the continued expansion of transmission network interconnections to other European countries including the UK, the Nordic regions is well-positioned to contribute to the decarbonization of electricity grids across the continent through ongoing increases to its clean energy exports.¹⁰
 - Sustainalytics notes that the projects will contribute to both national and regional climate goals.
 - The Fund intends to invest in projects with strong wind resources, resulting in a levelized cost of energy that compares favourably with other energy sources; this low production cost is intended to drive the affordability of renewable electricity.
- Prime Capital has disclosed that the Fund's initial project pipeline consists of three wind power projects, all located onshore in Nordic countries. This is in line with the Fund's overall strategy. Prime Capital will seek to build a diversified portfolio, and has such has placed a maximum on the share of the funds that may be allocated to the largest single assets as well as a minimum number of projects within the portfolio of investments.
- Sustainalytics considers the Fund's investments to advance UN Sustainable Development Goal 7: Affordable and Clean Energy, through contribution to target 7.2: by 2030, increase substantially the share of renewable energy in the global energy mix.

Transparency

Transparency is recognized as a key principle with regards to sustainable finance, as it provides assurance that investments are delivering positive impact. Sustainalytics highlights the following elements of the Fund's Investment Policy that facilitate transparency to investors:

¹⁰ In 2017, net exports from the Nordic region to continental Europe were 11 TWh. Nordic Energy Research, "The Nordic energy system's role in Europe", <https://www.nordicenergy.org/figure/the-nordic-energy-systems-role-in-europe/>.

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- Disclosures regarding project evaluation, selection, and management:
 - The Fund intends to have a three-year investment period, from the date of first closing. Over this time the Fund’s proceeds will be allocated to eligible projects.
 - The Fund has disclosed the anticipated regional and technological characteristics of its anticipated investments. Additional information provided to Sustainalytics highlights that the fund will focus on greenfield projects in the late development stage.
 - Additional disclosure has been provided to Sustainalytics regarding the maximum amounts that shall be allocated to individual projects and countries.
 - The Portfolio Manager will be supported by specialist external advisors, including technical, legal, and financial experts, which will strengthen the investment due diligence process.
 - Final decision-making is entrusted to the Fund’s Investment Committee, which will include Prime Capital’s CIO, other relevant representatives from the Portfolio Manager, as well as a member of the Prime Sustainability team as advisor.
 - Sustainalytics considers this level of disclosure to investors as sufficient to ensure the credibility of the project selection process.
- Asset management and the mitigation of environmental and social risks:
 - The Fund’s asset management strategy involves supervision by various interrelated teams within the Portfolio Manager. Members of the Portfolio Management team with specific expertise in transaction management, construction management, and asset management will be involved to ensure a seamless transition of each project in the Fund as it progresses.
 - Sustainalytics considers this approach sufficient to ensure that the major sustainability risks of the project are managed in line with the commitments laid out in the Investment Policy.
- Reporting:
 - The Portfolio Manager has committed to providing ESG reporting on a quarterly basis.
 - Prime Capital has provided a sample reporting template, which includes information regarding the project type, investment amounts, installed capacity and generation, cash flow information and ESG-related metrics such as metric tons of CO₂ avoided.
 - Sustainalytics considers the anticipated reporting metrics provide adequate disclosure to investors regarding the environmental impacts of the projects funded.

Section 2: Sustainalytics’ Assessment of Sustainability Strategy and Performance

Sustainability performance of the Portfolio Manager

As an investment firm with a focus on real assets, Prime Capital recognizes the “importance of sustainability” within its business.¹¹ In practice, this has meant that renewable energy has comprised a significant part of Prime Capital’s investments and asset management portfolio since 2012. Since 2012, the Company has invested in almost 850 MW of wind, hydro, and solar power projects across Europe, with a total enterprise value of EUR 1.1 billion. Over two thirds of the installed capacity of these projects is in the Nordics, with other facilities located in Germany, France, the UK, and Italy.¹² Prime Capital also cites its independence as a strong contributor to its due diligence process. As a management-owned company with no external board members, Prime Capital is committed to avoiding external conflicts of interest with regards to the management of its assets.¹³

Based on the proven track record of implementing and managing renewable energy assets, Sustainalytics considers Prime Capital well-placed to manage a fund with positive sustainability impacts.

¹¹ Prime Capital, “Company Profile”, at: http://primecapital-ag.com/wordpress/wp-content/uploads/2017/02/PC_Company-Profile_Feb2017.pdf.

¹² Prime Capital, “Investment Policy”, (2019). Confidential document.

¹³ Prime Capital, “About Us”, at: <http://primecapital-ag.com/unabhaengeriger-partner-fuer-institutionelle-anleger-en/?lang=en>.

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Sustainability strategy of the Green Energy Infrastructure Fund

The Fund's Investment Policy includes a section on sustainability considerations, in which approaches to environmental, social and governance risks are discussed. For each of environmental, social and governance, Prime Capital commits to identifying potential risks, potential impact, and mitigating measures for each project prior to making an investment. Additionally, Prime Capital commits to applying the appropriate measures identifying in the risk assessment with local rules and regulations, at minimum. Finally, Prime Capital commits to reporting on relevant ESG impacts and issues, "with particular emphasis on the ones that raise significant concerns and require higher attention." Although no commitment to specific indicators has been made, Prime Capital will make available custom ESG reporting metrics to investors.

Additionally, Prime Capital has estimated some of the major environmental and social impacts that the projects held in the Fund may generate. Based on their analysis of anticipated investments, Prime Capital has projected that the Fund's share of project benefits will result in 3,200 GWh of renewable energy generated per year. This amount of clean energy has been calculated by Prime Capital to be sufficient to supply 860,000 European households, resulting in avoided emissions of 1,400,000 tons of CO₂.¹⁴

Considering the stated sustainability objectives, and the nature of the investments being made, Sustainalytics views positively the Fund's sustainability objectives, while also encouraging the ongoing reporting of relevant impact metrics.

Well positioned to address common environmental and social risks associated with the projects

While the projects that are to be held by the Fund are anticipated to provide overall positive impacts, Sustainalytics recognizes that the eligible projects, as with all large infrastructure developments, may have potential environmental and social risks. For renewable energy projects, these may include workplace health and safety, biodiversity impacts, construction waste and pollution, and impacts on local communities.

Sustainalytics notes that while Prime Capital is not directly responsible for the day-to-day of construction operations, that nevertheless, due to holding ownership of the project, the Fund is responsible for the development as well as the operation of the wind park and therefore has to ensure oversight and monitoring of the processes. Furthermore, the Fund's Investment Policy requires that the Portfolio Manager engages in various risk mitigation measures. First and foremost, this includes a commitment to comply with local and national regulations regarding environmental protection as well as labour conditions.¹⁵ In this regard, the Nordic countries which are the primary focus of the Fund, as well as other nations in which project development could occur such as Germany and France, are classified as designated countries by the Equator Principles, which provides evidence that adequate environmental regulations are in place in order to mitigate against significant risks.¹⁶ Beyond regulatory requirements, the Investment Policy has identified specific areas of potential environmental risks, and includes commitments to carrying out appropriate due diligence and to implement any required management measures both prior to investment and during the ongoing management phases.

Based on the Investment Policy's commitment to ongoing risk mitigation, as well as the location and regulatory context of the projects which will be financed, Sustainalytics considers the Fund to be well-positioned to mitigate relevant environmental and social risks.

Conclusion

The Prime Green Energy Infrastructure Fund will advance the regional and European sustainability agenda by investing in renewable energy infrastructure projects. Prime Capital has outlined an Investment Policy and supporting plans for project evaluation and selection and reporting which, in Sustainalytics opinion, are credible and impactful. Based on the above, Sustainalytics is of the opinion that the Fund will deliver positive environmental benefits based on the principles of impact and transparency.

¹⁴ Prime Capital has calculated avoided emissions based on the current energy mix of the EU28, multiplied over the anticipated 25-year lifetime of a renewable energy project. Sustainalytics does not comment on the robustness of this methodology.

¹⁵ Prime Capital, "Investment Policy", (2019), confidential document.

¹⁶ Equator Principles, "Designated Countries", (2019), at: <https://equator-principles.com/designated-countries/>.

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Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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