

## ANNEX 5 - Sustainability Risk Methodology

### A. Sustainability risk management

The SFDR Regulation (Regulation (EU) 2019/2088) defines sustainability through two key concepts:

- Sustainability risks
- Negative impact on sustainability

Through its investment activity, Infinity Capital Investments S.A. may directly or indirectly generate environmental or community impacts. As environmental or social issues may pose risks to Infinity Capital Investments S.A.'s business, the company is committed to identifying, assessing, preventing and/or mitigating these risks, as well as identifying positive impact investment opportunities as part of its corporate social responsibility (CSR) strategy and corporate governance code.

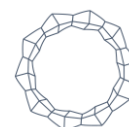
#### **Art. 1. *Environmental factors***

Environmental factors are related to the quality and functioning of the environment and natural systems, which can have an impact on the activity of the issuers in the company's portfolio. Environmental factors can be weather events and gradually deteriorating climate conditions.

Environmental factor risks are the risks represented by Infinity Capital Investments S.A.'s exposure to issuers that may be adversely affected by environmental factors, including factors resulting from climate change and other environmental degradation, such as pollution, water supplies depletion, land contamination, biodiversity alteration and deforestation.

At Infinity Capital Investments S.A., sustainability factors are also taken into account in the process of evaluating an investment, assessing whether the activity of the company in question:

- a) contributes substantially to one or more of the environmental objectives by:
  - climate change mitigation;
  - adapting to climate change;
  - sustainable use and protection of water and marine resources;
  - transition to the circular economy;
  - pollution prevention and control;
  - protecting and restoring biodiversity and ecosystems.



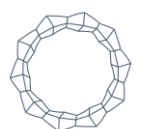
- b) does not significantly prejudice any of the environmental objectives referred to in point (a);
- c) implements procedures to ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight core conventions identified in the International Labour Organisation Declaration on Fundamental Principles and Rights at Work and those set out in the International Bill of Human Rights;
- d) complies with the technical examination criteria to be established by the Commission in accordance with Articles 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2) of EU Regulation 852/2020.

**Art. 2. Social factors**

Social factors relate to the rights, welfare and interests of people and communities, which can have an impact on the issuers' work. Such factors as inequality, discrimination, lack of diversity, labour or human rights violations can have a financial impact on companies that apply low standards in these respects.

In determining whether an investment is considered to be socially sustainable, consideration is given to whether the company contributes to combating inequality or promoting social cohesion, social inclusion and labour relations or investing in human capital or in economically or socially disadvantaged communities, provided that such investments do not significantly undermine any of these objectives and that the investee companies follow good governance practices, in particular with regard to sound management structures, labour relations, remuneration of relevant staff and tax compliance.

In the issuer assessment process, the Risk Management Office will look at whether the social factors are observed, such as: compliance with recognised labour law standards, respect for the health and safety of employees, the establishment of adequate remuneration and fair working conditions, respect for the principle of diversity and the provision of training and development opportunities, respect for fundamental freedoms (including freedom of association), ensuring adequate product safety and health protection, while also applying the same requirements to entities in the supply chain, as well as establishing projections for combating inequality and ensuring consistency and social integration of financially or socially disadvantaged groups.



The data published by the issuers in accordance with the legal provisions will be used in this assessment.

### **Art. 3. Governance factors**

Governance factors refer to the governance practices of issuers, including the inclusion of ESG factors in their policies and procedures.

Governance plays a key role in ensuring that a given issuer integrates social and environmental considerations. Recognising the potential impact of climate and environmental change and/or integrating sustainability risks into their decision-making process is a sign of good governance.

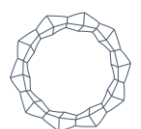
In order to determine the sustainability of an investment from a governance point of view, the Risk Management Office examines whether the business has a corporate governance policy, a corporate social responsibility policy or applies corporate governance principles, practices fiscal honesty, has implemented anti-corruption and data protection measures and respects the rights of its employees, as well as whether the management structures manage the concept of sustainability.

The data published by the issuers in accordance with the legal provisions will be used in this assessment.

### **B. Governance, implementation and reporting**

ESG risks can have a significant impact on other relevant company risks: credit risk, market risk, liquidity risk and operational risk.

Infinity Capital Investments S.A. integrates, based on publicly available information, into its decision-making process and also assesses relevant sustainability risks, i.e. those environmental, social or governance events or conditions that, if they were to occur, could impact the financial performance of the investments made. In this respect, Infinity Capital Investments S.A. also considers sustainability assessment data for certain economic activities, using the various ESG ratings that are available for portfolio companies or for those in which investments are to be made. Where ESG ratings are not available for a particular company, both financial and non-financial data (such as reports by independent bodies regarding the sector or company, the nature of litigations involving the company, media reports on the company, etc.) shall be used.



Senior management shall ensure and regularly review that risk limits are implemented and adhered to, including policies that provide for the integration of ESG risks into the investment decision-making and risk management process.

ESG risk issues are analysed and integrated in the Risk Opinion submitted to the Board of Directors/Senior Management for approval.

The person responsible for risk management shall ensure the implementation of this policy by including sustainability risk analysis in the risk management process and in the Risk Opinion on investment opportunities proposed for Board of Directors/Senior Management approval.

### **C. Integrating the sustainability risk assessment into investment decision-making**

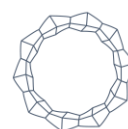
Infinity Capital Investments S.A.'s exposure to sustainability risks is mostly indirect, being determined by the specific characteristics of the companies in the Infinity Capital Investments S.A. portfolio.

As a result, based on the structure of the Infinity Capital Investments S.A. portfolio, sustainability risks take on a variety of forms, from those related to social issues, workforce and human rights and equal opportunities (*which are closely monitored and managed by issuers in the financial sector, but not only*), to those related to climate impact and the need to transition to the circular economy (*much more present in the concerns of companies in the natural resources and related services sectors*).

It also monitors draft legislation on sustainability to identify the necessary measures to mitigate the potential impact on the Infinity Capital Investments S.A. portfolio.

The monitoring of these indirect risks is carried out in an integrated manner, within the framework of Infinity Capital Investments S.A.'s internal portfolio management procedures, in order to base timely investment/ disinvestment decisions.

Reports of listed issuers, company websites, any credible and authoritative source available are used in assessing sustainability risk. As part of the its own portfolio internal assessment and management process, in addition to the financial reports of the companies in which investments are made, Infinity Capital Investments S.A. also analyses the non-financial reports issued by companies, in accordance with the applicable legal provisions. Thus, the Risk Management Office includes key non-financial performance indicators (*where information is available*) in the Risk Opinions on investment proposals.



Also, in order to prevent/mitigate sustainability risk, in the process of evaluating possible new investment opportunities and expressing the risk opinion, the Risk Management Office checks whether or not the issuer's business line is on the list of business lines that may generate significant sustainability risk (Annex 5.1.), and then reviews the issuer's ESG score (if *available*) and applies screening as per Annex 5.2. to determine the sustainability risk of the investment.

Along the same lines, in exercising Infinity Capital Investments S.A.'s voting rights in portfolio issuers, the company will consider materials that include sustainability issues and vote for the company's effective management of sustainability risk factors.

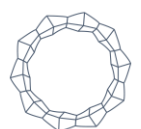
The analysis and assessment of the data contained in the non-financial reports is used to identify the main categories of sustainability risks and expected negative impacts (*depending on the sector in which the company operates*), as well as the compliance with responsible business conduct codes, with the aim of aligning companies' activities with the objectives of the Paris Agreement. The investment monitoring process also aims at identifying potential negative sustainability impacts that are expected to reduce investment returns, in order to make timely investment/ disinvestment decisions for Infinity Capital Investments S.A.

#### **D. Transparency of sustainability issues**

The company is committed to the principles of decision-making transparency recommended by good governance rules, ensuring that investors are informed about any investment activity with an impact on sustainability factors.

Information regarding the main negative effects on sustainability factors induced by the activity of Infinity Capital Investments S.A. is available in the periodic reports issued by the company, in accordance with the relevant legal provisions.

The Remuneration Policy, submitted for approval to the AGM, includes relevant aspects of sustainability impacts.



## Annex 5.1

### Areas of activity that can generate significant sustainability risks

Infinity Capital Investments S.A. will only make investments in the following sectors of activity in duly justified circumstances:

- a) Production or selling of pesticides/herbicides and other hazardous substances;
- b) Production or selling of ozone depleting substances<sup>1</sup> ;
- c) Production or selling of products containing polychlorinated biphenyls<sup>2</sup> ;
- d) Production or selling of radioactive materials<sup>3</sup> ;
- e) Production or selling of unbonded asbestos fibres<sup>4</sup> ;
- f) Selling wild fauna and flora or the production or selling of wild fauna and flora products subject to CITES<sup>5</sup> ;
- g) Transboundary movement of waste prohibited under international law<sup>6</sup> ;
- h) Activities prohibited by Romanian legislation or international conventions on the protection of biodiversity or cultural heritage resources;<sup>7</sup>
- i) Production or selling of narcotic substances;<sup>8</sup>
- j) Trawl fishing in the marine environment using nets over 2.5 km long<sup>9</sup> ;
- k) Production or selling of arms and ammunition<sup>10</sup> ;
- l) The export of mercury and mercury compounds and the manufacture, export and import of a wide range of mercury-added products<sup>11</sup> ;
- m) Tobacco production or trade;
- n) Gambling, casinos and equivalent enterprises;
- o) Keeping animals for the primary purpose of producing fur or any activities involving the production of natural fur.

*Note: The list is based on the recommendations of the IFC and EBRD standards in this area and will be updated whenever there are changes in legislation on this issue.*

<sup>1</sup> Chemical compounds that react with and deplete ozone in the stratosphere, causing "ozone holes". The Montreal Protocol on Substances that Deplete the Ozone Layer sets out the substances that deplete the ozone layer and the timeframes for their reduction and phase-out. A list of chemical compounds covered by the Montreal Protocol, including aerosols, refrigerants, foam blowing agents, solvents and fire protection agents, together with details of signatory countries and phase-out deadlines, is available from the United Nations Environment Programme

<sup>2</sup> Polychlorinated biphenyls: a group of highly toxic chemicals that can be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

<sup>3</sup> Except for the purchase of medical equipment, quality control (measurement) equipment and any equipment where the company considers the radioactive source to be insignificant and/or adequately safeguarded;

<sup>4</sup> This does not apply to the purchase and use of asbestos cement bonded sheets where the asbestos content is less than 20%.

<sup>5</sup> CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES protected species is available from the CITES Secretariat.

<sup>6</sup>Reference documents are: Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; OECD Council Decision C(2001)107/Final concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations; Basel Convention of 22 March 1989 on the control of transboundary movements of hazardous wastes and their disposal

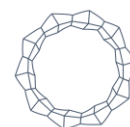
<sup>7</sup> Relevant international conventions include, but are not limited to: the Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention); the Convention on Wetlands of International Importance especially as Waterfowl Habitat (Ramsar Convention); the Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention); the World Heritage Convention; the Convention on Biological Diversity and its protocols.

<sup>8</sup> The term "narcotics" refers to all psychotropic substances and illegal drugs, whether natural or synthetic.

<sup>9</sup> Article 9(1) of Regulation (EU) 2019/1241 of the European Parliament and of the Council of 20 June 2019 concerning the conservation of fisheries resources and the protection of marine ecosystems through technical measures and amending Council Regulations (EC) No 2019/2006 and (EC) No 1224/2009 and Council Regulations (EU) No 1380/2013, (EU) 2016/1139, (EU) 2018/973, (EU) 2019/472 and (EU) 2019/1022 of the European Parliament and of the Council and repealing Council Regulations (EC) No 894/97, (EC) No 850/98, (EC) No 2549/2000, (EC) No 254/2002, (EC) No 812/2004 and (EC) No 2187/2005.

<sup>10</sup> Exception: companies not substantially involved in these activities. "Not substantially engaged" means that the activity in question is incidental to a company's primary operations.

<sup>11</sup> Regulation (EU) 2017/852 of the European Parliament and of the Council of 17 May 2017 on mercury.



## Annex 5.2. Screening

**Step I – Check list for areas of activity that may generate significant sustainability risks.**



The field of activity is NOT in the list of fields of activity that may generate significant sustainability risks.

The process continues with step II.



**Step II - Applying filters by answering the following questions:**

1. Does the company take sustainability risks into account in its decision-making?
2. Does the remuneration policy also take into account sustainability criteria?
3. Does it pursue one of the following objectives: climate change mitigation/climate change adaptation/sustainable use and protection of water and marine resources/movement towards the circular economy/pollution prevention and control/protection and restoration of biodiversity and ecosystems?
4. Does the company support education, health, culture and art projects, humanitarian actions?
5. Does it support employees' professional development?
6. Does it have a business continuity plan in place?
7. Is there no information in the media that the issuer has been sanctioned for non-compliance with environmental/tax/personal data protection/money laundering and terrorist financing/international sanctions regulations?
8. Does the issuer comply with corporate governance principles?



**Step III - Conclusions**

Following the analysis of sustainability factors, the risk level is identified according to the scoring matrix:

Risk level	Scoring
low	> 5 criteria met
average	[3 - 5] criteria met
high	> 3 criteria met

The conclusion is mentioned in the Risk Opinion and the responses are attached as an annex.

