Carbon Equity Climate Feeder VI

Pre-contractual Sustainable Finance Disclosure

Sustainable objective

The Carbon Equity Climate Feeder IV (‘**CECF IV**’) is a Feeder fund with the investment objective to invest in the ArcTern Ventures III Fund (‘**AV III**’ or the ‘**Fund**’). AV III has sustainable investment as its objective and its sustainable investments seek to primarily deliver reductions in greenhouse gas (“GHG”) emissions with the goal to contribute to achieving the objectives of the Paris Agreement. CESV IV is focused on investing in climate technologies which are used to reduce greenhouse gas (“GHG”) emissions in different supply chains, thus contributing to the decarbonization of other companies as well. The Fund also reviews investments that contribute to other environmental objectives such as the prevention and reduction of waste, toxins and pollution, biodiversity protection, sustainable marine practices, and climate change resilience and adaptation. The Fund’s priority investment sectors are (i) Electricity & Energy, (ii) Manufacturing & Materials, (iii) Transportation & Mobility, (iv) Food Systems and (v) Nature. All investments in the AV III fit the good governance practices and the Do Not Significant Harm (DNSH) principle. From the investment objective it follows that, with regards to the EU Taxonomy’s environmental objectives, the economic activities of the investee companies contribute mainly to climate change mitigation, and/or to climate change adaptation, the sustainable use and protection of water and marine resources, pollution prevention and the control, protection and restoration of biodiversity and ecosystems. The AV III intends to invest at least 0% in taxonomy aligned investments, and will not invest in transitional solutions that decrease the impact of highly-emissive industries where decarbonization pathways already exist (e.g. fossil fuels and beef production).

The AV III assesses, measures, and monitors the impact of the sustainable investments as follows: all of AV III's investments are assessed and measured regarding their ability to contribute to climate change mitigation and/or other environmental objectives.

For investments with the environmental objective of GHG mitigation, AV III assesses whether the investment has the potential to reduce GHG emissions by at least 200 megatons per year by 2025, assuming the company has 100% market share. AV III might decide to invest in a company with a lower total GHG potential if this can be justified by a strong rationale, such as, a very high short-term impact and/or significant secondary impact metrics. For investments with an environmental objective other than GHG mitigation, investments are assessed in terms of, inter alia, tons of waste or toxins reduced, % of biodiversity loss prevented, hectares of land protected, and/or protection of people or assets.

The primary sustainability indicator to measure the attainment of the sustainable investment objective of the Fund is the reduction in CO2eq. AV III makes GHG reduction projections up to 2025 for each portfolio company, based on a unit GHG impact model that correlates the abatement of CO2eq to the units of revenue or units sold, which is used to forecast gross GHG impact based on projected sales, and AV III then deducts the company's carbon footprint for the period. AV III also measures the realised CO2eq abatement by the portfolio company in the current year, using the abovementioned unit GHG impact model and the current level of sales. Finally, AV III projects GHG reduction potential up to 2030 per portfolio company, in this case using the full CO2eq abatement potential by 2030 of the market the company is operating in.

AV III also measures the attainment of the other environmental objectives. To measure the reduction of waste, toxins and pollution, the Fund will quantify the tons of a given material diverted from landfills, the environment or oceans. For biodiversity, the quantification will be made in terms of land protection or changes in land use from the reduction of a given activity (e.g. farming, livestock, urban sprawl, or the release of toxins and other pollution). Climate resiliency (adaptation) is quantified in terms of assets (e.g. homes) protected from the effects of climate change.

AV III further monitors the attainment of the GHG mitigation objective and the other environmental objectives via the aforementioned measurement indicators. GHG mitigation projections are directly linked to each company's financial targets, which are consistently tracked by the Fund on a quarterly and annual basis as part of its financial review process, to ascertain impact achievement.

To ascertain that the good governance and do no significant harm criteria are met, the Fund will take into account, inter alia, the Principal Adverse Impact Indicators as defined in Table I and relevant indicators of Table II and III of Annex I to Commission Delegated Regulation (EU) 2022/1288 before investment during the due diligence phase. As part of the confirmatory due diligence, ArcTern will request information from the target company on the indicators for adverse impacts. In addition, the Fund will assess a company's most critical governance practices such as tax compliance, remuneration of employees, relationship with staff and management structures, as part of the pre-investment due diligence.

Transparency on the integration of sustainability risks (Article 6)

Sustainability risks are environmental, social, or governance (ESG) events that can reduce the value of investments. Carbon Equity takes the sustainability risks of its products into account by analysing the quality of a funds' ESG policies and practices in the 'ESG Analysis'. In the ESG Analysis, Carbon Equity assesses both the sustainability risks of the fund manager's organisation, as well as the quality with which the fund manager manages the sustainability risks of the investments they do. This ESG Analysis is part of the due diligence of each potential investment and the outcome of which is shared in full with the investment committee, who is responsible for integrating this information in the investment decision.

The return of the CECF IV can be affected by the underlying fund's ESG risks. The basis for how these risks are managed is the underlying fund's ESG policy and framework which shapes the fund's approach to ESG screening, management and reporting. ESG metrics that are being tracked by the Fund include, inter alia, % of women and BIPOC in C-suite and board, and number of independent board members. Carbon Equity analyses the underlying fund's approach to ESG to assess the extent to which ESG risks are mitigated and to be informed of potential residual risks that would need to be actively managed by the fund. Such risks could be ESG-related incidents within one of the portfolio companies or their supply chains, which could lead to negative media coverage, reducing the competitiveness and revenue of the portfolio company. Another risk is extreme weather events, which are getting more frequent due to climate change, negatively affecting production of portfolio companies. Those could affect the return of the CECF IV.

As explained above, Carbon Equity integrates sustainability risks into the investment process through a thorough ESG analysis to identify sustainability risks. In this ESG analysis of ArcTern, sustainability risks were estimated not too high. Sustainability risks are therefore part of the investment decisions and the monitoring of the investments. Because of constant attention the probability of a significant structured deterioration of the portfolio value due to sustainability risks is considered limited.