

## ISQ Growth Markets Infrastructure Fund II (the “Fund”)

### SFDR Article 10 Website Disclosure

#### (“Disclosures”)

#### Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088)

##### Sustainability-related disclosures

The European legislators have introduced Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the “SFDR”). The disclosures in this section are made in accordance with Article 10 of the SFDR.

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##### a) Summary

*Note: This summary was prepared in English and is translated to other official languages of the European Union. In case of any inconsistencies or conflict between the different versions of the summary, the English language version shall prevail.*

The Fund is a financial product that promotes environmental and social characteristics within the meaning of Article 8 of SFDR that does not commit to making any sustainable investments.

The Fund seeks to invest in equity and equity related investments in infrastructure and infrastructure related investments located or operating primarily across Asia-Pacific with selective exposure to Latin America. The Fund seeks to invest in a diversified portfolio of energy, renewables, utilities, transportation and logistics, digital infrastructure, environmental infrastructure and social infrastructure. The Fund takes an active approach to long-term sustainability by integrating environmental, social and governance (ESG) criteria across the investment cycle.

As part of this activity, the Fund promotes the environmental and social characteristics of environmental and/or social transition by investing in businesses that, in ISQ’s reasonable view, exhibit ESG characteristics and/or the ability to adopt an ESG value add program in one or more of the Target Sectors (as defined below).

At the pre-investment stage, key ESG risks and opportunities are assessed typically in conjunction with external specialist advisors. ESG diligence findings are included in the Investment Committee memorandum and factored into the investment decision. Strong governance rights are secured to enable ISQ to conduct active management of ESG matters.

ESG considerations are assessed as part of the Fund’s overall due diligence process and are assessed qualitatively and quantitatively as part of the Fund’s ESG integration and management approach. As part of the investment process ISQ reviews each potential investment and confirms that such potential investment complies with the Fund’s E / S Characteristics and Negative Screening Criteria (as defined below). ISQ will also diligence the governance of each company, including its management structure, employee relations, remuneration of staff and tax compliance.

After making an investment, ISQ actively engages and monitors the performance of its investments, including relating to the Sustainability Indicators (as defined in the “*Monitoring of environmental or social characteristics*” section below) where available, and should ongoing monitoring raise a concern

with respect to the Sustainability Indicator performance of an investment, the Fund's Investment, Asset Management, and Value Creation Teams including ISQ's ESG specialist will review such concerns and determine the appropriate course of action, and may also review such concerns with the Investment Committee where deemed appropriate.

It is intended that the Fund will invest at least 80% of its assets in investments that qualify as aligned with the environmental or social characteristics promoted by the Fund. The Fund may invest up to 20% of its assets in investments that do not qualify as aligned with the environmental or social characteristics by the Fund. All investments will be subject to the minimum safeguard of the good governance assessment as detailed in the "*Investment Strategy*" section below.

No specific index has been designated as a reference benchmark for the purposes of measuring the attainment of the environmental characteristics promoted by the Fund.

**b) No sustainable investment objective**

The financial product promotes environmental and social characteristics within the meaning of Article 8 of SFDR, but does not have as its objective sustainable investment and does not commit to make any sustainable investments within the meaning of SFDR.

The investments underlying the Fund do not take into account the EU criteria for environmentally sustainable economic activities and the Fund does not commit to invest in fossil gas and / or nuclear energy related activities that comply with the EU Taxonomy Regulation.

**c) Environmental or social characteristics of the financial product**

The Fund promotes the environmental and social characteristics of environmental and/or social transition by investing in businesses that, in ISQ's reasonable view, exhibit ESG characteristics and/or the ability to adopt an ESG value add program in one or more of the following sectors:

- Energy, with a focus on renewable and clean energy generation;
- Transportation and logistics;
- Digital infrastructure;
- Utilities and energy transition;
- Social infrastructure; and
- Waste Management and Environmental Services.

Together, the "**Target Sectors**".

The environmental and social characteristics in the Target Sectors detailed above are together referred to as the "**E/S Characteristics**".

In addition, the Fund also promotes the E/S Characteristics by applying negative screening criteria. The Fund does not invest in companies or assets involved in any of the following activities:

- a) Companies that directly generate more than 30% of its revenues from coal-based activities, as determined by the General Partner in its sole discretion, but generally including, but not limited to, coal extraction and/or coal power generation and/or electricity via a coal powered plant and/or coal mining activities unless, during the course of the Fund's expected holding period for such Investment, the Fund or such portfolio company is subject to regulations that are expected to require such portfolio company to reduce such activities below such 30% threshold or the General Partner otherwise will require such portfolio companies to reduce such activities below such 30% threshold;

- b) Companies that derive 50% or more of revenues from the exploration and production of conventional oil;
- c) Companies that derive 50% or more of revenues from oil sands production;
- d) Companies that derive 50% or more of revenues from hydrocarbon exploration and production;
- e) Production of any illegal products or activities, or engagement in any illegal activities under applicable laws, regulations, or international conventions and agreements;
- f) Principally involved in the manufacturing, distribution, or sales of arms or ammunition or their component parts intended for such purpose;
- g) Companies where the principal business is pornography, prostitution or similar enterprises; and
- h) Companies where the principal business is from the manufacture, sale and/or distribution of tobacco products (excluding an investment in any portfolio company whose revenue from this restricted sector is incidental to, and constitutes a de minimis portion of, its business).

(together, the “**Negative Screening Criteria**”).

#### **d) Investment strategy**

All investment in the Fund are subject to our ESG integration and management approach.

The Fund’s Investment Team reviews each potential investment and determines that such potential investment exhibits infrastructure characteristics in accordance with the investment strategy for the Fund. This includes an assessment by the Fund’s Investment Team as part of the due diligence process in relation to whether the potential investment exhibits E/S Characteristics in one or more of the Target Sectors and/or the ability to adopt an ESG value add program in one or more of the Target Sectors. In addition, as part of the sourcing and due diligence process, the Investment Team screens potential investments against the Negative Screening Criteria.

The Fund’s investment strategy considers relevant governance factors, including (without limitation) management structure, employee relations, remuneration of staff, and tax compliance in all investments of the Fund.

At the pre-investment stage, key ESG risks and opportunities are assessed typically in conjunction with external specialist advisors. ESG diligence findings are included in the Investment Committee memorandum and factored into the investment decision. Strong governance rights are secured to enable ISQ to conduct active management of ESG matters.

At the active ownership stage, the ISQ team works closely with the portfolio company management teams to:

- Build capacity in portfolio companies
- Ensure appropriate practices, procedures, and resourcing are in place
- Establish ESG KPIs and develop plans to drive continuous improvement
- Track, monitor, and report KPIs at least on an annual basis

With regard to the due diligence process mentioned above, the Manager has a risk management investment process and proprietary evaluation techniques, which it seeks to apply in a consistent manner. Due diligence is a crucial element of the Manager's risk management process and is executed by the Fund's Investment Team on a variety of levels, accessing the experience of Investment Team members, other ISQ resources including the Asset Management and Value Creation Team, and, where necessary and appropriate, third-party specialists. This process considers accounting, legal, tax, environmental, and industry issues in addition to fundamental business analysis. Negotiations of suitable legal and financial structures are also conducted.

The formal due diligence process culminates in the preparation of investment memorandums which contain information regarding the financial analysis and risk summary in respect of the investment. The Investment Team is also required during the due diligence phase to provide a Sustainability Risk assessment to be included in final Investment Committee papers for approval prior to making a proposed investment. This includes an evaluation of ESG considerations using internally developed frameworks and, where relevant, third-party data.

After making an investment, the E/S Characteristics are reflected in the continued monitoring of ESG practices during the investment holding period via interaction with key stakeholders. The Fund's Investment, Asset Management, and Value Creation Teams, including ISQ's ESG specialist, monitor the sustainability indicator(s) through the post-closing monitoring phase of the Fund's investment process. Where any concerns or issues are identified in relation to the performance of an investment with regards to the E/S Characteristics promoted by the Fund and whether the investment continues to meet the E/S Characteristics, the Fund's Investment, Asset Management, and Value Creation Teams including ISQ's ESG specialist aim to engage with such companies (where possible) to review any such concerns and may also review such concerns with the Investment Committee where deemed appropriate.

The Fund's investment strategy is in accordance with the investment strategy set out in the Private Placement Memorandum ("PPM") for the Fund and in each Partnership Agreement.

#### **e) Proportion of investments**

It is intended that the Fund will invest at least 80% of its assets in investments that qualify as aligned with the environmental or social characteristics promoted by the Fund. The Fund may invest up to 20% of its assets in investments that do not qualify as aligned with the environmental or social characteristics by the Fund. All exposures will be direct. All investments will be subject to the minimum safeguard of the good governance assessment as detailed in the "Investment Strategy" section above.

#### **f) Monitoring of environmental or social characteristics**

The sustainability indicators that are used to measure the attainment of the E/S Characteristics promoted by the Fund (as defined above) are investment specific and will be identified based on the assessment by the Fund's Investment Team of whether the relevant company exhibits E/S Characteristics in one or more of the Target Sectors and/or the ability to adopt an ESG value add program in one or more of the Target Sectors. At least two sustainability indicators will be identified for each investee company to measure the attainment of the E/S Characteristics promoted by the Fund. The sustainability indicator (s) selected based on Target Sector will be specific to that company and will vary according to factors such as sector, size, and jurisdiction. The sustainability indicators for adopting an ESG value add program can be applied across the portfolio companies regardless of sector. Example sustainability indicators may include (without limitation):

- Amount of new renewable energy capacity that reached ready to build status or connected to the grid, measured in MW
- The contribution to the circular economy

- Waste treated, measured in tonnes
- Total number of residents or patients cared for
- Engagement in respect of the ESG framework
- Tracking greenhouse gas emissions and implementing measures with an aim to reduce such emissions
- Inclusion of climate change risks and opportunities in risk management processes
- Policies and procedures to measure employee engagement

Given the investment strategy of the Fund, which includes ongoing engagement with portfolio companies to improve their performance against the post-investment sustainability indicators during the period of ownership, it is possible that improvements in the post-investment sustainability indicators may not be attained until the end of the life of the relevant investment.

#### **g) Methodologies**

ISQ promotes the environmental and social characteristics of the Fund by investing the Fund in accordance with the E/S Characteristics and Negative Screening Criteria (please see the section entitled “*Environmental or social characteristics of the financial product*” above). Furthermore, as described in the section titled “*Monitoring of environmental or social characteristics*” above, the Fund will utilise Sustainability Indicators to measure the attainment of the environmental and social characteristics promoted by the Fund.

#### **h) Data sources and processing**

ISQ collects data to measure the attainment of the environmental and social characteristics promoted by the Fund through its due diligence process, including engagement with the company, due diligence questionnaires and third-party searches and tools (as appropriate), which is analysed and aggregated to form the basis of the assessment in relation to whether the investment is consistent with the E/S Characteristics and Negative Screening Criteria. As part of this process, ISQ analyses the data received in order to try and ensure data quality and will follow up where significant discrepancies or data gaps are identified.

After making an investment, ISQ seeks to collect ESG-related information in line with the process described in “*Monitoring of environmental or social characteristics*” above, particularly through engagement with the investee company.

Data is expected to be collected from the investee companies and is not expected to be estimated. However, certain data metrics such as greenhouse gas emissions at times includes elements of estimates where actual data is not available.

#### **i) Limitations to methodologies and data**

ISQ uses ESG data acquired through its own internal and as available external due diligence and third-party sources and tools prior to an investment being made. Such due diligence relies on the availability and accuracy of various sources. In assessing a particular investment, ISQ may be dependent upon information and data obtained through third parties that may be incomplete, inaccurate or unavailable. Such data gaps could result in the incorrect assessment of a sustainability practice and / or related sustainability risks and opportunities and alignment with the E/S Characteristics and Negative Screening Criteria.

#### **j) Due diligence**

ESG considerations are assessed as part of the Fund's overall due diligence process and are assessed qualitatively and quantitatively as part of the Fund's ESG assessment framework.

Please see the section entitled "*Investment Strategy*" above for details of the due diligence that ISQ conducts prior to making investment decisions in respect of the Fund.

**k) Engagement policies**

ISQ will work with investee companies as detailed in the section entitled "*Monitoring of environmental or social characteristics*" above.

**l) Designated reference benchmark**

No specific index has been designated as a reference benchmark for the purposes of measuring the attainment of the environmental characteristics promoted by the Fund.