infranity

The impact advantage : a playbook for sustainable infrastructure investing

2025

Executive summary

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In an era of headwinds against generic sustainable investment strategies, infrastructure, and in particular impact in infrastructure, stands out as an investment approach that delivers stable financial returns and robust sustainable outcomes. Impact investing has evolved significantly from its early days. Today, it is a sophisticated strategy that not only mitigates harm but actively seeks to generate positive social and environmental outcomes. Infrastructure, with its pivotal role in society, is at the forefront of this movement. From renewable energy projects that reduce carbon emissions to water systems that ensure clean access for all, infrastructure investments are spearheading the drive towards a sustainable future.

In general, infrastructure assets demonstrate resilience against market headwinds due to their strategic importance in achieving societal goals and development. Therefore, within this asset class in particular, we can distinguish between sustainable investment strategies that generate positive impacts and Impact investment strategies.

Indeed, within a sustainable investment strategy, GPs can identify the projects that make the most of market opportunities due to their positive contribution. This approach supports an authentic and clear investment narrative within the sustainable investing space, where broad themes untethered to real life outcomes have fallen out of favor with many LPs. It acknowledges the non-financial benefits of investing without imposing formal impact methodologies, distinguishing it from funds that specifically target impact returns alongside financial gains.

On the other hand, formal Impact strategies that rely on the robust frameworks of international standard setters and prioritize non-financial outcomes alongside returns have proven to be well aligned with the infrastructure sector. The inherent measurability of infrastructure, a key feature of dedicated impact strategies, has meant that the investment class has delivered compelling investment opportunities, particularly as reporting frameworks and measurement systems have consolidated to provide the market with a clear basis for comparison.

The global impact investing market has experienced remarkable growth, with assets under management surpassing $1.5 trillion in 2024. Infrastructure plays a crucial role in this market, driven by increasing interest from institutional investors aiming to align their portfolios with specific sustainability goals, including net-zero targets and the UN SDG targets. While renewable energy remains a flagship sector, emerging areas like decarbonized transport and energy storage are gaining momentum, offering diverse opportunities for investors.

The key to successful Impact investing in infrastructure lies in balancing risk, return, and impact. This ensures that investments are not only financially sound but also contribute to long-term societal benefits. By aligning capital with projects that offer stable cash flows and significant positive outcomes, investors can achieve a synergy that enhances both financial performance and impact.

Looking ahead, the impact infrastructure sector is poised for significant transformation. Innovative investment strategies will continue to evolve, addressing the interconnected nature of social, environmental, and economic challenges. Transition finance will play a key role in helping carbon-intensive industries shift towards sustainability, while investments in social infrastructure will address critical needs in healthcare, education, and housing.

As GPs, it is critical that we get this moment right. Ensuring that as investors we are clear in our intentions, diligent in our application and transparent in our measurement will support the continued growth of the sector. Clearly defining how impact is used in sustainable investing strategies, and creating a clear delineation between the colloquial use from impact versus formal Impact investing strategies is critical. As a result LPs will have a clear range of investment opportunities to reach target returns while delivering on real world impact.

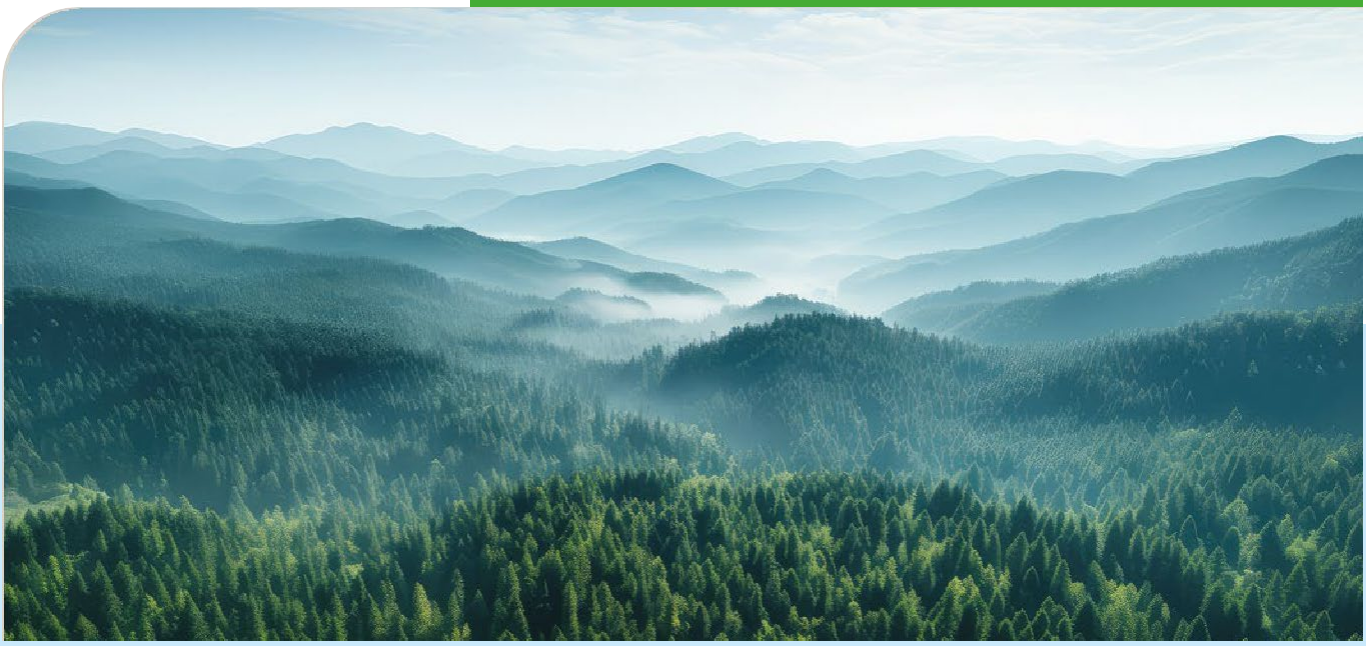
An Introduction to Impact Investing in Infrastructure

Impact investing has emerged as one of the most dynamic forces reshaping the asset management landscape in the 21st century. While the concept may feel modern, its roots trace back decades to the social responsibility movements of the 1970s, when investors began applying ethical screens to their portfolios. From there, the movement evolved, culminating in today's sophisticated frameworks that aim not just to avoid harm but have the explicit intention to generate positive, measurable social or environmental impact alongside financial returns[1]. When discussing impact in the context of investment strategies it is critical to be clear about terminology. There is a fundamental difference between formal Impact investment strategies (Impact, with a capital I), which follow robust industry frameworks and have a DNA that is deeply linked to intentionality, additionality, reporting and transparency, and the colloquial meaning of impact (lowercase i), which is rooted in a pragmatic assessment of the non-financial additive nature of an investment. Both approaches can appeal to LP appetite, and there is a strong overlap between the concepts.

Impact investing as a formal discipline began gaining traction in the early 2000s, spurred by the launch of the Sustainable Development Goals (SDGs) in 2012 and the adoption of common definitions, practices (such as the Operating Principles for Impact Management)[2] and widely adopted frameworks such as IRIS+[3]. While early efforts focused heavily on sectors like microfinance in developing markets, large scale infrastructure investment was largely left aside. However, by the mid-2010s, as climate change and urbanization trends became an increasing focus of international bodies, the investment community began developing ways to measure and target impact within infrastructure investment strategies. Investments in renewable energy, energy efficiency, and sustainable transportation surged as governments, corporations, and investors alike recognized the sector's potential for both high impact and stable returns.

Infrastructure—energy systems, water networks, healthcare and transport—entered the impact conversation relatively late, but has rapidly become a significant sector. According to the GIIN, investment in infrastructure represent 4% of the global asset under management yet 32% of impact investments[4]. The reasons are straightforward yet profound: infrastructure underpins society's ability to function. Its impact is both environmental and social in nature. While there are clear positive impacts that come from infrastructure development, as a real asset with a large physical footprint, there are also downside risks that need to be measured and mitigated. From the electricity that powers our homes and industries to the transit systems that connect our societies, infrastructure sits at the nexus of economic growth, environmental stewardship, and social well-being. This makes it uniquely positioned to tackle many of the world's most pressing challenges and provides investors with a compelling opportunity to drive capital towards meaningful projects, while investing in an asset class renowned for its secured cash flows.

1. https://thegiin.org/publication/post/about-impact-investing/#what-is-impact-investing
2. https://www.impactprinciples.org
3. https://iris.thegiin.org
4. https://s3.amazonaws.com/giin-web-assets/giin/assets/publication/giin-stateofthemarket2024-report-2024.pdf



The Spectrum of ESG, Sustainability and Impact

The terms ESG integration, sustainable investing, and **impact investing** are often used interchangeably. While these approaches have overlaps they represent distinct approaches to aligning investment strategies. In infrastructure, where projects inherently produce societal and environmental benefits, understanding these distinctions is crucial—particularly when making claims of intentional impact.

ESG integration refers to incorporating ESG factors into investment processes to identify and mitigate risks or uncover opportunities.

For infrastructure investors, this might involve assessing a project's carbon footprint, social license to operate, or exposure to climate change. However, **ESG integration** alone does not necessarily seek to achieve measurable positive outcomes; its focus is on improving financial decision-making by understanding material non-financial risks and opportunities to help maximize returns.

Sustainable Investing goes a step further by aligning portfolios with sustainability objectives, by targeting KPIs that measure a fund's ESG performance in several ways including scores, carbon emissions reductions and percentage of sustainable investments. Sustainable Investing practices have a dual purpose of using non-financial factors to identify strong investment opportunities, and to communicate about the contribution of a given portfolio. **Sustainable investment** strategies are significant engines for the social, digital and environmental transition, providing capital for critical projects driving societal contributions.

Impact Investing, explicitly targets positive, measurable outcomes alongside financial returns. It requires a clear intention to address specific social or environmental challenges and a commitment to measuring and reporting results. Within infrastructure, this might include building renewable energy projects to reduce carbon emissions or improving digital connectivity in underserved areas. Importantly, claiming impact demands clarity of intention—without it, the line between inherent societal benefits and genuine impact becomes blurred. Impact cannot be an afterthought, or a convenient byproduct of another strategy, it must come ex-ante and communicated clearly. While the dividing line between impact investing and sustainable investing may be blurry, there are a few differentiating factors such as the existence of a Theory of Change that illustrates how and why a desired change or outcome is expected to be realized and the use of an impact measurement and management framework to monitor and report on the impact.

A **sustainable investment** strategy, or even **ESG integration** strategy can very well drive impact, but the differentiator for an Impact fund boils down to the additionality of the investor, impact objectives and measurement of results.

The Market Landscape

The numbers speak for themselves. According to the Global Impact Investing Network (GIIN), the global impact investing market surpassed $1.5 trillion in assets under management (AUM) in 2024, and infrastructure accounts for a significant—and growing—portion of that total. According to Preqin, sustainable infrastructure AUM surpassed $400 billion globally in 2023, with renewable energy projects alone accounting for approximately $250 billion. These figures reflect a shift in priorities among institutional investors, who are increasingly aligning their portfolios with net-zero goals and sustainable development targets. While different organizations use varying ambition levels to define the size of the impact market, there is a clear upward trajectory in the investment strategy.

This is against headwinds in some other pockets of the ESG investment sector, notably in sustainability labeled funds. As noted by Morningstar, in Q4 2024, sustainable funds recorded the strongest inflows of the year, reaching USD $16.0B. However, net purchases shrank by half when compared to 2023 levels. In this context, we continue to see robust interests from LPs for both formalized impact funds, as well as sustainable investment strategies that emphasize impact characteristics and outcomes. The ability to link sustainable investment strategies to impact results provides a compelling narrative that stands out against more generic approaches to sustainability and ESG integration.

Renewable energy remains the flagship of infrastructure impact investing, with investments in wind, solar, and battery storage technologies growing at an annual rate of 14% over the past five years. The International Energy Agency (IEA) projects that annual global investments in clean energy infrastructure will need to exceed $4 trillion by 2030 to stay on track for a 1.5°C warming scenario. Emerging sectors like green hydrogen, carbon capture and storage (CCS), and sustainable urban infrastructure are also gaining traction. For investors across the risk tolerance spectrum, there are opportunities to engage with the impact approach for infrastructure assets.

For those seeking less risk, proven technologies and business models provide a compelling haven, while those with higher risk appetites can find meaningful opportunities to invest in emerging technologies.

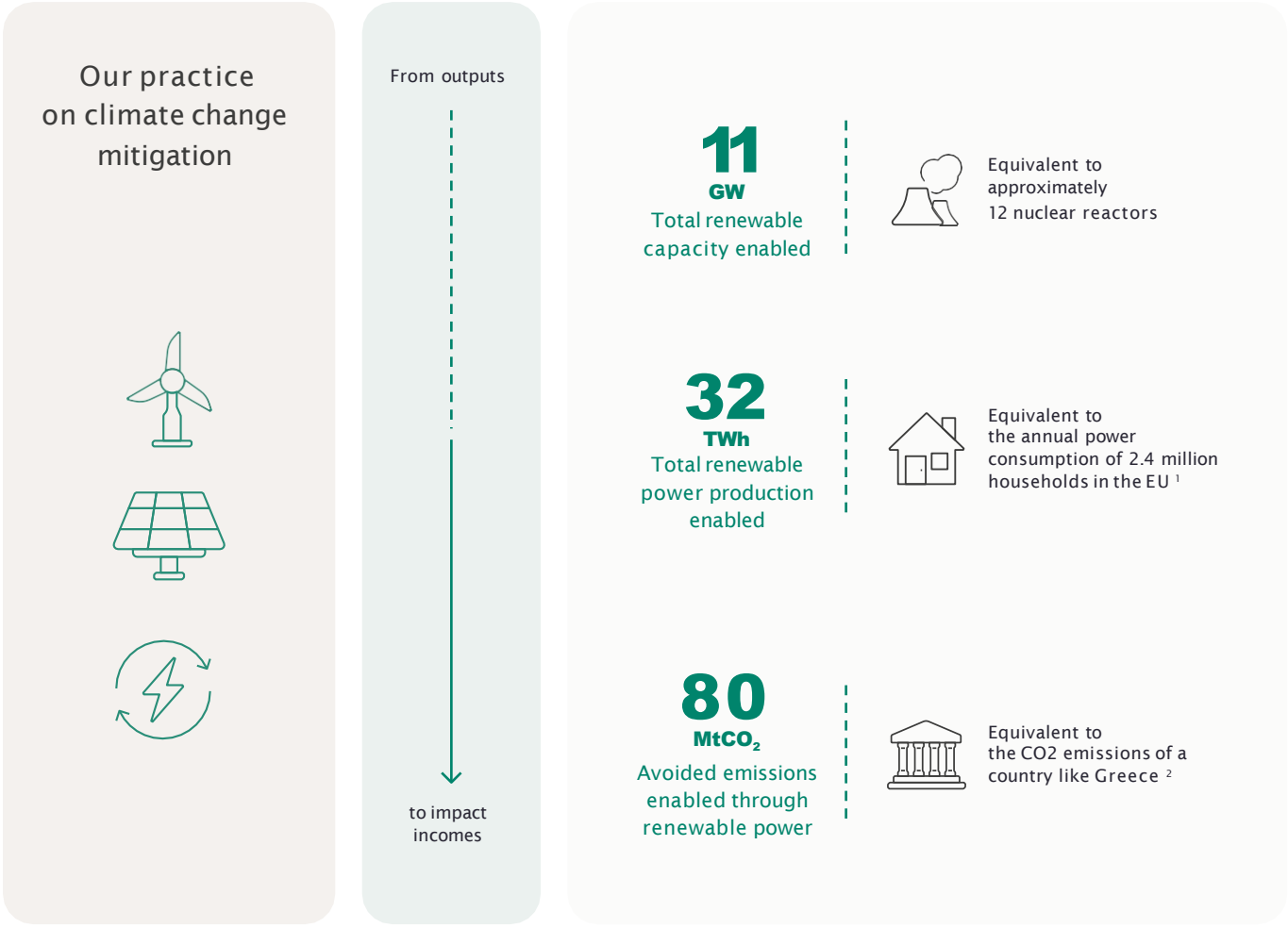
But the market is not without its challenges. Achieving measurable impact requires robust methodologies, rigorous reporting, and a commitment to balancing competing priorities. As the sector grows, so too does scrutiny from regulators, stakeholders, and society at large. Investors must demonstrate not just intent but tangible results—a task that demands both expertise and innovation.

In the current climate of sustainable investment headwinds, there is renewed interest in the impact that infrastructure investment can provide :

> “Infrastructure has become the new frontier of impact investment and addresses critical social and environmental challenges. LP should make sure GP develop rigorous impact measurement and management framework to engage with their investees and communicate real world outcome to their LP.”

Maud Savary-Mornet
Founder of Beyond Finance,
and Senior Advisor at Blunomy

Infrastructure's physicality makes it inherently measurable, a key feature for impact investing. The benefits of a renewable platform, wastewater treatment plant, or high-speed rail network are often immediately visible and oftentimes quantifiable. These projects not only have the capacity to reduce carbon emissions but also create jobs, enhance social equity, and improve resilience against climate change. At Infranity, our investments have been critical for enabling the implementation of vast amounts of renewable energy, helping societies reach decarbonization and energy sovereignty goals. Our consideration of impact results across our investment strategies ensures that we are investing in the projects that are the most resilient against changing economic, social and political winds, and also serves as an important communication tool with our stakeholders, including LPs.



Data at Infranity level. Total Capacity / Production / Avoided emissions enabled :total installed renewable capacity / production / avoided emissions of investments at the end of 2023. The capacity does not include large utilities.

1. Number of people per household in the EU = 2.3 (INSEE) and electricity consumption per capita in Europe = 5 744 kWh in 2022 (IEA)
2. GHG emissions from Greece in 2023 = 69.27 MtCO2e (EU Commission)

Another advantage is infrastructure's long-term nature. With assets often lasting decades, the sector offers a unique opportunity to influence systemic change and be part of a compelling theory of change. Infrastructure investment allow investors to align their capital with goals like decarbonization, resilience against climate change social inclusion, and job creation, knowing their investments will have enduring impacts. Investing in infrastructure is not just what we build, but why we build it. Every decision infrastructure investors make, every project that is championed, is a chance to create something lasting that does not just serve the present but protects the future. Additionally, infrastructure's defensive characteristics—such as stable cash flows, long term contracts, substantial asset bases and lower correlation to economic cycles—make it an attractive option for investors seeking impact without compromising returns. In fact, within infrastructure, one can make the argument that impact is additive to returns – with some of the most impactful projects providing the securest place to deploy capital.

The Tripod of Risk, Return, and Impact: Impact Helps Investors Generate Stable Returns

In impact infrastructure investment, success relies on a delicate balance between risk, return, and impact—three interconnected pillars that together drive both financial performance and societal progress. While these concepts have traditionally been viewed as separate or even conflicting, a modern investment approach demonstrates that they are not only compatible but mutually reinforcing.

As we have highlighted throughout the report, today's impact approaches need not detract from financial performance, but can directly enhance returns. Infrastructure projects with strong social and environmental outcomes are often more resilient to economic shifts and regulatory changes, attracting a broader range of investors. For example, renewable energy projects or public transport systems that align with decarbonization goals are well-positioned to benefit from government incentives, favorable financing, and rising demand.

A strategy that overemphasizes any single pillar risks undermining the others. Focusing solely on returns can ignore societal risks that jeopardize long-term performance. Prioritizing impact without regard to financial returns limits the ability to attract mainstream capital. Instead, a balanced approach that considers all three dimensions enables investors to build robust portfolios that achieve financial and impact goals alongside one another.

By adopting a balanced approach, investors can create portfolios that deliver competitive returns, mitigate long-term risks, and achieve meaningful societal outcomes. This alignment enables impact investing to evolve beyond niche markets, unlocking the scale needed to address global challenges effectively. When risk, return, and impact work together, the result is not compromise but synergy—a strategy that redefines what infrastructure investing can achieve.

Differentiating Impact Strategies in Infrastructure Investing

A critical driver of this transformation is the increasing participation of Limited Partners (LPs) who represent institutional capital, such as pension funds, insurers, and retail-focused wealth managers. These institutions manage assets on behalf of "Main Street" investors—working individuals, retirees, and everyday savers—who seek competitive, risk-adjusted returns to meet their long-term financial goals. These asset managers have the fiduciary duty to ensure that they are focused on generating returns for their clients. Like the pioneers of impact investing, the new LPs are deeply committed to generating positive non-financial impact through their capital. However, these LPs cannot afford to prioritize impact at the expense of returns, necessitating an investment approach that intentionally delivers both. This shift has redefined impact investing from a niche pursuit to a sophisticated strategy that aligns financial and societal objectives. "Intentionally targeting impact alongside returns" is no longer an aspirational ideal—it is an operational imperative. As mentioned in a recent report from the GIIN, their intent is to maximize long-term value preservation and creation for their beneficiaries, thus stewarding their fiduciary responsibilities[5]. The mass amounts of capital they can deploy provide an even greater opportunity to generate impact in absolute values. And indeed, the scale is massive – in February 2024 a North American asset manager announced the launch of a $10 Billion (USD) fund dedicated to the climate transition, with no indication that changing political winds will influence their investment strategy. At the institutional level, PGGM, a large dutch pension fund, has recently adopted and is implementing a "3D model" to achieve its institutional goals. With this model, all investments across all asset classes will be evaluated on three dimensions: risk, return and impact.
While the impact intensity (the amount of impact generated for each euro of investment) might indeed be higher in the "impact first" investment

5. https://thegiin.org/publication/research/insights-from-institutional-asset-owners-pursuing-impact-across-a-portfolio

strategies, the smaller pool of investable funds leads limits the ability to generate impact at scale. However, For LPs looking for impact within traditional investment vehicles, the emerging impact in infrastructure space provides a true balance between delivering impact alongside returns. The tripod of Risk-Return-Impact therefore becomes a compelling investment framework that maximizes outcomes across a range of objectives.

The mainstreaming of impact also raises the bar for transparency and accountability. LPs expect robust frameworks for measuring and reporting impact outcomes, akin to traditional financial performance metrics. They require clear evidence that investments contribute to systemic improvements—whether in renewable energy capacity, enhanced social equity, or climate resilience—without compromising the fiduciary responsibility to deliver competitive returns.

This convergence of impact and returns is particularly resonant in Europe, where regulatory frameworks like the SFDR and the EU Taxonomy are creating clear definitions and expectations for sustainable investments. For asset managers, success lies in striking a delicate balance: embracing the rigor demanded by institutional LPs while maintaining the authenticity and ambition that have defined impact investing's roots. As the spectrum of impact intent broadens to include mainstream institutional capital, the challenge for European infrastructure investors is clear. Those who can deliver intentional impact without sacrificing returns will not only meet the evolving needs of LPs but also set the standard for the next generation of sustainable investing.

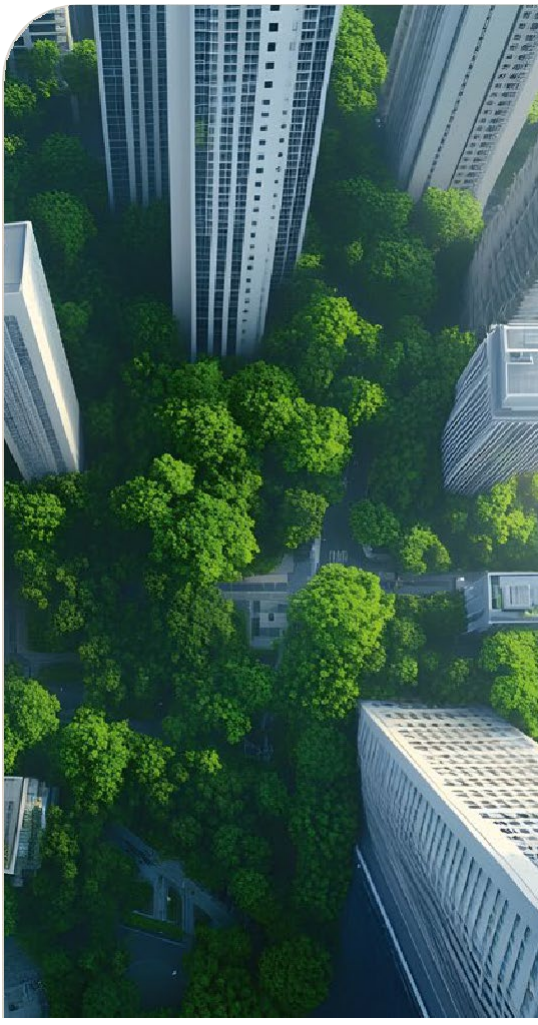
Debt and Equity: Different Approaches for Different Strategies

While impact investing has its roots in debt like instruments within microfinance, it has evolved over the last decades to primarily be an equity driven approach, representing 43% of AUM[6]. It makes sense, as an equity investor you have an increased level of influence and oversight that can be deployed to ensure that assets are moving in the right direction and delivering impact as envisioned during the pre-investment process. However, debt investors have a similarly robust tool-kit that they can deploy as impact investors.

Primarily, debt investors are enablers of critical impact driven projects at scale. For the world's largest renewable platforms, social infrastructure developments or transitioning of transport assets, debt investors provide the capital that helps bring the projects to life. By defining intentionality from the onset, debt investors can focus the deployment of capital towards projects that align with their vision of impact and provide critical capital to reach these objectives.

While equity investors certainly hold more direct power, influential lenders that are a critical part of the capital structure can help set terms and conditions for financing that further help reinforce impact strategies and deliver on impact commitments. At Infranity, we are long term investors who engage with our investees across our debt strategies. When relevant, we set conditions for financing that help ensure that the capital is being driven towards companies that are transitioning in line with our theory of change and are delivering the positive impact we intend to deliver. This includes codifying impact objectives into loan agreements, either through conditions for closing, sustainability linked loans (SLLs) or side letters that highlight obligations of the firm.

Another critical part of a robust impact strategy, particularly for debt investors, is to effectively manage impact risks. This broad spectrum includes addressing issues that the financed project does not deliver the impact that was expected, the external risks posed by sustainability issues and the negative impact that an investment can have on its shared environment. Infranity's proprietary sector-based methodology for assessing ESG performance of investees helps identify where the material issues are based on the sector and the idiosyncratic performance of the company, which in turn helps develop ESG engagement roadmaps and influences the financing conditions provided.



6. https://s3.amazonaws.com/giin-web-assets/giin/assets/publication/giin-stateofthemarket2024-report-2024.pdf, p.24

The Strategic Importance of Infrastructure

Environmental Impact

Sustainable infrastructure is a cornerstone of efforts to mitigate climate change and adapt to its consequences. Infrastructure accounts for roughly 70% of global greenhouse gas emissions when considering sectors such as energy, transport, and construction. Decarbonizing these systems is essential to achieving the goals of the Paris Agreement, which aims to limit global warming to well below 2°C and preferably 1.5°C beyond pre-industrial levels.

Investments in renewable energy, electrified transport, and energy-efficient buildings are leading the charge. For example, transitioning from coal-fired power plants to wind and solar has reduced emissions by an estimated 2 gigatons annually since 2010. At the same time, infrastructure projects like coastal defenses, flood-resistant transport networks, and sustainable urban drainage systems enhance resilience, protecting communities from the worsening effects of climate change. Emerging innovations in green hydrogen, carbon capture, and nature-based solutions are further expanding the toolkit for climate solutions. These projects not only cut emissions but also position countries and regions as leaders in the global clean energy economy.

Social and Economic Impact

According to the International Renewable Energy Agency (IRENA), the renewable energy sector alone employed over 13 million people globally in 2022, with job numbers expected to double by 2030 as investments scale up. Employment in the sector is largely driven by qualified professionals, which contributes to the creation of quality jobs. Beyond employment, sustainable infrastructure promotes inclusive economic development. Access to reliable energy and clean water enables industries to thrive and communities to prosper. Rural electrification projects, for instance, have dramatically improved quality of life in regions across developing markets.

For traditional infrastructure investors, emerging markets transactions do not provide the scale or risk-return profile that is core to their investment strategy. The maturity of capital markets is such that there are limited opportunities to participate in $100 million + tickets, which limits the attractiveness for many asset managers. But impact investing in infrastructure is not just about the Global South. Within the developed markets of Europe and North America, deployment of renewable technologies, enhancement of social infrastructure and broadening of sustainable transport infrastructure creates meaningful pathways to reaching global climate goals and supports the social and economic transition that is this century's primary challenge.

A key element of this progress is the "just transition," ensuring that the shift to sustainability is equitable. This entails supporting workers and communities in traditional energy sectors, like coal mining, as they transition to green jobs, while prioritizing projects that reduce disparities in underserved or marginalized areas. Infrastructure projects that focus on inclusivity—such as affordable housing, public transit, and internet connectivity—can bridge economic and social gaps, ensuring no one is left behind.

Global Policy Drivers

The momentum behind sustainable infrastructure is reinforced by global policy frameworks that align public and private actors around shared goals. Chief among these is the Paris Agreement, which has catalyzed national commitments to decarbonization, through which infrastructure plays a central role.

The SDGs provide another powerful framework, linking infrastructure to broader social objectives. Goals such as SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation, and Infrastructure), SDG 11 (Sustainable Cities and Communities) and SDG 13 (Climate Action) are directly tied to sustainable infrastructure investments. These goals not only set a global agenda but also create accountability mechanisms that encourage both governments and private investors to act. The SDGs are not just a framework, but are the mechanism through which markets are able to communicate and target the policy objectives of the United Nations.

Regionally, policy drivers like the European Green Deal and the U.S. Inflation Reduction Act are unlocking unprecedented levels of funding for sustainable infrastructure. The European Green Deal, for example, targets €1 trillion in investments to achieve net-zero emissions by 2050, while the Inflation Reduction Act provides over $369 billion in incentives for clean energy and climate adaptation projects. Similar efforts are taking shape across emerging markets, where infrastructure needs are greatest, and impact potential is vast. Despite political forces threatening to limit or cut off government support, we believe that even in the downside scenario, large parts of the funding provided under the IRA will remain in tact given broad public support and impact on states politically aligned with the current administration. Further we believe that the more mature infrastructure sectors (solar, wind, BESS, etc.) will remain economically viable, while emergent technologies (hydrogen, CCUS, etc.) that are more heavily reliant on government support might experience some headwinds.

Containing the Adverse Impacts of Infrastructure

While the focus of impact investing is often on positive outcomes, managing negative impacts is a critical consideration across all investment strategies. Given the large physical footprint, infrastructure projects can disrupt ecosystems, displace communities, or exacerbate social inequalities. Whether the investment is ESG-integrated, sustainable, or impact-oriented, minimizing these adverse effects is vital to ensuring long-term value creation.

Mitigating negative impacts is not just about being a good corporate citizen, it is a sound risk management strategy. Neglecting these considerations exposes investors to a range of transition risks. As the global economy shifts toward sustainability, infrastructure assets that fail to address their environmental footprint may face regulatory penalties, stranded asset risk, or loss of social license to operate. Investors also need to consider the impact that can come from assets that do not manage their material sustainability issues, leading to controversies and generating broad market risk. Projects that ignore community needs or environmental concerns risk delays, cost overruns, and reputational damage. For example, public opposition to poorly planned infrastructure can erode stakeholder trust and deter future investment.

Managing negative impacts also enhances resilience and ensures alignment with evolving market dynamics. Investors who actively address these risks not only protect financial performance but also position themselves as leaders in delivering infrastructure that supports a just and sustainable transition.

Metrics and Measurement: Rethinking North Stars Through a Pragmatic Lens

Metrics play a critical role in defining success. They allow investors to quantify impact, establishing measurable goals and ensuring that projects deliver tangible societal benefits. They also enhance accountability by providing LPs and stakeholders with the evidence needed to assess whether investments align with stated objectives. Lastly, they help drive performance; by systemizing tracking impact outcomes investors can make better decisions and communicate those to stakeholders. As the saying goes – if you can't measure it, you can't manage it.

While we have highlighted the importance of robust framework and measurement systems within impact investing, it is also critical to remain pragmatic to avoid moral hazards and unintended consequences that might come through a rigid application of methodologies. While they provide the transparency and accountability that LPs, regulators, and stakeholders increasingly demand, an overemphasis on frameworks and metrics risks distorting investment priorities, potentially leading to suboptimal outcomes for both financial returns and impact. Despite their importance, metrics and KPIs can become counterproductive when treated as ends rather than means.

Rigid adherence to certain metrics can lead to prioritizing projects that score well on paper but lack meaningful real-world outcomes. For instance, selecting an asset for its carbon-reduction metrics without considering broader social implications, such as affordability or equity, may lead to unintended negative consequences. To provide a real-life example, within the Impact in Infrastructure space, investors often point to avoided emissions as part of their intentionality and use the KPI to track and communicate to LPs. However, if the goal is only to achieve the highest amount of avoided emissions, this would distort investment behavior to only deploy renewable technologies to the most carbon intensive grids, which are often in markets that fall outside of the scope of traditional infrastructure investors. It would also mean that there would be limited investment in maintaining the carbon neutral nature of already advanced grids. This investment approach would also disregard the total amount of renewable capacity that is being brought online, as a renewable project that provides a smaller amount of a capacity within a carbon intensive market would generate greater avoided emissions than a large-scale renewable platform that supports additional demand in a market that has a greener grid.

In addition, Infrastructure projects often have long lead times before generating measurable impact. Over-prioritizing near-term KPIs can discourage investments in transformative but slower-developing initiatives, such as large-scale grid modernization or climate resilience projects. Chasing specific metrics may result in gaming the system, where investments are structured to meet reporting requirements rather than deliver holistic benefits.

To avoid these hazards, infrastructure investors must adopt a pragmatic and thoughtful approach to metrics and measurement. This means focusing on real world outcomes. Metrics should reflect the material impacts of investments rather than a tick box exercise. For example, instead of merely reporting installed avoided emissions, investors should measure the actual contribution to grid decarbonization or energy access in underserved regions. Metrics must be robust enough to ensure accountability but adaptable to different geographies, sectors, and project timelines. Overly prescriptive approaches can exclude impactful projects that do not fit neatly into predefined categories or that are harder to measure with existing tools and methodologies.

At Infranity we place impact frameworks at the center of all our investment approaches. All due diligences begin with an assessment of an investment's contribution (or obstruction in very rare cases) to the UN SDGs goals. This analysis helps us identify projects that are the most critical to society, providing durability against external headwinds. For our dedicated Impact investment vehicles, we take this a step further and conduct a thorough Impact analysis aligned to our sector specific Theory of Change. All our investments in this strategy are driven from the beginning by a desire to achieve non-financial targets alongside returns.

Investors should be transparent about the limitations of metrics and provide qualitative insights alongside quantitative data. For example, electrification of industrial processes is a critical lever in achieving climate goals but can be hard to measure from an avoided emissions perspective. Taking a pragmatic approach where there are clearly defined quantitative measurements, alongside qualitative assessments, helps investors and broader stakeholders understand the true impact behind a project. Explaining the real-world implications of investments ensures stakeholders understand the broader value being delivered. Particularly in infrastructure, there is more work to be done on standardization of metrics, which would allow a better level of comparability in impact reporting.

At Infranity, we place sustainability at the core of our investment strategies. This includes several dedicated Impact Funds that have the stated purpose of driving positive impact alongside returns. Our conviction is that impact and returns do not

need to be in competition with one another, and in fact, when done correctly, they can be supportive of one another. In 2023, we provided debt financing to Enpal, a German provider of residential renewable solutions. Our financing enabled over 42,000 units to support Germany's decarbonization initiatives, while at the same time supporting energy sovereignty and stable prices for consumers. Below we provide our impact analysis for this investment.

Solar Rooftop - Germany · Impact analysis

Strong contribution to four SDGs

42,000 residential homes provided with rooftop solar

123,377 tons of CO_2 Emissions avoided in 2023

337,097 MWh of clean energy produced in 2023

WHAT

Identifying fit

- As a provider of rooftop residential solar solutions the company facilitates the development of renewable energy in Germany, directly supporting our intention of facilitating climate change mitigation through financing avoided emissions.
- The investment is a climate solutionnthat would provide a strong contribution the SDGs 7, 9, 11 and 13.
- The company contributes to energy security bu reducing dependency on fossil fuel imports which is particularly critical in Germany considering high exposure to gas. It is also more affordable over the long run thanks to stable prices, avoiding exposure to fossil fuel price volatility.

WHO

Applying our theory of change

- The investment enables additional clean energy capacity, providing households in Germany with access to clean power.
- The company's strong supply chain management, a vulnerability for the solar industry, highlights the investee's contributions to a «just transition».

HOW MUCH

Measuring our impact

- Our investment team set out to define how impact is measured, monitored and managed.
- The material KPI indentified is renewable energy production, and this output is used to calculate the outcome of tons of CO2 emissions avoided.
- We also assessed the total additional renewable capacity that was brought online because of the investment and number of households served.

CONTRIBUTION

Ensuring additionality

- Infranity is the cornerstone institutional lender, whose structuring of the deal and financing ensured that the project developments could move forward.
- As a greenfield project, Infranity's capex financing demonstrates substantial additionality in facilitating the growth of renewable energy for the German residential market, as highlighted by the additional 42,000 units delivered and 123,377 tons of emissions avoided per year.

RISKS

Risk management

- Throughout our investment process, Infranity has assessed the likelihood of the investment not delivering the desired impact, and the severity of the consequences for indentified stakeholders should the impact not occur.
- Given the established business model and diversified portfolio, we identified a low likelihood that the company would not achieve targets assumed during the investment. Similarly, we identified a low likelihood that we would not receive the data required to evidence the impact as the information is core to business operations (energy production, number of units).
- In assessing the potential adverse impact of the investment, Infranity's investment team investigated the material risk based on the sector, size and geography of the asset, and identified sufficient mitigating factors to avoid some of the risks common in the solar industry, namely around exposure to human rights violations in the supply chain and for worker safety.

The impact infrastructure sector is set to undergo significant changes over the next years, driven by innovative investment strategies and an increasing focus on the intertwined nature of social, environmental, and economic challenges.

Historically, sustainable infrastructure investment has been associated with renewable energy projects. However, investors are now widening their focus, to encompass a broader range of assets that facilitate the transition to a low-carbon economy alongside integrating considerations on social value, and economic inclusivity. This shift calls for a more holistic approach, one that considers the full lifecycle of infrastructure projects to ensure not just financial viability, but also measurable social and environmental impact.

Transition finance is pivotal, providing the capital that allows carbon intensive industries and sectors move towards more sustainable business models. There is an increasing recognition that we cannot just focus on financing new projects—but rather need dedicated capital to flow towards transforming existing infrastructure and supporting the gradual shift to a more sustainable future. The potential impact here is enormous, both in terms of environmental benefits and the positive social changes that can follow. The investment universe is expanding too. With the growth of ambitious global goals, and tightening of national budgets, private market investors have increasing opportunities to participate in the financing of infrastructure projects that historically would have relied fully on government grants. The idea of a Just Transition is central to this shift. Environmental progress cannot mask societal impacts; the transition must be fair and inclusive, ensuring that workers, and communities are a central part of the conversation and beneficiaries of local development. This includes a focus on local suppliers and creating economic opportunities within the impacted communities. Transition finance is critical for developing projects that create long-term value for both people and the planet.

Investments in social infrastructure are also a critical part of the transition, although in general they receive less attention than some of the "green" investment strategies. Healthcare, education and housing are all in desperate need of additional investment to meet the evolving needs of society and the increasing pressure on these systems. There are a few reasons for this disparity. Primarily social infrastructure investments can expose investors to "main street" risks – driven by their Business to Consumer (B2C) nature, as opposed to energy or digital assets which are generally more Business to Business (B2B). This addresses the fundamental conflict between profit margins and providing decent care to vulnerable populations. While concerns between profit and sustainability exist across the infrastructure sector, within the social assets the direct provision of care creates a heightened conflict between financial considerations and service quality which may dissuade investors given reputational and market risks. Beyond reputational concerns, these investment opportunities can oftentimes provide lower returns given heavy regulation and government support across the sectors.

Looking ahead, the intersection of transition finance and impact infrastructure represents a significant growth opportunity, particularly in private markets. Infrastructure investors are offered a flexible and scalable financing mechanism for projects that are central to reaching our ambitious climate goals, particularly in hard to abate sectors including transport, energy storage, and heavy industry. What were once emerging and risky technologies, including biofuels, carbon capture, and battery storage have gained traction and now provide an impactful investment opportunity. As governments and institutions develop increasingly ambitious climate goals, the demand for transition finance is expected to grow, creating a significant opportunity for impact-focused investors to be a driving force in shaping the future of sustainable infrastructure. In the wake of the momentum generated by the 2022 Biodiversity Conference and the Kunming-Montreal Global Biodiversity Framework, we also anticipate a growing emphasis on integrating nature-related risks and opportunities into impact infrastructure investments, following the trajectory set by carbon-focused initiatives. As the understanding of the interdependence between infrastructure, natural ecosystems, and biodiversity deepens, we expect that nature-related considerations—such as the protection of ecosystems, sustainable land use, and the impact on biodiversity—will become integral to investment decisions and portfolio companies' engagement initiatives. It is imperative for investors to articulate clearly what constitutes «impact» and the methodologies employed to achieve and communicate these outcomes. Infrastructure, by its very nature, delivers profound benefits to the global community. Investing in this sector not only promises stable and secure financial returns but also generates significant non-financial value. Now is the time for investors to embrace Impact/impact investing in infrastructure, driving both economic growth and societal progress.

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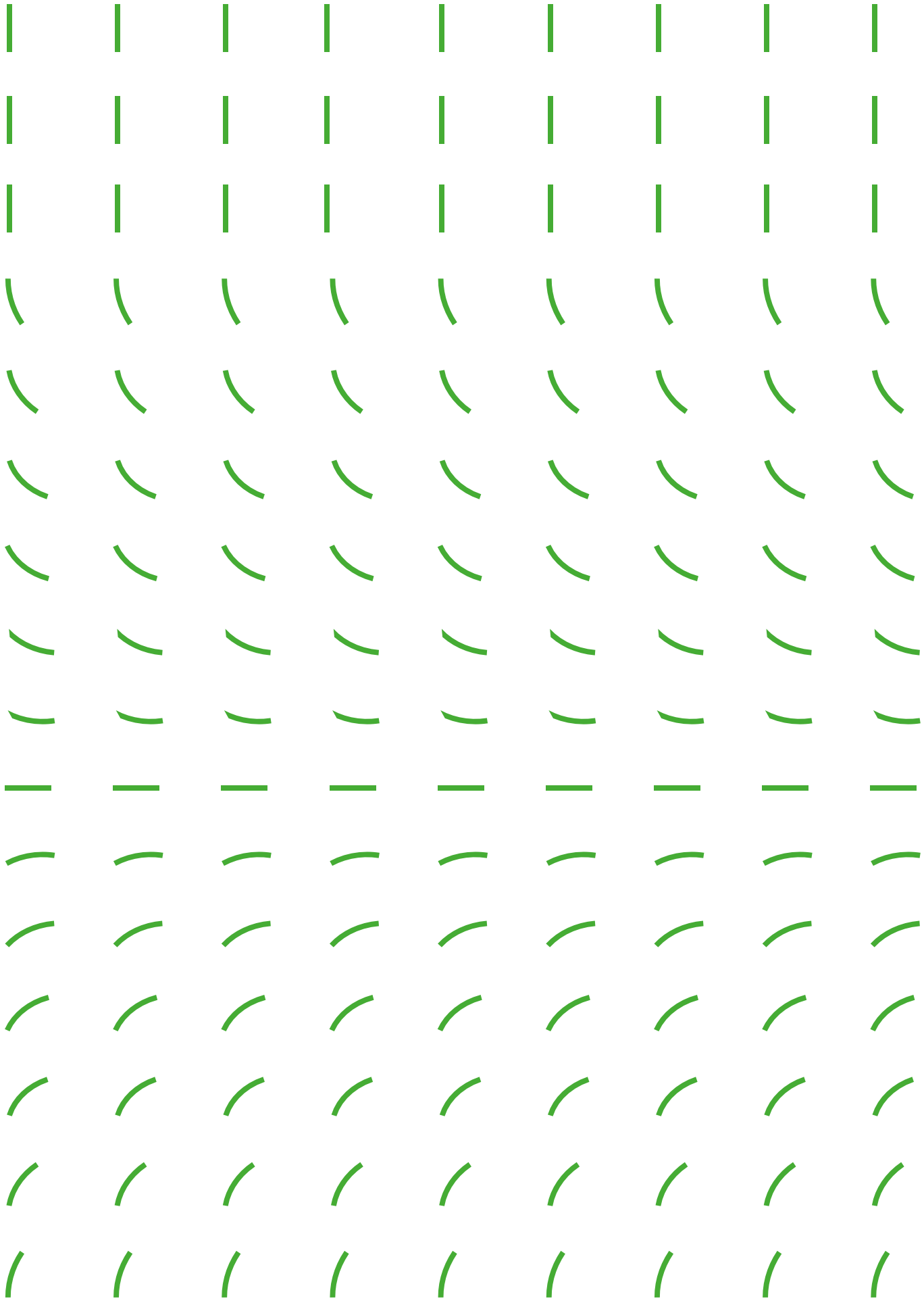

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