Sustainability Policy

Sustainable Finance Disclosure Regulation (SFDR) compliant

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This policy is about how Kartesia takes account of its economic, social and environmental impact in the way it operates as a business. By demonstrating our commitment to sustainability, we aim to align our business values, purpose and strategy with the needs of our Limited Partners, whilst embedding such responsible and ethical principles into everything we do.

1. Climate policy

Protection of the environment in which we live and operate is part of Kartesia values and principles and we consider it to be sound business practice. Care for the environment is one of our key responsibilities and an important part of the way in which we do business.

This policy is about how Kartesia takes account of its environmental impact in the way it operates as a business. We aim to integrates climate change at every level of analysis and investment decision making as well as in the exercise of our role as an active and responsible investor.

1. Governance of climate related risks and opportunities

The Board of Managers of Kartesia Management ("the Board") is the company's primary body to steer Kartesia's general business orientation. The Board is the company's ultimate decision body for all matters relating to Kartesia's investment and corporate business activities.

The Board regularly reviews the company's climate strategy. It can choose to seize itself of a particular climate related subject, or it will review climate related proposals arising from the ESG team.

Assessing climate related risks and opportunities can translate into amendments of existing management processes or review of company policies. It is the role of the ESG team to make such proposals and of the Board to give its approval for the proposal to be implemented.

Kartesia has also taken steps to mitigate climate related risk exposure by excluding companies whose principal business is, or whose principal source of revenue is derived from coal from all strategies managed by Kartesia.

2. Kartesia strategy towards climate change related risks and opportunities

Defining Kartesia's Climate Strategy is the responsibility of the ESG team. The strategy is then approved by the Board and implemented by the company's different business lines. In defining Kartesia's Climate Strategy, the organization takes into account the short-, medium- and long-term impacts of the company's activities and its exposure to climate risk over the different time horizons. Kartesia will regularly review and update its Climate Strategy, and associated targets and actions in order to continually improve its sustainability performance.

Kartesia's Climate Strategy is articulated around the core functions and activities of the organization: (1) investment management products and services, (2) corporate stewardship & active ownership, and (3) Kartesia's own operations.

2.1 Investment management products and services

Kartesia integrates climate change within the definition of its product range, the assessment of new product opportunities, and ability to provide its clients with innovative investment solutions in the face of climate risks & opportunities. Since 2021, Kartesia has implemented across all directly managed investment portfolios an exclusion policy targeting companies whose principal business is, or whose principal source of revenue is derived from coal. Furthermore reduction of Kartesia's exposure to the most Greenhouse Gases intensive corporate activities is part of Kartesia's strategy to address Climate Change.

Kartesia has an impact strategy promoting a "better society" on a "healthier planet" objectives contained in the United Nations Sustainable Development Goals ("UN SDGs"). The promotion of a "healthier planet" represents furthering an environmental objective of "making efficient and sustainable use of environmental capital". In concrete terms, this means leading the way to a low-carbon economy, contributing to a more circular economy, and improving the quality of air and water.

2.2 Corporate stewardship and active ownership

Kartesia has been actively engaging with companies, including on their approach to climate change.

2.2.1 For loans:

We follow the PRI in their definition of stewardship as the use of influence to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' & beneficiaries' interests depend. Our RI policy makes it clear that we aim to use our influence as an investor - via board seats, monthly meeting with management or monthly meeting with sponsors - to promote a commitment in our portfolio companies to mitigate adverse environmental impact and enhance positive effects on the environment.

We use engagement and voting in our active ownership strategy:

- Engagement: We strive to engage with the management our portfolio companies. Our engagement consists of a constructive dialogue with the management to discuss their initiatives and futures plans in terms of environment. In our individual engagement initiatives, we may work with external consultants, especially for the carbon footprint. We may also practice collaborative engagement with the sponsor or with the other lenders.
- Voting: We are signatories to the UN Principles for Responsible Investing ("PRI") and therefore committed to follow a policy of active ownership, requiring us to vote on all matters. Voting may take place on any number of governance, legal or investment matters and therefore each voting matter is considered on a case-by-case basis. For this reason, we do not have an internal reference guide to cover all voting matters.

2.2.2 For CLOs:

For our CLOs, we also aim to use our influence as an investor - through recurring talks with CLOs managers - to promote a commitment to mitigate adverse environmental impact and enhance positive effects on the environment.

2.2.3 For our impact strategy:

Since KIF I follows a broad impact investing strategy, expanding on the selected key performance indicators, KIF I investments can, where environmental objectives have been selected for a particular investment, contribute to any of the following environmental objectives:

- climate change mitigation
- climate change adaptation
- the sustainable use and protection of water and marine resources
- the transition to a circular economy
- pollution prevention and control

2.3 Kartesia's own operations

Kartesia seeks to reduce or compensate the impact on climate change arising from its own operations, the so-called Scope 1, 2 & 3 emissions. The ESG team is in charge of the regular review of the company's operations and will seek to make recommendations to the Senior Management Team aimed at improving Kartesia's own carbon efficiency.

In 2019 Kartesia announced that it would offset its Scope 1 & 2 Greenhouse Gases emissions. In doing so, Kartesia becomes one of the few global companies where Scope 1 & 2 emissions (and upstream Scope 3 emissions) get compensated through investments in concrete projects leading to GHG removal or lower emissions.

Besides neutralizing Scope 1, 2, and upstream 3 emissions, Kartesia seeks to constantly optimize its operations in order to reduce GHG emissions from office heating and ventilation, paper consumption, business travel and other aspects of its day-to-day operations. All the employees will ensure that the company reduces its environmental impact by following the Kartesia Going Green initiative:

- reducing all our transportation requirements wherever possible and utilising public transport and such facilities as web-ex and conference call facilities
- sourcing and buying locally to save fuel costs wherever possible
- ensuring that all lights and equipment is switching off when not required
- ensuring that water is used efficiently
- installing a water fountain in all our offices to reduce the use of plastic bottles
- discouraging unnecessary printing (amongst others by using tablets and apps)
- using scrap paper for drafts and notes
- printing in mono and double sided wherever possible
- recycling all waste (shredding all business documentation)
- sourcing recycled materials wherever possible
- working with like-minded suppliers who take steps to minimise their environmental impact.

3. Risk management

A company's activities can be exposed to two forms of climate change related risks: transition risk and physical risk. Transition risks are business-related risks that follow societal and economic shifts toward a low-carbon and more climate-friendly future. These risks can include policy and regulatory risks, technological risks, market risks, reputational risks, and legal risks. Physical risks are typically defined as risks which arise from the physical effects of climate change and environmental degradation. For an asset management company like Kartesia these two types of risks can be assessed at company level, and within investment portfolio.

Regarding Kartesia's own operations, exposure to transition risk translates into stricter regulation around the impact of the organization's activities on climate change. Anticipating and responding to these risks falls under the remit of the ESG team, supported by the Managing Partner in charge of ESG. Physical risk on the other hand can translate into disruptions to Kartesia's operation due to the impact of physical or meteorological events made more likely by climate change. Kartesia has put contingency plans in place, contained within the company's Business Continuity Procedures, to ensure that physical risk related events do not prevent the company from operating.

The bulk of Kartesia's risk exposure to climate change arises from the capital the organization allocates, as part of its day-to-day operations, to various companies. Each company whose debt Kartesia holds can run a more or less severe risk of material financial impact caused by its exposure to climate change related transition and physical risks. It is the role of Kartesia's ESG team and Deal team to identify those risks, assess the likelihood of them materializing, their potential financial impact on the underlying securities. In case a risk is identified at investment level, it will be document in the Investment Proposal and discussed at the Investment Committee.

4. Metrics and targets

Kartesia has defined specific indicators in order to assess the company's performance towards climate change mitigation and adaption, both at the operational level and at the investment level. These metrics are then translated into regular reporting that Kartesia publishes through its annual Sustainability report or through periodic disclosures relating to investment fund performance.

At the company level, Kartesia publishes annually its Scope 1, 2, and 3 upstream Greenhouse Gases emissions for the previous calendar year. The goal of the organization is to insure year-on-year reduction of carbon intensity from its operations.

At the investment level, Kartesia publishes the Scope 1, 2 and 3 emissions for a number of investment funds as well as dedicated climate change related indicators for dedicated institutional mandates. The following metrics are disclosed at the fund level:

- Weighted Average Carbon Intensity
- Exposure to fossil fuel sector
- Carbon reduction initiatives

Kartesia has set itself as target to achieve a significant level of reduction in Greenhouse Gases emissions across its investment vehicles.

2. Transparency

We firmly believe that transparency is crucial for building trust, and we take a proactive approach to communicating both financial and non-financial performance.

2.1. Transparency with our portfolio and our business counterparties

From first meeting to realization, we aim to take an open and straightforward approach to doing business with our portfolio companies. Our active partnership style of investing provides numerous opportunities for communication and feedback with our portfolio management teams.

2.2. Transparency with investors in the funds we manage or advise

We aim to provide investors in Kartesia with the highest standards of communications. We do this in many ways including our quarterly LP Reports, our annual Sustainability report, as well as through the various other forms of interaction that take place, including regular investor meetings, the Annual General Meeting, Advisory boards and occasional investor days and other such forums.

2.3. Transparency with our staff

We believe that it is important to keep our staff well informed about what Kartesia is doing. As we have a relatively small number of employees, we are able to achieve this through individual or team-based discussions. We also set up the following in order to maintain an effective communication in the workplace:

- The *Kartesia Kronicle*, our monthly internal newsletter
- The *Kartesia Procedures & ESG Day*, one day of training and update given to all the employees of Kartesia and designed to allow the group to improve compliance, manage risks, drive improvements and ensure that operational needs are met

3. Responsible investing policy

We are signatories to the UN Principles for Responsible Investing ("PRI") and have embedded RI policies in our investment philosophy and in our portfolio company review processes.

We follow the PRI in their definition of responsible investment as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.

Our vision is to be recognized as a leading investor based on the returns we deliver to our investors and our responsible approach to investing. We believe that companies with high environmental, social and governance standards are typically better run, have fewer business risks and ultimately deliver better value. Responsible investment is into our investment philosophy and process. We have dedicated staff with a real commitment to ESG, which translates into having a real influence and commitment to the issue. This includes discussions with the business that we invest in about how they deploy ESG practices and policies. At Kartesia, we firmly believe that our actions should have a positive impact on all of our stakeholders, investments and investors.

5. For loans:

a. Kartesia Stewardship:

We follow the PRI in their definition of stewardship as the use of influence to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' & beneficiaries' interests depend. Our RI policy makes it clear that we aim to use our influence as an investor – via board seats, monthly meeting with management or monthly meeting with sponsors – to promote a commitment in our portfolio companies to:

- comply, as a minimum, with applicable local and international laws;

- mitigate adverse environmental and social impacts and enhance positive effects on the environment, workers and relevant stakeholders;
- hold high standards of business integrity and good corporate governance;
- strive to improve on environmental, social or governance matters (including on topics such as climate, Diversity & Inclusion ("D&I") and cyber-security)

We use engagement and voting in our active ownership strategy:
- Engagement: We strive to engage with the management our portfolio companies. Our engagement consists of a constructive dialogue with the management to discuss their initiatives and futures plans in terms of ESG. In our individual engagement initiatives, we may work with external consultants (carbon footprint, cyber-security, D&I, etc.). We may also practice collaborative engagement with the sponsor or with the other lenders.
- Voting: We are signatories to the UN Principles for Responsible Investing ("PRI") and therefore committed to follow a policy of active ownership, requiring us to vote on all matters. Voting may take place on any number of governance, legal or investment matters and therefore each voting matter is considered on a case-by-case basis. For this reason, we do not have an internal reference guide to cover all voting matters.

We consider principal adverse impacts (or "PAI"; Article 4 of SFDR) of investment decisions on sustainability factors at entity level through an ESG questionnaire that is filled in at due diligence stage and, post investment, on an annual basis.

b. Negative screening:

Our RI policy includes:
- An exclusion list of businesses and activities in which we will not invest:
    - companies involved in drugs, prostitution, pornography, anti-personnel / land mines, cluster bombs or munitions and financial speculation on food commodities;
    - companies whose principal business is, or whose principal source of revenue is derived from tobacco or any products pertained, gambling or casinos, weapons or munitions, coal, non-conventional hydrocarbons;
    - companies whose more than 10% of the revenues derives from coal extraction and/or production of energy from thermal coal; or exploration and/or extraction of oil & gas;
- A referral list of activities that we may invest in, but which are highly sensitive and require significant additional scrutiny:
    - electronic components used in the defence industry, alcohol distribution (if representing more than 10% of revenue; like pub chains or catering) and manufacturing;
    - companies whose principal business could trigger animal rights (animal experiments for cosmetics, Intensive livestock farming, meat production and animal slaughtering);
    - companies whose principal business is, or whose principal source of revenue is derived from medical marijuana;
    - companies whose more than 10% of the revenues derives from a client whose principal business is any of the above listed sectors.

6. For loans in our Impact strategy

Our Kartesia Impact strategy aims to exclude companies that fall under Kartesia Impact Exclusion Policy (applicable for our impact strategy only) that is based on the CANDRIAM SRI exclusion policy on

controversial activities. The CANDRIAM SRI exclusion policy is publicly available on the CANDRIAM website:
https://www.candriam.com/en/professional/SysSiteAssets/medias/publications/brochure/corporate-brochures-and-reports/exclusion-policy/candriam-exclusion-policy.pdf

7. For CLOs:

Our RI policy include:

- A review of the CSR & ESG policy of the CLO manager (must-have for KCO and KSC strategies);
- The completion of the ESG DD questionnaire by the CLO manager (must-have for our KCO strategy).

Also for our KCO strategy, we apply the same exclusions as for our loans in CLOs. In the event we buy a CLO that does not explicitly exclude these criteria, we endeavour to add the criteria during next reset event by working closely with manager.

For our CLOs, we also aim to use our influence as an investor - through recurring talks with CLOs managers - to promote a commitment to:

- comply, as a minimum, with applicable local and international laws;
- mitigate adverse environmental and social impacts and enhance positive effects on the environment, workers and relevant stakeholders;
- hold high standards of business integrity and good corporate governance;
- strive to improve on environmental, social or governance matters (including on topics such as climate, Diversity & Inclusion ("D&I") and cyber-security)

4. Reporting

- We are signatories to the UN Principles for Responsible Investing ("PRI") and report to the PRI on an annual basis. Our RI Transparency report is publicly available on the PRI website (www.unpri.org);
- Our annual Sustainability Report is publicly available on our website (www.kartesia.com);
- We also report on stewardship and ESG on a quarterly basis to our investors;
- Internal responsible investment reporting is done on a quarterly basis at (1) the quarterly portfolio review and (2) the quarterly Senior management meeting.

5. Volunteering & Donations

We are proud of our team commitment to community services and support of non-profit organizations. Key elements of our citizenship initiatives include:

- The annual Kartesia Volunteering Day – Each year employees of Kartesia roll up their sleeves to help a local non-profit organization for one day
- The annual Kartesia Donation – Since 2017 Kartesia made the decision to replace the corporate year-end gift to employees with the financing of projects benefiting underprivileged children

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