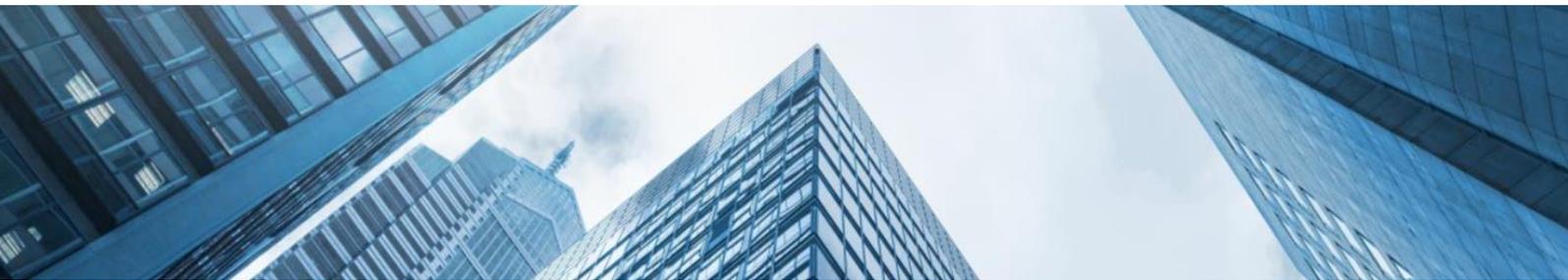




## **Sustainability Policy**

**Sustainable Finance Disclosure Regulation (SFDR) compliant**



# Sustainability Policy

Revised version – 03/10/2022

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. Environment & Climate Change

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.

### 1.1. Environmental efforts at Kartesia level

In this policy statement we commit our company to:

- complying with all relevant environmental legislation, regulations and approved codes of practice;
- protecting the environment by striving to prevent and minimise our contribution to pollution of land, air, and water;
- seeking to keep wastage to a minimum and maximise the efficient use of materials and resources;
- managing and disposing of all waste in a responsible manner.

The nature of our work as an investment advisor means that we do not inherently have a high environmental impact, but we will take consideration of environmental issues in the professional services we provide and endeavour to reduce our environmental impact to an absolute minimum.

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.

Since 2018, Kartesia is a carbon neutral company as we offset our carbon emissions on an annual basis.

## 1.2. Environmental efforts at our portfolio level

Our mission is to provide liquidity and credit solutions to European small/mid-market companies and currently the level of reporting by those companies from an ESG perspective is relatively low. Additionally, Kartesia's position as a lender may not always lead to discussions with management or increased reporting on ESG, which is unfortunately not often front of mind for target companies, especially in secondary deals.

We decided to compensate for the lack of ESG data from our portfolio companies by using models. Since 2015, Kartesia has teamed up with service provider Sustainalytics ([www.sustainalytics.com](http://www.sustainalytics.com)) to assess the carbon footprint of our portfolio companies on an annual basis. As our portfolio is made of private companies that do not report on carbon emissions, Sustainalytics uses statistical estimation models to estimate the carbon footprint of the total portfolio and compare it with the appropriate benchmark (MSCI Europe). This model considers several criteria for each portfolio company, including size, industry and FTE and estimates the overall weighted carbon intensity of each of our funds. The resulting report allows us to drill down to sector and peer group level.

We believe it is an excellent starting point to get a clearer sense of our carbon footprint and to progress discussions with portfolio companies currently having the greatest negative impact. Also, what is vital is that our investors have the relevant information required to monitor their own footprint or to reach carbon neutrality by balancing their investments with buying carbon credits.

## 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

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.

#### 1. 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;
- 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.

2. 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>

3. 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](http://www.unpri.org));
- Our annual Sustainability Report is publicly available on our website ([www.kartesia.com](http://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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