Active Ownership

ESG Policy

(Version 3 as of December 2022)

Document history

Version	Date	Description	Author	Next Regular Review
1	01/03/2020	Initial version	DM/JK	March 2022
2	01/09/2021	Updated version 4.2 Exclusion policy	DM/JK	September 2022
3	01/12/2022	Updated version	RB/DM/JK	December 2023

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1 Definitions

Abbreviation	Definition
AIF	Alternative Investment Fund(s) or sub-fund(s) thereof managed by AOCorp
AIFM	Alternative Investment Fund Manager, as defined in the AIFM Law
AIFM Law	Luxembourg Law of 12 July 2013 on alternative investment fund managers, as amended
AIFM Regulation	Commission Delegated Regulation (EU) n°231/2013 of 19 December 2012 and/or all other applicable laws, regulations, circulars and other binding rules and guidelines.
AOC	Active Ownership Group
AOCorp or Company	Active Ownership Corporation S.à r.l., a limited liability company (société à responsabilité limitée) organised under the laws of the Grand Duchy of Luxembourg, having its registered office at 17, rue de Flaxweiler, L-6776 Grevenmacher, Luxembourg, and registered with the Luxembourg Register of Companies (Registre de Commerce et des Sociétés) under number B 237.258.
CSSF	The Luxembourg regulator of the financial sector (Commission de Surveillance du Secteur Financier)
ESG	Environmental, Social, Governance
Policy	ESG Policy
PAI	Principal Adverse Impacts: impacts of investment decisions that result in negative effects on sustainability factors
RCS	Luxembourg Register of Companies
RTS	Regulatory Technical Standard
SFDR	Sustainable Finance Disclosure Regulation EU 2019/2088 on sustainability-related disclosures in the financial services sector

Abbreviation	Definition
Sustainability factors	Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters
Sustainability risk	Environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment
(UN)PRI	(United Nations) Principles of Responsible Investment

2 Introduction

Active Ownership Corporation S.à r.l. (“**AOCorp**”) is an alternative investment fund manager (“**AIFM**”) authorised by the *Commission de Surveillance du Secteur Financier* (“**CSSF**”) in Luxembourg under Chapter 2 of the law of 12 July 2013 on alternative investment fund managers (“**AIFM Law**”), the Delegated Regulation 231/2013 and all other relevant and applicable Laws, Regulations and CSSF Circulars in their currently valid version.

AOCorp has its registered office at 17, rue de Flaxweiler, L-6776 Grevenmacher and is registered with the Luxembourg Register of Companies (“**RCS**”) under number B 237.258.

AOCorp obtained its AIFM license on 13 August 2019, and is registered with CSSF register number A00002485. It obtained its AIFM license extension for the Private Equity Strategy on 08 March 2022.

Pursuant to the AIFM Regulation and the relevant European regulations, an AIFM must have a strong internal governance framework that ensures the sound and prudent management of its activities and inherent risks. This means in particular that the internal governance must ensure sound and prudent management of the AIFM’s activities including their inherent risks. In order to achieve this objective an AIFM must set up an internal governance system that complies with the “three-lines-of-defense-model” concept.

In order to fulfil the above mentioned requirements AOCorp has established and implemented this Environmental Social and Governance Policy (“**Policy**”) setting out the legal and regulatory requirements, as well as the related actions, which the AIFM complies with in order to meet its obligations in the area of ESG regulatory requirements (incl. but not limited to the SFDR).

The Policy will be reviewed on a regular basis, at least once a year or event driven.

3 Our ESG Approach

At AOC we believe that all stakeholders benefit from a responsible investment approach. Risks related to environmental, social and governance matters are likely to have an increasingly material effect on company and fund profitability as regulations, public and investor sentiment continue to shift towards a more sustainable investing landscape.

We belive that we have a responsibility towards our clients, which extends beyond traditional financial and business analysis and performance to adequately assess and measure risk and return. As an active and engaged investor with a mid- to long-term investment horizon we consider it our duty to ensure that our portfolio companies grow and improve sustainably for the benefit of all stakeholders. We also believe that we should act as responsible fiduciaries of our investors’ capital and avoid any reputational risk for our clients. Lastly, at the core of our investment philosophy we believe that financial rewards should be aligned with long-term financial performance without compromising sustainability factors (i.e. respecting the environment, human capital and human rights).

Improving the corporate governance of our portfolio companies is at the core of our investment approach and has been part of our strategy since inception. Since 2019 we extended our approach to include enviromental and social aspects in our investment strategy. While ESG aspects are considered in all of our investment decisions, the degree of implementing long-term targets to achive ESG goals in our portfolio companies may vary considerably across our portfolio companies depending on the sector, business models, activities and company maturity.

4 ESG Integration

4.1 Investment decision-making process

At AOC we are looking for fundamentally good, but undervalued businesses that we understand and can help unlock value potential with our extensive industrial and financial expertise. Investment opportunities are analysed through an in-depth company due diligence process. This granular and meticulous work allows us to gain a deep understanding of the companies we invest in. Whilst considering a sound traditional fundamental financial analysis is a major part of our due diligence process, we also consider the incorporation of ESG factors and the evaluation of related risks an increasingly important dimension.

As such, during our company due diligence procedures and prior to taking an investment decision we analyse and assess ESG risks and how they could affect the future value of an investment and the investment return, respectively. We analyse financial and non-financial documentation (sustainability reporting and data, policies, sustainability programmes) provided by the company as well as third parties, e.g. our Brokers, and may also take into account ESG scores and assements provided by public data providers (e.g. Bloomberg), if available. Our due diligence procedures generally also include on-site visits of potential portfolio companies, in many cases their competitors, suppliers and customers, as well as interviews with current and prior company managers.

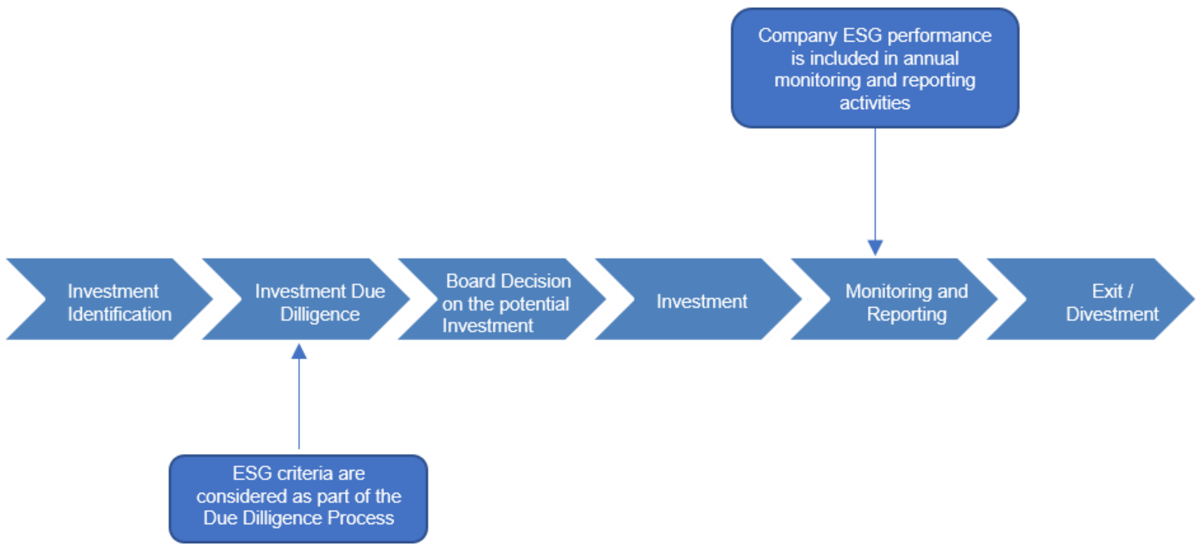

Fig. 1: Investment Process including ESG considerations

The following key ESG matrix of factors and related risks, which may evolve over time, are analysed and evaluated for each potential portfolio company:

Key Environmental factors:	Energy
	Water
	Waste & Pollution
	Resource Management
Key Social factors:	Human Ressources
	Health & Safety
	Clients
	Own Production
	Supply Chain
	Product Goverance
Key Governance factors:	Board & Management
	Ownership
	Remuneration
	Accounting

Fig 2: ESG Matrix considered in the Investment Process

Where applicable, additional factors are considered on an individual basis depending on a company's sector and business activities. The ESG factors and related risks accounted for are mainly qualitatively. Their evaluation may not have an equal relevance and may be apportioned a different weight and rating depending on the economic activity, size and geographical presence of a company.. While we usually do not invest in companies facing severe ESG controversies, due to a potentially higher risk, we may consider companies with minor ESG issues, where we believe we can make a positive impact during our active engagement, esp. with regard to improving corporate governance.

The result of the ESG risk analysis, outlining the identified material ESG risks, is recorded in a standardised matrix (Fig. 2) within the final company due diligence documentation that serves as basis for a final investment decision to be taken unanimously by the Investment Committee.

Summarizing, ESG risks are integrated into the investment decision making and risk monitoring to the extent that they represent a potential or actual material risk to the investment or to the ability to enable opportunities to maximize the long-term risk-adjusted returns.

4.2 Exclusion list

Based on our ethical and moral beliefs we have a clearly defined exclusion list at AOC which prevents us from investing in certain (potential) portfolio companies.

We shall not invest in companies

- which are linked to the production and/or supply and distribution of controversial weapons (i.e. cluster munitions, landmines, anti-personal mines, biochemical or nuclear weapons);
- which are systematically associated with terrorism;
- which are linked to the production and/or supply and distribution of drugs of any kind (incl. THC-based cannabis products);
- which offer classic gambling;
- which have been convicted having caused severe environmental damage (e.g. caused by toxic emissions and waste, water stress, operational waste, poor regard for biodiversity and land use, etc.);
- which are involved in thermal coal production or exploitation;
- that are or have been convicted, involved or accused of corruption, fraud and bribery, money laundering, tax, accounting or reporting irregularities, or significant regulatory violations involving any of the foregoing;
- that do not respect human rights and/or directly or through their supply chain, use child labour, forced labour or poor labour management relations.

A statement of compliance with the exclusion policy is part of the final company due diligence documentation.

4.3 Investment monitoring and engagement

We constantly engage with our portfolio companies and consistently monitor our engagement results.

ESG factors and identified material sustainability risks are regularly evaluated and their assessment updated, if required. Adherence to our exclusion list is constantly monitored.

In order to ensure a high quality ESG assessment of material sustainability risks we only apply such regular evaluation and monitoring to the core positions[1] in an AIFs portfolio, with such core positions representing in total at least 85% of the NAV of the respective AIF.

We will start to request relevant and, where available, standardised sustainability data (e.g. carbon footprint) from our core portfolio companies. These data are nevertheless currently considered difficult to be provided by the small- and mid-cap companies we invest in.

Our active investment approach and our board engagements enable us to engage sustainability topics with company boards and management in a direct way not available to passive or minority investors. In our view an exclusion criteria based sustainability approach only creates marginal incentives for low ESG-scoring companies to improve. As significant shareholders and often members of the board of our portfolio companies we always endeavour to integrate ESG topics into the work of the board and by extension, company management. To the extent appropriate, we attempt to implement ESG-related compensation targets for the management of our portfolio companies.

[1] Core position being defined as a material position representing at least 3% of the NAV in line with materiality defined in the Risk Profile of the AIF.

Further part of the proper management of our AIFs is the exercise of shareholders' rights. Inter alia by exercising voting rights, we can influence the development of our portfolio companies and positively steer their increase in value sustainably.

We also refer to our Engagement Policy that shall be considered an integral part of this Policy.

5 Consideration of Principal Adverse Impacts

We currently do not consider the adverse impacts of our investment decisions on sustainability factors as there is no sufficient amount of data available from our (potential) portfolio companies to satisfactory quality and to allow us to adequately assess the potential adverse impact of our investment decisions on sustainability factors.

As outlined before we usually do not invest in companies facing severe ESG controversies, reflecting a potentially higher risk. We may consider companies with minor ESG issues and where we believe we can make a positive impact and lead to ESG performance improvements during our active engagement.

We will start to request relevant and, where available, standardised sustainability data (e.g. carbon footprint) from our core portfolio companies. These data points are nevertheless currently considered difficult to be provided by the small- and mid-cap companies we invest in.

Once relevant data is available we will re-evaluate the possibility to consider PAI and to report along the stardardised criteria and format as outlined in the SFDR Level 2 documentation (RTS).

6 Adherence to international policies

We are signatories to the UNPRI and abide by these principles since 2018.

7 ESG Reporting

We currently do not provide a dedicated ESG reporting regarding sustainability activities and risk assessment of portfolio companies to our investors.

Investors receive an encompassing Investor Letter on a quarterly basis, informing about the development of the portfolio of an AIF as a whole as well as the core portfolio companies. This Investor Letter may contain specific ESG information where applicable.