ESG Policy & PAI Statement

(Version 5 as of September 2024)

Document history

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1	01/03/2020	Initial version	DM/JK	March 2022
2	01/09/2021	Updated version 4.2 Exclusion policy	DM/JK	September 2022
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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.
CSSF	The Luxembourg regulator of the financial sector (Commission de Surveillance du Secteur Financier)
CSRD	Corporate Sustainability Reporting Directive
ESG	Environmental, Social, Governance
PAI	Principal Adverse Impacts: impacts of investment decisions
RTS	Regulatory Technical Standard
SFDR	Sustainable Finance Disclosure Regulation EU 2019/2088 on sustainability-related disclosures in the financial services sector
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 19, rue de Flaxweiler, L-6776 Grevenmacher and is registered with the Luxembourg Register of Companies 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 abovementioned 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 believe 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 environmental and social aspects in our investment strategy. While ESG aspects are considered in all our investment decisions, the degree of implementing long-term targets to achieve 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 assessments 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 an analysis of their competitors, suppliers and customers, as well as interviews with current and prior company managers.

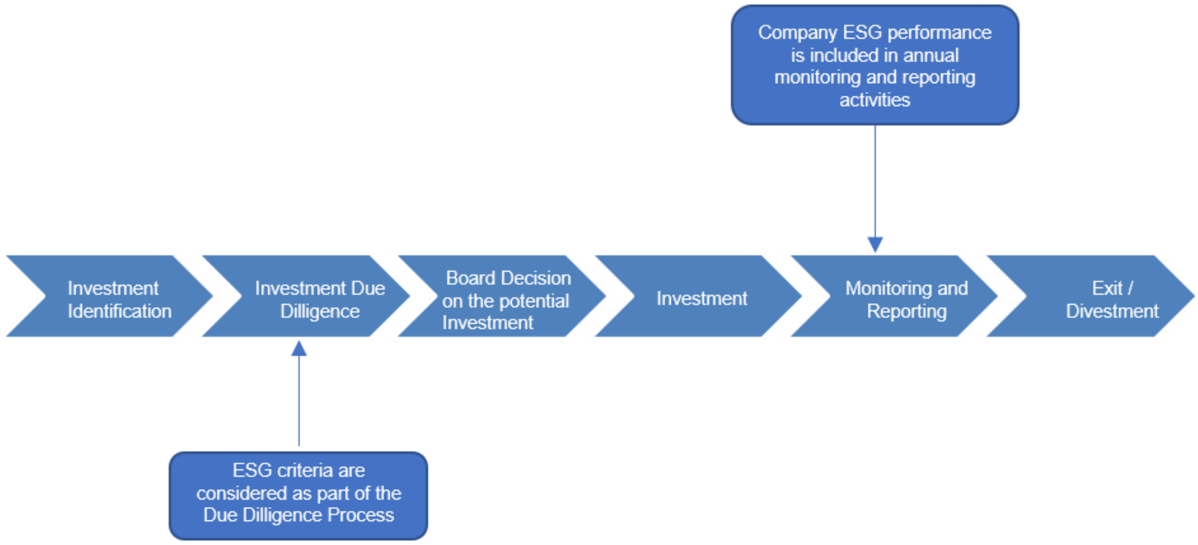

Fig. 1: Investment Process including ESG considerations

The following key ESG Matrix of factors and related risks, which may evolve over time, and which have been re-evaluated in May 2023, are analysed and evaluated for each potential portfolio company:

Category	Type
Environmental	Energy
	GHG Emissions
	Water
	Waste & Pollution
	Resource Management
Social	Human Resources
	Health & Safety
	Product Governance
	Supply Chain
	Clients
	Data Privacy and Security
	Production
Governance	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 (for healthcare companies producing or selling THC-based cannabis products, revenues derived should be under 5% of total yearly revenues));
- 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. Factors analysed are presented in **Annex 1**. Adherence to our exclusion list is constantly monitored.

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.

[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.

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. We expect that this will change in the upcoming years, considering the new reporting requirements for companies Corporate Sustainability Reporting Directive (CSRD).

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.

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 No Consideration of Principal Adverse Impacts – PAI Statement

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 standardised 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 the AIF, there are invested in, as a whole as well as the core portfolio companies. This Investor Letter may contain specific ESG information where applicable.

Annex 1

To ensure an in-depth analysis of the ESG performance of our portfolio companies, we are looking at the following sustainability indicators for environment, social and governance practices.

Environmental Guidelines

Risk Factor	**Indicator**	**Description**
Energy	Energy consumption & efficiency by mix of used sources	The total amount of energy consumed (MWh of GJ) by the organization across all operations, broken down by the type of energy sources used (renewable and non-renewable). It also assesses the efficiency of energy use by tracking reductions in energy intensity and improvements in energy efficiency across processes and facilities. The KPI supports the organization's commitment to reducing greenhouse gas emissions, enhancing energy efficiency, and increasing the share of renewable energy in its energy mix, in line with sustainability goals and regulatory requirements.
	Emission targets & mitigation	This KPI tracks the organization's performance in reducing greenhouse gas (GHG) emissions, in alignment with set emission reduction targets. It measures both absolute emissions and emissions intensity, while evaluating the effectiveness of mitigation strategies, including carbon reduction initiatives, offsets, and renewable energy adoption.
GHG Emissions	Total GHG Emissions	The total quantity of greenhouse gases emitted directly and indirectly by the organization, expressed in metric tons of CO_2 equivalent (tCO_2e). Includes Scope 1 (direct emissions from owned or controlled sources), Scope 2 (indirect emissions from the generation of purchased electricity, steam, heating, and cooling), and Scope 3 (all other indirect emissions that occur in the value chain).

Risk Factor	Indicator	Description
Water	Water usage	Measures the total volume of water withdrawn, consumed, and discharged by the organization across all operations. It evaluates the efficiency of water use, the sustainability of water sources, and the impact of water usage on local ecosystems. Water withdrawal: The total volume of water extracted from all sources, including surface water (rivers, lakes), groundwater, rainwater, municipal water supplies, and other water systems, expressed in cubic meters (m^3). Water Consumption: The total volume of water used by the organization that is not returned to the same source after use, expressed in cubic meters (m^3). This includes water lost through evaporation, integration into products, or consumption in processes. Water Discharge: The total volume of water released back into the environment after use, including treatment processes, expressed in cubic meters (m^3).
Waste & Pollution	Pollution risks	The potential risks of pollution arising from the organization's operations, products, and supply chain. It includes the evaluation of air, water, and soil contamination, as well as the release of hazardous substances and waste.
	Hazardous/Non-Hazardous Waste Generation (incl. Plastic and packaging)	The total amount of hazardous and non-hazardous waste generated by the organization across all operations, including waste related to plastic and packaging. It evaluates the waste management practices, recycling efforts, and the environmental impact of waste disposal.

Risk Factor	Indicator	Description
Resource Management	Use of recycled materials (% of recycled waste)	Measures the proportion of materials used in the organization's operations, products, and packaging that are derived from recycled sources. It assesses the effectiveness of the organization's recycling efforts and its contribution to the circular economy.

Social Guidelines

Risk Factor	Indicator	Description
Human Resources	Size of workforce (% of female FTEs in senior positions in relation to total FTEs in senior positions)	The total number of employees (full and part-time) in the reporting year. A special focus is laid on the total number of female full-time equivalents (FTEs) holding senior positions within the organization, including executive roles, board members, and other leadership positions.
	Skills, diversity & talents	It evaluates the organization's approach to fostering a diverse, skilled, and talented workforce. It encompasses the assessment of employee competencies, training and development initiatives, diversity and inclusion practices, and the attraction and retention of top talent. It encompasses the efforts and resources invested in enhancing the skills and competencies of employees through training programs, workshops, certifications, and continuous learning opportunities.
	Fluctuation of key personnel and lay off plans	Monitors the turnover of key personnel within the organization and outlines any planned layoffs. It provides insights into the stability and continuity of leadership, critical roles, and the organization's strategic response to changes in its workforce.

Risk Factor	Indicator	Description
Health & Safety	Labour safety	The systematic implementation of policies, procedures, and practices designed to ensure the physical and mental well-being of employees in the workplace. This includes the identification, assessment, and mitigation of hazards; provision of adequate training and protective equipment; and fostering a safety culture that promotes reporting and continuous improvement. Compliance with relevant laws and regulations, proactive risk management, and employee participation are critical components. Labour safety aims to prevent accidents, injuries, and occupational illnesses, ensuring a safe and healthy working environment for all employees.
Product Governance	Product Quality and Safety Policy and Programme	A comprehensive framework that outlines an organization's commitment to ensuring the highest standards of product quality and safety throughout the product lifecycle. This policy encompasses the principles, guidelines, and procedures necessary to design, manufacture, and deliver products that meet or exceed regulatory requirements and customer expectations. Quality Assurance and Control: Established procedures for monitoring and maintaining product quality through rigorous testing, inspection, and certification processes. Safety Standards: Implementation of safety protocols to identify, assess, and mitigate risks associated with product use, ensuring compliance with relevant safety regulations. Training and Awareness: Regular training programs for employees to promote a culture of quality and safety, ensuring they are well-informed about the latest standards and practices.

Risk Factor	Indicator	Description
Supply Chain	Social Supply Chain Management	Social Supply Chain Management refers to the integration and management of social sustainability practices within a company's supply chain. This approach ensures that all stages of the supply chain – from sourcing and procurement to production and delivery – adhere to ethical, social, and environmental standards. Human Rights and Labor Practices: Ensuring suppliers uphold fundamental human rights, fair labour practices, and comply with international labour standards, including the prohibition of child labour, forced labour, and discrimination. Ethical Sourcing: Procuring materials and services from suppliers who demonstrate responsible and ethical practices, promoting fair trade and sustainable sourcing. Supplier Audits and Assessments: Regularly auditing and assessing suppliers for compliance with social and ethical standards, and implementing corrective actions when necessary. Transparency and Reporting: Maintaining transparency in supply chain operations and publicly reporting on social performance, including efforts to improve working conditions and community impacts. Risk Management: Identifying and mitigating social risks within the supply chain, such as potential human rights violations or unsafe working conditions.
Clients	Number of clients, nature & evolution (% of new customers as of total customers)	
	Client dependence	

Risk Factor	Indicator	Description
Data Privacy and Security	Data Privacy and Cybersecurity Policy and Programme	The Data Privacy and Cybersecurity Policy and Programme refers to a comprehensive framework implemented by an organization to ensure the protection of personal and sensitive data against unauthorized access, breaches, and other cyber threats. It comprises the following key elements: Governance and Accountability: Establishes clear roles and responsibilities for data privacy and cybersecurity within the organization, including the appointment of a Data Protection Officer (DPO) and a Cybersecurity Officer. Risk Management: Identifies, assesses, and mitigates risks related to data privacy and cybersecurity through continuous monitoring and evaluation processes. Policies and Procedures: Develops and enforces policies and procedures for data handling, storage, transmission, and disposal, ensuring compliance with relevant regulations such as GDPR, CCPA, and other international standards. Training and Awareness: Provides regular training and awareness programs for employees to ensure they understand their responsibilities in protecting data and adhering to cybersecurity protocols. Incident Response and Management: Implements an incident response plan to quickly and effectively address and mitigate data breaches or cybersecurity incidents, including notification procedures and remediation measures. Technical and Organizational Measures: Deploys appropriate technical solutions such as encryption, firewalls, and intrusion detection systems, alongside organizational measures like access controls and regular security audits, to safeguard data integrity and confidentiality.

Risk Factor	Indicator	Description
		Continuous Improvement: Regularly reviews and updates the data privacy and cybersecurity policies and programmes to adapt to evolving threats and technological advancements, ensuring ongoing compliance and protection.

Risk Factor	Indicator	Description
Production	Production countries	

Governance Guidelines

Risk Factor	Indicator	Description
Board & Management	Composition, skills & diversity	Board Composition, Skills & Diversity refers to the strategic structuring of an organization's board of directors to ensure a balance of expertise, experiences, and perspectives to effectively govern and guide the organization. This includes: Composition: The board should comprise a mix of executive and non-executive directors, with a sufficient number of independent directors to provide unbiased oversight and decision-making. The composition should be designed to achieve a balance between continuity and fresh perspectives. Skills and Expertise: Directors should collectively possess a diverse range of skills and expertise relevant to the organization's industry, strategic objectives, and operational needs. This includes but is not limited to financial acumen, industry knowledge, risk management, legal and regulatory understanding, technology, and innovation capabilities.
	Independence	The relationship of the board member with the company
	Audit Committee/Independence	Information on the composition, roles, responsibilities and independence of the Audit Committee
	Nomination Committee/Independence	Information on the composition, roles, responsibilities and independence of the Nomination Committee

Risk Factor	**Indicator**	**Description**
Ownership	Structure/main shareholders	Shareholder structure including: percentage, type of investor, length of investment
	Shareholder rights	Shareholder rights in decision making
Remuneration	Remuneration Policy	Includes information on the Remuneration Committee (composition, roles, responsibilities and independence), as well as the short- and long-term incentive scheme for the management team.
	Link to ESG and other risks	Incorporating sustainability risks and targets into the goals and remuneration of the management team.
	Remuneration Committee/Independence	Information on the composition, roles, responsibilities and independence of the Remuneration Committee

Risk Factor	Indicator	Description
	Remuneration level	Remuneration Level refers to the total compensation provided executives within an organization, designed to attract, retain, and motivate talent while ensuring alignment with the organization's strategic objectives and stakeholder interests. This includes: Base Salary: The fixed annual salary paid to employees and executives, reflecting their role, experience, skills, and market conditions. Variable Pay: Performance-related pay components such as bonuses, incentives, and commissions, which are contingent upon achieving predefined individual, team, or organizational performance targets and goals. Long-term Incentives: Compensation elements designed to align the interests of executives and key employees with the long-term success and sustainability of the organization. This may include stock options, restricted stock units, and other equity-based awards. Benefits: A range of non-cash benefits provided to employees and executives, such as health insurance, retirement plans, paid time off, and other perks that contribute to overall remuneration. Pay Equity: Ensuring fair and equitable compensation practices across the organization, addressing any disparities related to gender, ethnicity, and other diversity factors.
Accounting	Accounting practices	Looks at the standardized methods and procedures that an organization employs to record, report, and analyse its financial transactions and performance. These practices ensure accuracy, consistency, transparency, and compliance with applicable accounting standards and regulations.
	Reporting & transparency	Looks into the reporting practices of a company's accounting and the level of granularity the reporting goes into.

Risk Factor	Indicator	Description
	Independent Auditor & Reports	Looks who is the auditor and the level of assurance granted to the company's reporting.
	Anti-fraud & anti-corruption measures	Policies and practices the company has in place to prevent fraud and corruption.