Sustainability-related disclosure of our investment philosophy

according to EU Regulation 2019/2088 - SFDR disclosure at company level

Date 31 January 2022

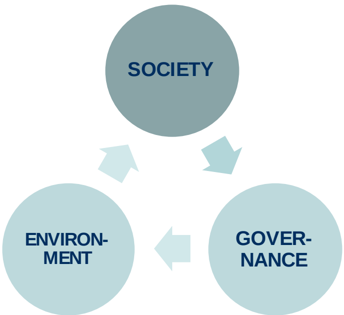
As part of the action plan on financing sustainable growth, regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector (as amended, the "SFDR") was issued in November 2019. It introduces new rules for disclosures about sustainable investments and sustainability risks, effective March 10, 2021.

This document contains information on our strategies for managing sustainability risks and adverse sustainability impacts at company level, which are to be disclosed according to Articles 3 and 4 of the SFDR as of March 10, 2021, as well as information on the integration of sustainability risks into the remuneration policy according to Article 5 of the SFDR.

For the purposes of the SFDR, “sustainability risk” means events or conditions that adversely affect sustainability factors in the areas of the environment (e.g. climate change and its impacts), including indirect impacts (e.g. breakdown of supply chains, price increases or scarcities, political restrictions etc.), social issues (e.g. equal treatment of men and women) and corporate governance (e.g. corruption, fraud and human rights violations as well as reputation problems).

Finatem is committed to sustainable corporate management and to this end meets high environmental, social and corporate governance standards. This self-commitment includes both our own company and the integration and application of principles of responsible behavior during the investment, holding and disposal phases.

When assessing sustainability at company level, it is crucial whether and how companies consider and implement ecological and social aspects as well as aspects relating to the type of corporate governance ("ESG") in their (investment) decisions and in their business practice.



Picture 1: Interdependence of ESG aspects

1. Inclusion of sustainability risks in investment decision-making processes (Article 3 of the SFDR)

Various strategies and processes ensure that sustainability risks are included in investment decisions. Finatem has implemented policies and investment processes designed to ensure a consistent approach to integrating environmental, social and governance issues.

1.1 ESG-Indicators

Before and after each investment in a (potential) portfolio company, Finatem focuses on the individual indicators relevant to the business model from the areas of environment (such as CO2 footprint, emissions to air and water, proportion of hazardous waste, recycling) and social issues (e.g. occupational safety, gender equality, avoidance of investment countries with strong social violations, etc.) and corporate governance (e.g. compliance with the principles of the UN Global Compact, Supplier Code of Conduct, anti-corruption and anti-bribery guidelines).

1.2 Integration into the Investment Process

As a fund manager, Finatem incorporates ESG-related opportunities and risks into its investment decision-making processes. On the one hand, the evaluation of ESG aims to identify companies that will benefit from future, sustainable trends and can create positive social added value through their business model and ESG performance. Investments should not be made in companies with a low ESG quality due to the high sustainability risks.

Finatem is convinced that better investment decisions can be made and improved company valuations can be achieved through extensive ESG integration. In the long term, higher risk-adjusted returns should be achieved for our investors.

Internal responsibility for ESG lies at Partner level and coordinates ESG as part of the due diligence process in the decision-making phase as well as subsequent monitoring and reporting as part of an ESG control (improvement processes of the portfolio companies). External analyzes may also be obtained and the results combined. ESG issues are on the agenda at the regular advisory board meetings of the portfolio companies.

1.3 Sustainable Investment Criteria

Finatem generally excludes companies from the following sectors for investments: guns and ammunition, tobacco, alcohol and gambling.

Another exclusion criterion is serious corporate misconduct in the areas of the environment, social affairs or corporate management (e.g. causing environmental damage, violation of labor or human rights, damage to customers, for example due to inadequate product or data security).

1.3.1 Investment Phase

During the due diligence process, all relevant ESG factors are analyzed. This analysis is primarily based on ESG-related data that is publicly available or obtained from the relevant companies (e.g. annual or sustainability reports, investor presentations, external analyses).

The result of the ESG analysis, like the other due diligence reports, such as financial analysis, market analysis, etc., plays an important role in the purchase decision and evaluation.

1.3.2 Holding Phase

During the holding period, Finatem addresses the ESG-specific expectations of portfolio companies and supports the management of the portfolio company in minimizing ESG risks and identifying opportunities that arise from sustainable corporate management.

1.3.3 Exit Phase

Appropriate measures are taken in preparing for the divestment so that the portfolio company is positioned to continuously improve its ESG performance. The aim is to identify further possible improvements in the areas of ESG as part of the sale so that they can be continued by the new shareholder. Potential buyers are evaluated with regard to their handling of ESG criteria.

1.4 Sustainable Development Goals (SDGs)

In order to do justice to the developments in the area of the impact of companies on their environment and society, Finatem is committed to the 17 development goals of the United Nations for sustainable development ("UN Sustainable Development Goals") as part of the investment decision-making processes. to consider.

2. Transparency about adverse sustainability impacts at company level when making investment decisions (Article 4 of the SFDR)

2.1 Summary

With a view to responsible corporate governance, Finatem consistently implements measures for a sustainable future and has integrated sustainability into its business and risk strategy.

For Finatem, it goes without saying that we take into account the adverse effects of investments related to environmental, social and corporate sustainability factors. Accordingly, Finatem has firmly anchored the mandatory factors according to the EU Disclosure Regulation in its investment decision-making processes. When making investment decisions, the main associated adverse sustainability impacts are taken into account where relevant data can be used.

Finatem determines the negative sustainability effects to be considered when making an investment decision based on publicly available information or analyzes of the target companies (e.g. from annual and sustainability reports) and, if necessary, using data from external research or rating agencies.

2.2 Description of the main adverse impacts on sustainability

The adverse effects that can arise from co-financing controversial business areas are manifold.

The most important adverse sustainability impacts of an investment are therefore determined and taken into account in the investment process. This concerns, for example, adverse health consequences, negative social consequences or ecologically problematic effects of investments in companies as well as the permanent impairment of an investment through ESG-critical business models. In addition to negative social effects, controversial business practices can also lead to reputational risks and respective monetary consequences by the loss of business relationships and the resulting drop in sales (e.g. due to child labor or corruption in the supply chain) and/or fines (e.g. due to accounting fraud or money laundering) in the companies concerned. Violations by companies of environmental protection guidelines can result in high economic risks, for example through the destruction of production facilities or high liability for damages.

2.3 Description of actions to identify and prioritize the most important adverse impacts on sustainability

As outlined above, Finatem applies sector-based exclusions and ESG methodologies to identify the main adverse sustainability impacts.

However, due to a lack of or limited availability and quality of information, data and indicators, meaningful identification and assessment of impacts may be limited.

Finatem will continuously develop these processes to collect information and data on the main adverse sustainability impacts of the portfolio companies as they become available.

2.4 Description of actions to address the main adverse impacts on sustainability

In order to reduce or avoid serious negative effects of investment decisions on sustainability factors, Finatem takes two main measures in particular.

ESG integration
The explained principle of ESG integration ensures that sustainability aspects and thus also negative

sustainability effects are fundamentally taken into account in all investment decisions.

Company-Wide Exclusion Criteria
As also explained, investments in companies involved in controversial business practices and/or active in controversial business areas are excluded.

2.5 Actions for inclusion

As previously stated, Finatem supports the management of the portfolio company in minimizing ESG risks and identifying opportunities arising from sustainable corporate governance. This is mainly done via positive incentives in the remuneration policy, which come into play when implementing the ESG-relevant improvements.

2.6 References to International Standards

Principles for Responsible Investment or
UN Global Compact (UNGC)

3. Remuneration Policy Statement (Article 5 of the SFDR)

As part of our remuneration policy, responsible handling of sustainability risks is supported by not creating incentives for employees to take excessive risks. Rather, decisions are always discussed and made in the team, taking into account the sustainability goals.

4. Updates

All information is continuously checked and, if necessary, updated.