

***Responsible Investment  
Policy***

***as of 22 February 2023***

## 1. Introduction

SwanCap Investment Management S.A. ("SwanCap") deems Responsible Investment ("RI") is of great importance; to ourselves, to our stakeholders and investment partners and to the communities we operate in overall. Responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance factors, and of the long-term health and stability of the market as a whole. It recognizes that the generation of long-term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems. RI includes Environmental, Social and Governance ("ESG") factors in the investment processes as well as in the relationships with our stakeholders and partners. Ultimately, we recognize that good ESG in our investment practices and investee assets are likely to contribute positively to overall investment performance and sustainability thereof, over time.

## 2. Scope of this Policy

This policy applies to SwanCap, acting as AIFM and Management Company of its Funds and Managed Accounts. SwanCap aims to apply the principles of RI to its own actions, and undertakes to diligence the General Partners of our investee assets ("GPs") on the application of ESG principles as well. SwanCap actively asks its Advisor, SwanCap Partners GmbH, to include dedicated RI considerations in its investment advice to SwanCap.

## 3. The 3RI Pillars

Responsible Investment includes Environmental, Social and Governance ("ESG") factors into investment processes:

### **3.1. Environmental responsibility**

SwanCap is aware of the importance of environmental aspects of investing. These environmental aspects consists inter alia of energy and water consumption, waste production and waste management, the use of hazardous material during production processes and any pollution caused by production processes — and measures taken to minimize these impacts.

### **3.2. Social responsibility**

SwanCap acknowledges the importance of the implementation of proper health & safety measures, of enhanced product safety, of sound employment practices, of acting in accordance with a Code of Conduct

& Ethics and of promoting a socially sound corporate behavior. Furthermore, SwanCap considers attention to human rights as a key element of sustainable investing.

### **3.3. Corporate Governance**

SwanCap acknowledges that the implementation of good corporate governance structures, of accounting and valuation in accordance with internationally recognized standards, the implementation of independent compliance and internal audit functions as well as of proper anticorruption measures and good employer practices are important to building and maintaining a sustainable business.

## **4. Application of the 3RI Pillars by SwanCap**

SwanCap commits to the implementation of RI to its business. To achieve this, SwanCap has implemented a comprehensive framework of compliance policies, including a Code of Conduct and promoting responsible behavior of the individual employees as well as SwanCap as a company. With regard to its investment decisions, RI is an important element of each investment decision, as described in detail below. SwanCap is a strong supporter of the UN Principles for Responsible Investment and has been a signatory since December 2016.

The present statement contains, in particular, the disclosures which are required to be made on this website by SwanCap under the Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (the “Sustainability Disclosures Regulation”).

SwanCap considers ESG factors in its investment evaluation and selection process, as more fully set out in Section 5 below. This commitment to ESG integration reflects our belief that ESG factors can be material to investment performance.

### **Integration of sustainability risks in the remuneration policy**

In accordance with Article 5 of the Sustainability Disclosures Regulation, SwanCap’s performance evaluation system consists of different parts, which determine an individual’s compensation and rewards. Given SwanCap’s strong commitment to ESG, employees showing a lack of support or disregard for ESG operating standards and commitments may be adversely impacted in their final performance rating and

remuneration. Conversely, employees who show strong commitment and support SwanCap's ESG aims can receive a higher overall performance rating and remuneration as a result.

### **No consideration of adverse impacts of investment decisions on sustainability factors**

SwanCap does not currently intend to publish a statement on its consideration of the adverse impacts of its investment decisions on sustainability factors in the manner set out in Article 4 of the Sustainability Disclosures Regulation. In line with the Sustainability Disclosures Regulation, SwanCap will publish the following statement in a separate section of its website:

"SwanCap integrates sustainability risks in its investment process, as a fund of fund sponsor making primary and secondary investments, it has limited control over and access to data from underlying fund managers and portfolio companies. As a result, it cannot provide the information in relation to its consideration of the adverse impacts of its investment decisions on sustainability factors in the manner set out in the final draft Regulatory Technical Standards accompanying the Sustainability Disclosures Regulation published by the European Supervisory Authorities on 4 February 2021.<sup>1</sup> SwanCap expects to keep this position under review going forward by reference to applicable market developments and future availability of information.

In line with the Sustainability Disclosures Regulation, SwanCap will include a similar statement in its pre-contractual disclosures.

### **Funds that promote environmental or social characteristics**

SwanCap has considered the application of Article 8 of the Sustainability Disclosures Regulation to its funds. Article 8 applies to funds that promote environmental or social characteristics and SwanCap does not currently consider that any of its funds are within its scope. While SwanCap integrates sustainability risks in its investment decision processes, SwanCap takes the view that none of its funds currently promotes environmental or social characteristics within the meaning of Article 8. Whilst there is uncertainty around the scope of Article 8, SwanCap takes the view that it does not incorporate environmental or social characteristics in the investment process in a manner to engage Article 8. In particular, SwanCap does not incorporate environmental or social characteristics in the investment

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process with a view to the fund meeting a defined environmental or social standard, such as screening each investment for (i) any negative external environmental or social impact and (ii) a positive contribution to the environment or society.

## 5. Application of the 3 RI Pillars to Investments

SwanCap views ESG risk management as an important component of the operational risk assessment it conducts on GPs it considers investing with. For each new investment, SwanCap will consider the ESG framework of the GP or sponsor as part of the operational due diligence process. This analysis includes:

- The GP's commitment to the 3RI Pillars or comparable ESG principles
- The Integration of such standards in the GP's setup and operations
- The integration of sustainability factors in the investment process and of an active ownership approach by a GP
- Whether adequate transparency and information is provided on ESG matters

As part of its due diligence process prior to participation in investments and Fund investment programs, SwanCap will consider:

- risks of exposure to ESG critical sectors and industries
- how a GP/sponsor assess and tracks sustainability factors and risks for its investments, and how it is capable and committed to mitigate identified sustainability risks.

For fund investments these considerations may be made on the basis of historic sample data.

As an investor, and through positions held in advisory boards and committees, SwanCap aims to promote an active ownership approach towards ESG being taken by its GPs. SwanCap encourages GPs to maintain a constructive dialogue with its investors and other stakeholders on developing and further improving ESG standards.

SwanCap has developed a proprietary scorecard for the GPs it invests in (the "ESG Scorecard"), which scores GPs on four key metrics:

- Commitment to ESG principles
- Integration of ESG factors
- Investment process & active ownership
- Transparency

As part of our efforts to foster RI, Swancap evaluates the scores in each area, as well as the weighted average total score.

SwanCap will use its position on LP boards to promote ESG adoption and will request that managers discuss their existing situation and plans relating to ESG as part of their annual and advisory board discussions.

### **5.1. Fund Investments**

As a large proportion of investments made by SwanCap are fund investments, SwanCap is conscious of the limited control it has over the underlying investments of such target funds. Therefore, SwanCap will foster the awareness of RI by systematically raising and discussing the topic with the GPs of such target funds.

For each new investment, the ESG framework of the GP for such investment will be considered as part of the operational due diligence process, as described above. The outcome will be reported to the deal team for their analysis and presented in the Operational Due Diligence Red Flag Report to the Investment Committee as part of the investment process.

SwanCap will continuously and systematically monitor the GPs for adverse ESG media.

Any negative findings shall be discussed by the Investment Committee and the result of this discussion shall be documented in the minutes of the respective meetings.

Additionally, SwanCap will monitor any RI related hard investment restrictions (contained in LPA's or side letters) through its investment restriction compliance process, which is part of the overall risk management framework.

### **5.2 Co-Investments**

SwanCap normally makes co-investments alongside those GP's which SwanCap has invested. Therefore, the general approach of RI of those GP's has already been assessed pursuant to section 5.1 above.

However, as a co-investment into a single target alongside a GP offers SwanCap the possibility to assess the potential co-investment in question also with regard to RI, SwanCap will not only consider the GP's approach to RI, but will also make RI on the level of the co-investment part of its investment due diligence.

SwanCap will continuously and systematically monitor the GPs and co-investment for adverse ESG media.

Any negative findings shall be discussed by the Investment Committee and the result of this discussion shall be documented in the minutes of the respective meetings.

Additionally, SwanCap will monitor any RI related hard investment restrictions (contained in LPA's or side letters) through its investment restriction compliance process, which is part of the overall risk management framework.

## 6. Escalation

RI incidents deemed material (e.g. gross negligence) with regard to the application of the Principles by SwanCap and/or its investments shall be recorded in an incident register and reported to the Compliance Officer and the Board of Directors. Mitigating action shall be recorded as well.

## 7. Reporting

SwanCap is aware of the importance of RI for its investors and is committed to keep its investors informed on RI matters and relevant information on a regular basis and in a form that is compliant with regulatory requirements and adequately addressing the expectations by SwanCap's investors as to demonstrated ESG awareness, commitment, and transparency.

SwanCap became a signatory to the UN Principles for Responsible Investment in December 2016 and reports its ESG activities through the PRI reporting framework on an annual basis.

## 8. Training

SwanCap undertakes to provide continuous RI training to its employees to foster the knowledge and application of RI principles.

## 9. Outlook

SwanCap is aware that RI is a process that involves the development and implementation of a complex framework and continuous improvement is possible and necessary. SwanCap undertakes to develop a RI report annually. The report shall contain information of the status of RI implementation by SwanCap as well as on the information received from GPs and co-investments with regard to their RI implementation, and on the progress made with RI.

## 10. Approval by the Board of Directors

This policy will be reviewed periodically. This policy is applicable to the Company and all its branches and comes into effect with the approval by all Board Members as documented below.

Senningerberg, 22 February 2023

The Board of Directors