



# FLEXSTONE

## PARTNERS

### **Responsible Investment Policy**

April 2024

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# Flexstone Partners Responsible Investment Policy

## Overview

Flexstone Partners (“Flexstone”) is a global asset management and advisory firm offering investment solutions across private markets. We are committed to integrating ESG (environmental, social and governance) factors through out our investment process , aligned with the financial objectives and values of our clients.

By considering material ESG risks and opportunities as a part of our investment screening, selection, and holding process, Flexstone believes that it can build and manage portfolios with superior risk-adjusted returns and to create enhanced value for our clients.

To achieve the responsible investment objectives and to align our portfolios with Flexstone’s and our clients’ ESG values and criteria, we have defined Flexstone’s global responsible investment policy which outlines our approach to ESG integration during the pre-investment and holding phase, notably the management of material ESG risks, and our internal ESG governance and escalation plan.

## Scope

This policy applies to all of Flexstone’s commingled funds, as of April 2024. All investments made before the date of implementation are subject to the previous version of the policy.

For SMAs, Flexstone implements our clients’ policies, in alignment with their financial and extra-financial objectives<sup>1</sup>; ESG due diligence and monitoring is systematically completed for all prospective investments as a part of Flexstone’s investment due diligence and risk management process.

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<sup>1</sup> Notably, our clients specific exclusion policies and materiality thresholds for excluded business activities and sectors.

## Flexstone's Responsible Investment Principles

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We have defined the following key principles to guide our responsible investment approach:

- **Principle 1** – We seek to **deliver superior risk-adjusted returns** by integrating ESG considerations at every step of our investment process in order to identify and manage material ESG risks and opportunities.
- **Principle 2** – We seek to provide our clients with investment solutions that **align with their bespoke financial and extra-financial objectives and values**, and to provide our clients with expertise across a wide range of ESG topics.
- **Principle 3** – We will work in **partnership with our GPs, clients, industry associations, and service providers** to share on industry best practices and regulatory developments, develop our understanding of the private sustainable investments market, and to exchange ideas, resources, and expertise.
- **Principle 4** – We are committed to taking **a proactive approach to responsible investment and sustainability**, and seek to continuously improve our approach by setting annual objectives overseen by Flexstone's Sustainability team and committee. We will report on our objectives and progress on an annual basis.
- **Principle 5** – We will implement **a consistent, global approach to responsible investment across all our strategies while remaining mindful of ESG complexity and adoption across different geographies**; Flexstone's standard responsible investment policy is applied to all of our comingled funds as a part of our responsible investment process, and tailored with additional criteria and objectives to reflect sector- and region-specific risks and opportunities.
- **Principle 6** – **We are committed to transparency**, and will report on our responsible investment activities and initiatives regularly through our annual corporate ESG report, AGMs, and dedicated portfolio ESG reporting, with the objective of aligning with international sustainability disclosure frameworks.

## Governance

Flexstone’s Sustainability Committee was established in January 2022 (previously ‘the ESG Working Group’) and held its first meeting in June 2022. The Committee is led by Flexstone’s Head of Sustainability and Managing Director, Samira Boussef, and Annabel Vaananen, Flexstone’s dedicated Sustainability analyst.

The Committee includes representatives from each office (Paris, Geneva, New York, Singapore) and team (investments, operations, compliance, IRBD, legal), including two Managing Partners. In order to ensure consistent implementation of Flexstone’s responsible investment and sustainability policies globally. The Committee meets on a quarterly basis.

### Flexstone Sustainability Committee

#### Head of Sustainability



**SAMIRA BOUSSEF, CFA**

Managing Partner  
Based in Paris

Samira leads the implementation of Flexstone’s sustainability strategy and responsible investment approach, as well as the development of the Firm’s bespoke investment solutions in alignment with our clients’ ESG criteria.

#### Dedicated Sustainability Analyst



**ANNABEL VÄÄNÄNEN**

Associate, Sustainability  
Based in Paris

Responsible for the development and implementation of Flexstone’s global corporate sustainability strategy and responsible investment approach with Flexstone’s Head of Sustainability.

#### Sustainability Champions



**ERIC DERAM**

Managing Partner  
Based in Geneva

Historical sponsor for Flexstone Sustainability values, he promotes and supports Flexstone’s global sustainability conviction and approach.



**HANS DEWITTE**

Managing Partner  
Based in New York

Responsible for overseeing the development and implementation of Flexstone’s corporate sustainability strategy in the US. Ensures consistent implementation of the Firm’s sustainability-related processes and policies.



**NATALIE HALL, CPA**

Director, Corporate  
Based in New York

Contributes to the development and implementation of Flexstone’s corporate sustainability initiatives in the US



**NICOLAS LE FUR**

Associate, IRBD  
Based in Geneva

Contributes to the development of Flexstone’s sustainability strategy in Europe, including the expansion of Flexstone’s ESG product offering and business development.



**JOYCE LEVY**

Vice President, Legal  
Based in Paris

Ensures that legal documents reflect Flexstone’s sustainability strategy and responsible investment approach.



**CANDICE MARMION**

Vice President, Investments  
Based in Paris

Specialist for the Private Equity Impact market in Europe. Contributes to the development of Flexstone’s responsible investment approach.



**IVY OMAR**

Executive Director, Operations and Finance  
Based in Singapore

Responsible for the implementation of Flexstone’s sustainability strategy in Singapore. A member of the ICI Asia Pacific chapter and the ICI regulatory working group.



**JULIEN PAILLE**

Director, Compliance  
Based in Paris

Ensures that Flexstone’s sustainability strategy and responsible investment approach comply with all relevant sustainable finance regulations, notably the SFDR and the French Law on Energy and Climate.

New York Paris Geneva Singapore

Source: Flexstone Partners, 2024

The Committee’s responsibilities include:

- Approving annual updates or amendments to Flexstone’s Sustainable Investment Policy and Corporate Sustainability Policy, proposed by Flexstone’s dedicated Sustainability Analyst and reviewing the policy on an annual basis;
- Approving updates to Flexstone’s ESG assessment framework and risk management procedure;
- Reviewing Flexstone’s annual sustainability objectives on a semi-annual basis and monitoring the Firm’s progress towards the set targets;
- Supporting the integration of ESG considerations into investment analysis and decision-making processes across the firm;
- Sharing resources and the latest industry research on sustainability-related topics, including regulatory updates, data providers, insights on ESG investing in private markets, international sustainability disclosure standards, and guidelines for ESG risk management;
- Supporting efforts to address the emerging and evolving regional regulatory landscape

- Leading sustainability initiatives at Flexstone's offices, including the organization of Flexstone's annual ESG-related day and implementing actions to reduce the environmental impact of Flexstone's physical workspaces; and,
- Communicating with Flexstone's clients, General Partners, and other stakeholders on Flexstone's ESG initiatives and investment process and their sustainability-related objectives and needs.

# Exclusion Policy

Flexstone Partners’ exclusion policy (sector and norms-based) ensures that all of Flexstone’s investment align with the Flexstone’s core values. Our objective is to ensure that each of our investments meets minimum standards with regards to controversial and high-risk activities. For each of the sectors covered by Flexstone’s Policy, we have defined specific exclusionary criteria and materiality thresholds, based on the materiality of the risks associated with each activity.

In some cases, additional sectoral exclusions may be applied in alignment with Flexstone’s clients’ exclusion policies. Our exclusions policy is publicly available on our website<sup>3</sup>.

## Summary of Flexstone’s Sectoral Exclusions

Sector	Revenue Threshold	Exemptions	Details
Coal	0%	No	-
Oil & natural gas	0%	Yes	Activities aligned with the EU taxonomy and the objectives of the Paris Agreement for natural gas.
Tobacco	0%	Yes	20% revenue threshold for non-dedicated activities, such as companies in the hospitality or hotel industry.
Controversial weapons	0%	No	-
Conventional weapons	5%	No	-
Adulting Entertainment	0%	No	-
Gambling	0%	Yes	20% revenue threshold for non-dedicated activities, such as hotel groups hosting casino activities.
Production of non-RSPO certified palm oil	0%	No	Does not apply to RSPO-certified palm oil production, distribution, or sale.

Source: Flexstone Partners, 2024. For more details, see Flexstone’s exclusion policy available on the website.

<sup>3</sup> <https://www.flexstonepartners.com/responsible-investors/>

## ESG Integration in the Investment Process

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From the deployment phase of the investment strategy to its final liquidation, the funds and mandates managed by Flexstone are exposed to ESG risks, which are environmental, social, or governance issues that can expose an investment to unexpected changes in its current and future financial, economic, reputational, and legal prospects. The omission of ESG risks from the investment process would result in an incomplete understanding of current or future financial prospects.

Therefore, each investment professional at Flexstone is responsible for identifying and managing the exposure of prospective and current investments to material ESG risks and ensuring that they are aligned with Flexstone's ESG policy. The following process outlines Flexstone's approach to integrating ESG considerations during the pre-investment and holding period.

It is important to note that as a Limited Partner and a minority investor, Flexstone does not directly engage with underlying portfolio companies, and depends on GPs to engage with portfolio companies on ESG related issues and to manage investee company level ESG risks. Therefore, the focus of our due diligence process is on assessing the GP's approach to responsible investment, notably their ESG governance & oversight, dedicated resources, and ESG risk management framework. The objective of our quantitative and qualitative analysis is to ensure that our GPs have in place the necessary resources to effectively identify and manage material ESG risks.

### Pre-investment ESG screening & due diligence

#### 1. Negative Screening

**Sectoral and Normative Exclusion:** The first step is to exclude all prospective investments that are not in line with Flexstone Partners' exclusion policy to reduce exposure to high risk business activities. Flexstone has defined a list of sectors and activities that have significant exposure to ESG risks and adverse impacts on environmental and social outcomes<sup>5</sup>. Flexstone's exclusion policy is available on our website<sup>6</sup>.

**Exclusion of entities involved in high risk controversies<sup>7</sup>:** In addition, Flexstone excludes investments in any GP, fund, or company that has been involved in a controversy categorized as "high risk" based on Flexstone's controversy risk exposure assessment framework. The materiality of a controversy is assessed based on its severity (i.e., impact on environment, employees, local community), reliability of the source, status (i.e., remediation plan, ongoing litigation), the GP's escalation plan, and the reputational risk associated with the incident.

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<sup>5</sup> For separately managed accounts (SMAs), Flexstone is able to customize the Policy applied to the mandate and defines the business activities and materiality thresholds with each client in order to reflect their ESG preferences and policies. Flexstone provides its standard Policy as a default option for SMAs.

<sup>6</sup> <https://www.flexstonepartners.com/responsible-investors/>

<sup>7</sup> See p.9 for Flexstone's controversy management policy and definitions.



## 2. Quantitative ESG Score

Once an investment has been screened for excluded investments, the deal team calculates a quantitative ESG score for the investment using Flexstone’s proprietary ESG scoring framework. Flexstone has defined a scoring framework for primary funds, secondary funds, and co-investments / single-asset secondary transactions.

The objective of the ESG scoring framework is to provide our investment and ESG professionals an initial assessment of the GP’s ESG maturity, notably the extent to which material ESG risks are integrated as a part of pre-investment due diligence and engagement during the holding period. For co-investments and secondary transactions, Flexstone’s ESG team also screens the underlying assets for material ESG risks / controversies<sup>8</sup>.

An overview of the key criteria assessed to calculate the ESG score is provided below. The fourth pillar (Portfolio Company ESG Risks & Opportunities) is only considered for co-investments and secondaries where Flexstone has transparency on the underlying assets.

### Flexstone ESG scoring framework criteria

PRIMARY FUNDS, SECONDARIES, & CO-INVESTMENTS			SECONDARIES & CO-INVESTMENTS
<b>I. GP ESG Initiatives, Governance, &amp; Resources</b>	<b>II. Pre-investment ESG Due Diligence</b>	<b>III. Post-investment ESG Monitoring</b>	<b>IV. Portfolio Company ESG Risks &amp; Opportunities</b>
<b>Initiatives, resources, &amp; governance</b> <ul style="list-style-type: none"> <li>Responsible investment &amp; exclusion policy</li> <li>ESG resources &amp; expertise</li> <li>Participation in industry initiatives</li> </ul>	<b>Integration of ESG considerations in pre-investment due diligence:</b> <ul style="list-style-type: none"> <li>Identification AND analysis of the most material ESG risks during due diligence</li> <li>Identification of priority actions to improve ESG performance post-investment</li> <li>Expert resources used for due diligence (i.e., third party consultants)</li> </ul>	<b>ESG risk management, monitoring, &amp; value creation during ownership:</b> <ul style="list-style-type: none"> <li>ESG action plans developed for portfolio companies with focus on most material ESG risks</li> <li>Integration of ESG in value creation strategies</li> <li>Monitoring of sector specific environmental and social risks</li> </ul>	<b>Exposure to material ESG risks:</b> <ul style="list-style-type: none"> <li>Companies with activities in high risk sectors and geographies</li> <li>History of controversies / business ethics issues at GP / portfolio company level (World Check)</li> </ul>
<b>Climate strategy</b> <ul style="list-style-type: none"> <li>Portfolio carbon footprint assessment</li> <li>Net zero objectives (i.e., SBTi)</li> <li>Climate risk management framework</li> </ul>			<b>ESG opportunities</b> <ul style="list-style-type: none"> <li>Company contribution to one or more SDGs</li> <li>Integration of ESG objectives in value creation plan (e.g., contribution to climate solutions)</li> </ul>
<b>Diversity, equity, &amp; inclusion</b> <ul style="list-style-type: none"> <li>GP DEI commitments &amp; policies</li> <li>Contribution to industry initiatives</li> <li>DEI considerations integrated into portfolio company monitoring</li> </ul>			
<b>ESG disclosures to investors</b> <ul style="list-style-type: none"> <li>Monitoring of ESG KPIs</li> <li>Extra-financial reporting to investors (i.e., AGMs, ESG / impact reports, regulatory disclosures)</li> </ul>			

Source: Flexstone Partners, 2024. Flexstone’s ESG scoring framework is available upon request.

The ESG score is used to categorize GPs across four levels of ESG integration: beginner (0%-39%), developing (40%-69%), intermediate (70%-89%), and advanced (90%-100%). The ESG score is included in the investment memorandum presented during the investment committee (both the introduction and final IC memo).

<sup>8</sup> A minimum ESG score is defined for each of Flexstone’s funds depending on the investment strategy, regional focus, and specific ESG objectives defined for the product.

### Flexstone Quantitative ESG Score Scale

Level of ESG Integration	ESG Score Threshold	Flexstone Definition
<b>Beginner</b>	<b>0%-39%</b>	Limited to non-existent integration of ESG criteria in the investment process. Monitoring and reporting of ESG KPIs and portfolio company ESG performance is limited or non-existent. The GP has not identified or addressed material environmental, social, and governance issues for the fund or portfolio company.
<b>Developing</b>	<b>40%-69%</b>	Standard ESG factors are integrated as a part of their due diligence process for majority of investments (high-level analysis of ESG risks). Generally, the GP’s due diligence is focused on compliance and EH&S related issues and augmented by third party experts. The GP monitors standard ESG KPIs and has in place extra-financial reporting. The GP has identified some or most of the material ESG risks for the underlying portfolio companies, and generally implements basic ESG action plans with portfolio companies.
<b>Intermediate</b>	<b>70%-89%</b>	ESG criteria are integrated systematically in the investment process throughout the pre-investment and holding period and the GP has defined formal policies and procedures with regards to ESG due diligence, risk management, and engagement. The GP’s ESG analysis is focused on the most material ESG risks for the sectors in which they invest, and an action plan is put in place systematically to manage these risks. The GP reports on portfolio company ESG performance and progress in an annual report. Generally, ESG is integrated as a part of the value creation plan for underlying companies.
<b>Advanced</b>	<b>90%-100%</b>	Building on intermediate. The GP has a proactive approach to ESG issues, and systematically integrates ESG criteria as a part of the value creation plan for portfolio companies. In addition, the GP is advanced across a range of ESG topics (internal capacity and external expertise), and has defined ambitious time-bound targets for contributing to sustainable development (i.e., net zero SBTi approved target).

Source: Flexstone Partners, 2024. Flexstone’s ESG scoring framework is available upon request.

### 3. Qualitative ESG Analysis

Once the opportunity has been validated during the introductory investment committee (IC 1), an in-depth qualitative ESG due diligence is completed by our ESG and deal teams:

- **For primary funds:** The ESG team focuses on assessing the GP’s ESG philosophy, governance, resources, and responsible investment process, with a focus on how the GP identifies, manages, and monitors material ESG risks. The qualitative due diligence aims to strengthen the initial analysis completed to calculate the quantitative ESG score; notably, Flexstone’s ESG team seeks to understand how the GP is evolving in their responsible investment approach, what their ESG priorities are when engaging with portfolio companies, and how the GP identifies and addresses the most material ESG issues for portfolio companies post-investment. At the end of the due diligence process, Flexstone’s ESG team, in collaboration with the investment deal team, defines the key ESG KPIs to be monitored for the fund (defined with the GP in alignment with their ESG reporting framework) and an action plan when relevant (i.e., ESG clauses to be included in side letters).
- **For secondary & co-investments strategies :** For secondaries (single- and multi-asset transactions) and co-investments, Flexstone’s qualitative ESG analysis is focused on assessing the GP’s responsible investment approach and the specific ESG risks and opportunities associated with the underlying portfolio company (or companies). Since these opportunities are not exposed to blind-pool risk, Flexstone places more focus on

identifying and assessing the risks associated with the underlying portfolio companies, their industries, and how these risks are already being addressed by the GP.

In the case of secondary transactions, Flexstone completes ESG due diligence on a best effort basis as in-depth ESG analysis is not always feasible for older vintages. However, Flexstone is not exposed to the same 'blind pool' risks as with primary funds, and therefore this analysis can be carried out based on the actual composition of the fund.

## Post-investment ESG monitoring & reporting

### 4. Side Letters

Once the investment has been approved, a side letter is negotiated with the GP on a best effort basis. Flexstone's standard side letter includes a dedicated responsible clause that sets forth provisions related to our fundamental expectations with regards to responsible investment practices, defined in alignment with each fund's specific investment strategy and objectives, including:

- excluded sectors, business activities, and geographies (including our clients' specific materiality thresholds, defined as % of revenue derived from a specific activity);
- the management, monitoring, and disclosure of ESG-related controversies;
- extra-financial reporting (i.e., specific ESG KPIs to be reported by the GP, annual reporting); and,
- specific requirements related to our clients' ESG criteria and policies.

For secondary transactions, new side letters are not generally negotiated.

### 5. Monitoring & Reporting of ESG KPIs

Flexstone monitors the ESG performance and progress of its funds on an annual basis through a platform dedicated to extra-financial monitoring and reporting. Flexstone's first ESG data collection campaign was launched in February 2022. The data collection campaign is conducted on a best effort basis.

The ESG KPIs included in the campaign include GP and portfolio company level indicators, based on standard ESG disclosure frameworks such as the France Invest GP and portfolio company ESG questionnaire, SFDR, and ILPA (e.g., Scope 1, 2, & 3 GHG emissions, DEI KPIs, accident frequency rate).

Flexstone uses the data reported by GPs to identify material ESG risks during the holding period, notably with regards to controversies / litigation at portfolio company level. The results of the campaign are reported at fund level in Flexstone's annual ESG report.

## Monitoring of ESG Controversies

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### Definition

In the context of responsible investing, **a controversy refers to a situation where a GP or a company finds itself involved in activities and/or decisions that could raise ethical or social concerns, or where the company is accused of inappropriate behavior.** These concerns or accusations may relate to harmful behavior in terms of environmental (carbon emissions, pollution, waste management, etc.) social (diversity, human rights violations, failure to respect labour rights, etc.) or governance (conflicts of interest, lack of transparency, fraud, etc.) practices.

### Controversy Monitoring

The management and monitoring of controversies are fully integrated into our responsible investment process and overseen by all relevant operational teams (ESG, investment, compliance) and are characterized by:

- Exclusion of high-risk and controversial activities based on sector- and norms-based screening,
- Ongoing monitoring by the investment, ESG, and compliance teams based on diverse sources (World Check, media, GP reporting, search engines),
- Contractual provisions in the side letters requesting that fund managers communicate any new material controversies (significant financial or reputational risk, or negative impact on the environment / society) to Flexstone as soon as possible<sup>10</sup>,
- Semi-annual control carried out by Flexstone's Chief Compliance Officers (CCOs) on the companies in the portfolio,
- Risk management governance established around an internal committee and an escalation plan which is implemented if a controversy occurs during the holding period, and,
- Transparency with our clients and our shareholders (Natixis IM) on the material controversies that have arisen, Flexstone's materiality assessment and risk categorization of the incident, and the escalation plan implemented by Flexstone (regular communication through portfolio reporting, existing committees, and dedicated disclosures/ad-hoc committees when necessary).

When a controversy is identified, it is assessed by Flexstone's ESG and investment teams, and the CCOs depending on the reliability of the source, the status (proven or rumored), the manager's risk management and mitigation plan (prevention of recurrence), its severity (including the impact on the environment and local communities), and the materiality of the reputational and financial risk for Flexstone and relevant stakeholders (clients, Natixis IM).

Flexstone's controversy management policy was implemented in March 2024 is available on request.

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<sup>10</sup> Flexstone negotiates ESG related provisions within side letters on a best effort basis; our standard responsible investment clauses include disclosure requirements of material ESG controversies/incidents during the holding period. If Flexstone is not able to integrate additional clauses within side letters (as it is the case for secondary transactions), the ESG and investment teams will engage with the GP to agree on another method of communication on controversies. In addition, Flexstone will review the fund LPAs which often already include a clause related to disclosure of material ESG / business ethics related incidents to investors.

## Engagement policy

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### Engagement with General Partners

Flexstone's deal teams and ESG professionals maintain regular dialogue with our GPs on their approach to responsible investment and sustainability with the objective of exchanging on industry best practices, monitoring their progress, and understanding key challenges faced by GP's with regards to ESG related issues (e.g., lack of ESG data and resources at company level, regulatory restrictions, etc.).

Flexstone's ESG and deal teams organize dedicated calls with GPs on an ongoing basis in order to understand how their responsible investment approach is evolving and to address specific questions related to our investments

As a part of this ongoing dialogue, Flexstone seeks to support its GPs with the development of their responsible investment policies and processes when relevant .

### Limited Partner Advisory Committees

Flexstone Partners' investment professionals hold over 100 Limited Partners Advisory Committee (LPAC) seats. This allows Flexstone's investment professionals to exchange with our GPs on their ESG approach and developments, including their internal resources, ESG developments at portfolio companies, and ESG focused investment offerings.

Flexstone's deal teams monitor whether ESG / sustainability topics are included as a part of the agenda for the LPACs and AGMs they attend. Any relevant updates are shared with Flexstone's ESG team.

## Sustainable Finance Disclosure Regulation

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### Principal Adverse Impacts

Article 4 of the SFDR ('Transparency of adverse sustainability impacts at entity level'), Regulation (EU) 2019/2088<sup>11</sup>, is related to the publication of sustainability information in the financial sector. Article 4 provides that financial market participants publish on their website information on where they do and do not consider principal adverse impacts (PAIs) of investment decisions on sustainability factors on a 'comply or explain' basis.

At fund level, the Principal Adverse Impacts (PAI) on sustainability factors are partially taken into account through Flexstone's exclusions policy (sectoral and normative), which is available on our website<sup>12</sup>:

- **Coal, Oil & Gas** (PAI: 1. GHG Emissions, 2. Carbon Footprint, 3. GHG Intensity of Portfolio Companies):
- **Controversial weapons** (PAI: 14. Exclusion policies for exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons),
- **Normative** (PAI 10. Violations of the principles of the United Nations Global Compact and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises).

More information on the consideration of principal adverse sustainability impacts is available in the periodic reporting in accordance with Article 11(2) of the SFDR for our Article 8 funds.

In addition, Flexstone's Reporting 21 data collection campaign includes the 14 mandatory principal adverse impact indicators<sup>13</sup>. Flexstone collects these KPIs on a best effort basis.

### Sustainable Finance Disclosure Regulation (SFDR) Remuneration Policy

Article 5 of the SFDR ('Transparency of remuneration policies in relation to the integration of sustainability risks'), Regulation (EU) 2019/2088, provides for the publication of information on the integration of sustainability risks within the remuneration policy in the financial sector. The aim is to understand if firms encourage the integration of sustainability risks within investment decision or consulting processes.

Information on the integration of sustainability criteria within Flexstone's remuneration policy can be found on Flexstone's website.

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<sup>11</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32019R2088>

<sup>12</sup> <https://www.flexstonepartners.com/responsible-investors/>

<sup>13</sup> With the exception of co-investments, for which 11 out of 14 indicators were included in Flexstone's Reporting 21 campaign. The excluded PAI indicators were PAI indicators 4 and 14. However, these indicators were included in Flexstone's annual ESG information request for co-investments.

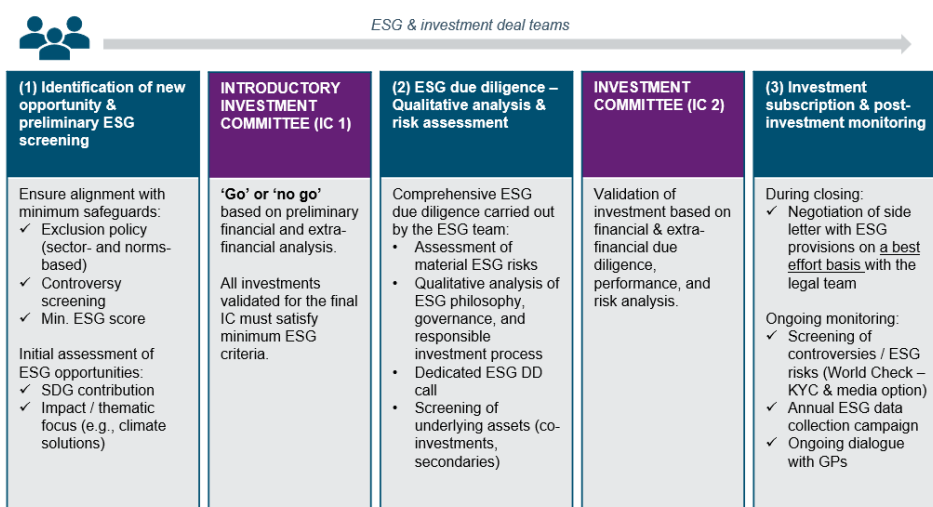


## Risk Oversight and Escalation Process

ESG criteria are taken into account throughout the investment life cycle. In order to ensure that our responsible investment policy and processes are consistently implemented across all of our strategies and operational teams, we have defined a clear governance structure, consisting of our internal Sustainability Committee led by our Head of Sustainability, and the investment decision making process defined below:

- **Identification of a new investment opportunity:** When the investment team identifies a new investment opportunity, they share the key information with all of Flexstone’s teams (ESG, compliance, legal).
- **Preliminary ESG screening for the Introduction Memorandum (IC 1):** The ESG team completes the first screening with the help of the deal team to ensure that all new investment opportunities are aligned with Flexstone’s and our client’s ESG policies and minimum standards (excluded activities, min. ESG score<sup>14</sup>, controversies).  
In addition, the ESG team completes an initial analysis of the fund’s or portfolio company’s contribution to one or more of the 17 UN SDGs, when relevant (not a bidding element). The initial findings are included in the introduction memorandum presented during the investment committee. The binding elements based on Flexstone’s and our client’s minimum requirements determine if the deal is a ‘Go’ or ‘No go’.
- **ESG due diligence completed prior to the final Investment Committee (IC 2):** Once a deal is validated for further due diligence by the investment committee, Flexstone’s ESG team completes an in-depth ESG due diligence on the prospective deal, including a qualitative analysis to support the ESG score for the deal. The final due diligence findings, including any material ESG risks, opportunities, and next steps are included in the final investment memorandum and discussed as a part of the investment committee. The focus of the final analysis is on three key pillars: (i) GP ESG philosophy & initiatives, (ii) ESG governance & oversight, and (iii) the GP’s responsible investment process.
- **Post-Investment:** Flexstone’s deal and ESG teams monitor the investment’s ESG performance, KPIs, and controversies through our annual ESG data collection campaign on a best effort basis, media and KYC screening using World-Check, AGMs / LPACs, extra-financial reporting provided by GPs, and calls with our GPs.

### ESG integration in the investment decision making process



Source: Flexstone Partners, 2024

<sup>14</sup> Minimum ESG score is defined for each fund depending on the strategy (region, ESG objectives, etc.) and disclosed in the pre-contractual disclosure documentation for Flexstone’s Article 8 funds.

## Compliance Oversight & Controls

In order to ensure compliance with Flexstone's internal sustainable investment policy and any relevant sustainable investment regulations such as the SFDR and the EU taxonomy, Flexstone's CCO completes a semi-annual control on all of Flexstone's ESG-related initiatives and policies. The results of the control are reported to Flexstone's ESG team and Managing Partners, with recommended steps to improve any deficiencies in our processes or policies.

As a part of this control, Flexstone's CCO assesses the ESG due diligence, IC memo, and monitoring completed for a sample of Flexstone's investments in order to ensure that our responsible investment process is implemented consistently.

In addition, the findings included in the final control report are discussed during Flexstone's quarterly Sustainability Committee meetings, which include representatives from each of Flexstone's global offices and operational teams, in order to ensure the recommendations are implemented by the relevant teams.

## Escalation Process

**If Flexstone is notified of or identifies an ESG related controversy or violation (i.e., non-compliance with Flexstone's or our clients' ESG policies, exposure to an excluded sector, business ethics litigation) during the holding period,** the investment, ESG, and compliance teams assess the materiality of the incident and classifies it as low, medium, or high risk based on its impact on relevant stakeholders, the environment, and the society in general, the risks associated with the incident (reputational, financial, legal), and its current status (i.e., remediation plan implemented by GP).

**If Flexstone classifies the controversy as high risk,** Flexstone will engage with the GP to ensure that they have in place an adequate risk management and remediation plan and disclose the incident and its status to all relevant stakeholders, including our investors, Natixis IM, and regulators when necessary. Depending on the severity of the incident, it will be reported either through quarterly reporting, existing portfolio management committees, or through crisis communication when necessary.



## Contacts

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Flexstone Partners (“Flexstone”)<sup>15</sup> is a leading investment solutions provider in private assets with a global reach and local footprints in New York, Paris, Geneva, and Singapore. It specializes in the selection of private equity, private debt, real estate, and infrastructure fund managers for investment by Flexstone’s clients. Flexstone manages primary and secondary investments as well as co-investments. Flexstone’s expertise is distinguished by a high flexibility in building customized portfolios that are tailored to the unique needs and constraints of each investor whether institutional or private individual<sup>16</sup>. Flexstone offers a large range of services, from advising on private assets portfolio construction to the management of fully discretionary separate accounts and funds of funds. Flexstone, with more than 40 professionals, manages \$10 billion<sup>17</sup>. It is a majority owned subsidiary of Natixis Investment Managers, one of the largest investment managers worldwide.

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<sup>15</sup> Flexstone is the name that collectively identifies Flexstone and its underlying companies.

<sup>16</sup> Under certain conditions related to marketing and prospection regulatory requirements specific to each entity.

<sup>17</sup> Source: Flexstone Partners at 31/12/2021. Assets under management and advisory made up of commitments for closed-end private placement funds, and sum of Net Asset Value and unfunded commitments otherwise.

## Legal Information

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Last updated April 2024.

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