Responsible Investment Policy

FLEXSTONE PARTNERS

June 2020

Introduction

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

Our mission is to build and manage investment portfolios which generate a superior, long-term, responsible performance by investing in ethically managed private assets.

Background

Flexstone has a long history in responsible investing. As early as 2006, we set up an investment mandate for a Swiss public pension fund with a set of financial as well as ESG objectives. The focus then was on employment issues and assessment of the way portfolio managers factor ESG criteria into their investment processes. In 2014, Flexstone signed the United Nations Principles for Responsible Investment (UN PRI) and outlined a formal ESG investment policy, working in partnership with Mirova, Natixis' responsible investment subsidiary. As a signatory, Flexstone has committed itself to the following six principles:

- **Principle 1**: We will incorporate ESG criteria into investment analysis and decision-making processes;
- **Principle 2**: We will be active owners and incorporate ESG criteria into our ownership policies and practices;
- **Principle 3**: We will seek appropriate disclosure on ESG highlights and issues by the entities in which we invest;
- **Principle 4**: We will promote acceptance and implementation of the Principles within the investment industry;
- **Principle 5**: We will work together to enhance our effectiveness in implementing the Principles; and,
- **Principle 6**: We will report on our activities and progress towards implementing the Principles.

Why has Flexstone developed ESG principles?

Flexstone has developed its ESG principles for the main following reasons:

- **To deliver risk-adjusted returns:** We seek to deliver a superior responsible performance by selecting investments with compelling track records and acceptable levels of risk, with a process that integrates the ESG dimension.
- **To avoid specific risks:** We decline investment opportunities with any material ESG related risks.
- **To raise awareness:** We are committed to raise awareness of responsible investing among our Fund Managers and to ensure that ESG criteria are considered in all aspects of the investment process.
- **To help advance Fund Managers:** We have designed a governance model to integrate ESG considerations across all investments, including primary, secondary and co-investments.
- **To provide clients with portfolios with strong ESG credentials:**
  - Most of our clients have adopted ESG principles as part of their investment policies. On a client by client basis, we are committed to apply their principles in their private asset portfolio. We make sure that sectors excluded from their investment guidelines are excluded in the fund LPA or in side-letters. Furthermore, the Fund Manager commits to apply, on a best effort basis, the ESG principles as stated in each investment policy of our clients.
  - High quality fund managers and funds selected by Flexstone typically have strong ESG credentials. As a result, even though they generally have limited resources to do so, Fund Managers selected by Flexstone tend to adhere to generally accepted principles of responsible investments even when they have not formally signed the UN PRI.
- **To provide clients transparency:** We continually inform clients about their investments through a variety of means including periodic reporting and analytics about underlying portfolio companies ESG performance.

How is Flexstone implementing its ESG principles?

1. Pre-investment / selection stage

Sector exclusion review
Negative screening of the underlying prospective investment: The criteria for negative screening are based on Flexstone's and LPs' exclusion criteria. All non-compliant investments are declined.

ESG due diligence and scoring
Assessment of a portfolio's ESG risks fed by a proprietary ESG analysis grid, which is a subset of Flexstone's risk assessment tool. The ESG analysis is integrated in the financial due diligence and added to the Investment Memo. This includes:

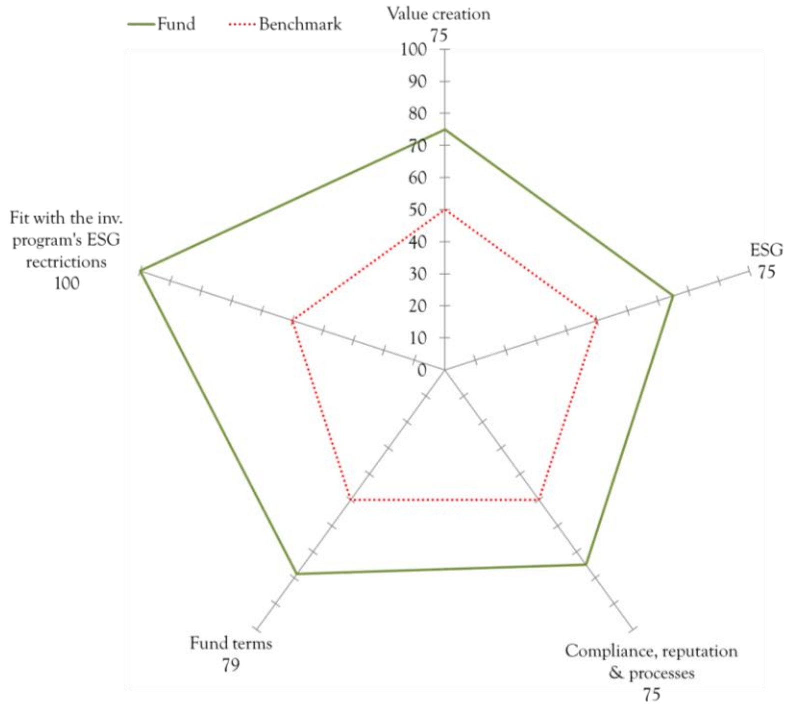
- A review of the ESG guidelines of the fund manager
- A global ESG rating with a score out of 100 (based on 18 KPIs) across five sections:
  - ✓ Value creation (ability of the manager to create operational value)
  - ✓ ESG capabilities of the fund manager
  - ✓ Compliance, reputation and processes
  - ✓ Fund Terms
  - ✓ Fit with investment program's ESG guidelines

The below rubric is utilized to formulate a score based on the 18 KPIs. The underlying assessment is available upon request.

Flexstone's internal ESG scoring tool during the due diligence phase

Categories	Criteria	Evaluation	
Value creation	f. Value creation drivers	0	/4
ESG	a. PRI signatory	0	/4
	b. ESG reporting	0	/4
	c. ESG policy	0	/4
	d. Reputation risk	0	/4
Compliance, reputation & processes	a. AML due diligence	0	/4
	b. Porfolio exposition to sensitive sectors /see Natixis List	0	/4
	c. Embargos and Interdiction List	0	/4
	d. Tax filing and risks for the investors (Fatca, ERISA.....)	0	/4
	e. Management company control environment	0	/4
Fund terms	a. Economics	0	/4
	b. Governance	0	/4
	c. Jurisdiction	0	/4
	d. Transparency & reporting to LPs	0	/4
	e. Fund leverage	0	/4
	f. In-kind distribution	0	/4
	g. MFN, side letters	0	/4
Fit with the inv. program's ESG rectrictions	c. ESG restrictions	0	/4
Total Base 100		**0**	**/ 100**

Sample of GP's ESG ratings



In the case of co-investments, Flexstone performs the same analysis on the GP or sponsor that Flexstone is investing with as performed during a primary investment. As a co-investor, Flexstone's is afforded enhanced visibility into the underlying asset, and the investment team can perform additional ESG analysis by reviewing key due diligence documents and assess any additional ESG risks and value creation opportunities. In addition, dependent on the size of the investment, Flexstone may be afforded the opportunity to be a board member, which would further ensure proper alignment. Lastly, Flexstone is able to receive additional reporting from the company, including any ESG, compliance, financial, and quarterly reporting.

2. Pre-investment: Closing

Flexstone seeks to integrate ESG clauses in Side Letters and LPAs:

- In the case of Side Letters, we request the addition of a paragraph underlying the importance of the RI/ESG approach for Flexstone;
- In the case of the LPAs, Flexstone negotiates the LPA with the Fund Managers to reflect the necessary sector exclusions and request specific reporting provisions (reporting level, detailed data on underlying companies); and,
- Furthermore, Flexstone seek to have Fund Managers committing to apply the ESG principles as stated in each investment policy of Flexstone's clients.

3. Ownership

ESG dialogue
As a significant and active investor and very often a Limited Partner Advisory Committee voting member, or sometimes as a board member for co-investments, Flexstone has the voice to promote the adoption of best practices for responsible investment with the Fund Managers.

ESG Monitoring
Flexstone requests specific reporting provisions (reporting level, detailed data on underlying companies, analysis of the economic impact and value creation). An annual check of the compliance of the sectoral

exclusion is conducted and when such information is available, Flexstone will include an ESG section in its annual reports.

Flexstone seeks to maintain a regular dialogue on the Fund Manager's contractual commitment to abide by, on a best effort basis, the ESG principles as stated in each investment policy of Flexstone's clients (notably support to sign the PRI for those who are not yet a PRI signatory).

Finally, the ESG analysis of Flexstone investments is updated on a regular basis and at a minimum during each fundraising cycle.

Governance

Flexstone's ESG procedure is managed by an interdisciplinary team in consultation with the Managing Partners. The ESG working group contains representatives from Executive Management, Corporate, Operations, Investor Relations and Business Development, and Investments to ensure a consistent integration of the ESG policy across the Firms departments. The members of the working group are:

Eric Deram
Managing Partner
Executive Management

Kristof Van Overloop, CFA
Director
Investments

Christopher Hopkins
Associate
Investments

Joanna Lee
Director
Investor Relations & Business Development

Caroline Gibert
Director
Investor Relations & Business Development

Nicolas Le Fur
Analyst
Investor Relations & Business Development

Sylvie Bondurand
Office Manager
Corporate

Sophie Motos
Administrative Assistant
Corporate

Ivy Omar
Executive Director
Operations

Advocacy

Flexstone commits to enhance proficiency and awareness internally and with advisors/ consultants by:

1) Continuing awareness - building efforts through training and education of employees and investment professionals regarding their role in ESG issues. This ESG policy and awareness of the issue are incorporated in the annual compliance training;
2) Distributing materials to employees designed to enhance their awareness of ESG issues and their appropriate role in investment decision-making process; and,
3) Continuously refine our ESG principles and our related actions, both as a corporate citizen and as an investor.

Flexstone ESG working group defines clear roles and responsibilities in integrating ESG policies into our investment and monitoring process and supports ESG policies improvements within Flexstone. The group will propose a new ESG policy to the Managing Partners to be approved in 2020. The new policy will be based on the UN sponsored Sustainable Development Goals framework.

Gender Diversity

As of May 2020, Flexstone employs a total of 41 professionals, of which 44% are women, including:

- 27 Senior Professionals (VP and above), of which 33% are women;
- 19 Investment professionals, of which 21% are women; and,

- 10 members of Advisory Investment Committees, of which 10% are women.

In 2020, Flexstone committed to the France Invest-sponsored “Gender Equality Charter” with the following stated objectives:

Increase the percentage of women having responsibility for investment committee decisions to 25% by 2030 and 30% by 2035 and acquire the necessary tools to achieve this objective.

Set a target for women to make up 40% of investment teams by 2030.

Involve management in delivering on these commitments.

Ensure that published job offers are gender neutral and free of gender stereotypes in accordance with the regulations in force.

Ensure non-discriminatory recruitment and assessment practices by:

- Considering several female candidates against male candidates until the end of the process to limit profile analysis bias;
- Making sure to use a gender-neutral list of questions so that women are not asked different questions;
- Ensuring that Flexstone is as evenly represented as possible during the profile assessment, interview, and selection phase; and,
- Broadening the eligible profiles when recruiting for skills related to the unlisted investment business.

Establish monitoring indicators and communicate them annually to track and measure progress.

Implement measures to retain female talent.

This version of the policy was approved in May 2020. It will be reviewed on an annual basis by the Managing Partners. This policy will be updated by the end of 2020 to take into account the work being done by the ESG working group and regulatory changes as well as accomplishments by Flexstone.