FLEXSTONE PARTNERS

ESG Report

AUGUST 2023

Table of Contents

1.0 — Our Values & 2022 Sustainability Highlights

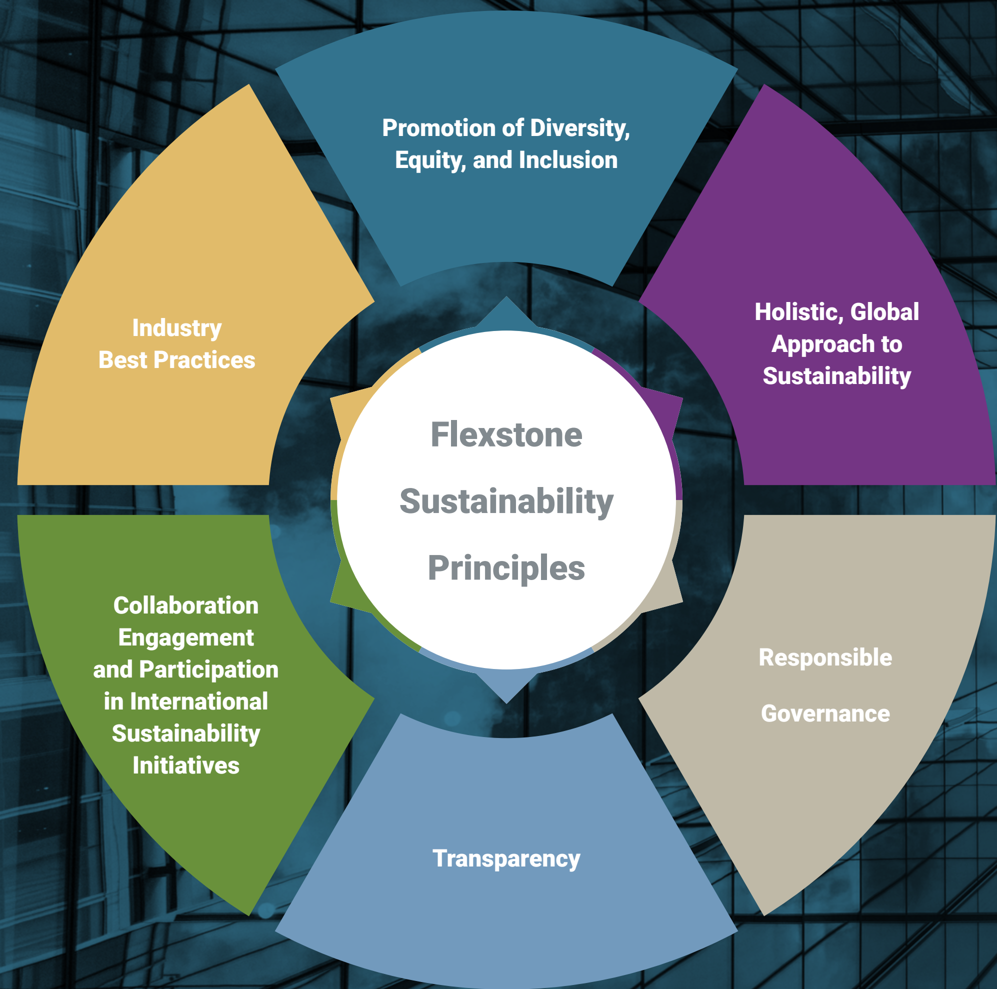
1.1 — Our Values

Flexstone Partners ("we" or "The Firm") is a global asset management and advisory firm offering investment solutions across all private markets. At Flexstone, we believe that it is our duty as a corporate citizen to act as a responsible investor, and to integrate environmental, social, and governance considerations into our corporate and investment activities.

Therefore, we have taken a holistic approach to sustainability and are committed to integrating our core sustainability principles across all of Flexstone's activities, from our governance structure and social engagements to our investment risk management processes and policies. We also recognize that the sustainable finance landscape is constantly evolving, notably with the implementation of the SFDR, and will continue to develop our responsible investment approach according to industry best practices, regulations, and international frameworks such as the UN PRI.

Flexstone's Guiding Sustainability Principles

The six sustainability principles, shown on the right, guide our business approach as an investor, employer, and corporate citizen:



Promotion of Diversity, Equity, and Inclusion

Flexstone seeks to promote diversity and equity through its governance, business approach , and policies, and has implemented a firm-wide initiative to support and raise awareness of UN SDG 5 (gender equality). Flexstone recognizes:

- The historical underrepresentation of women and minorities in the private equity sector, and is committed to promoting equity and diversity in the industry through various initiatives, including signing the France Invest Gender Equality Charter, implementing policies & processes to recruit and retain diverse talent, including partnering with Paradigm to implement annual DEI training for employees, and joining the ILPA Diversity in Action initiative.
- That diversity, equity, and inclusion are necessary for the development of sustainable business models and communities in the long-run, the delivery of risk-adjusted responsible returns, and the global achievement of the UN SDGs.

Holistic, Global Approach to Sustainability

Flexstone implements its sustainability strategy and principles globally to ensure that the Firm's employees and teams integrate sustainability considerations in their decision making process. As a part of the Firm's holistic approach, Flexstone integrates sustainability considerations across its investment activities, stakeholder engagements, and corporate initiatives.

Foremost, we believe that as a Limited Partner and a corporate citizen, we have the responsibility to integrate sustainability as a part of our culture and actions, and to continue to improve our approach to drive change in the private equity industry.

Responsible Governance

Flexstone integrates sustainability throughout its governance and has a dedicated Sustainability Committee with representatives from each team to ensure that its core principles and policies are applied globally.

We believe that strong governance is key to driving long-term business success and value creation, and that it is our role as an investor, advisor, and global corporate citizen to promote the development of inclusive and sustainable businesses.

Transparency

At Flexstone, we are committed to transparency on all aspects of our sustainability strategy, including our responsible investment process and policies, corporate initiatives, stakeholder engagements, and progress towards our sustainability targets.

Collaborative Engagement & Participation in International Sustainability Initiatives

Flexstone is committed to raising awareness of responsible investing, exchanging ideas with its peers, and contributing to national and international investor initiatives that promote sustainable development, notably in the private equity industry.

We believe that collective action is key to driving change in the financial sector. We contribute to various collaborative engagements, including investor statements led by the PRI and working groups organized by the UN PRI and Initiative Climat International (iCI).

Industry Best Practices

Flexstone reviews and updates the Firm's sustainability-related policies and processes on an annual basis and seeks to align with industry best practices. We recognize that the sustainable investment landscape is constantly evolving, including the UN PRI framework for responsible investing. We will continue to develop and enhance our internal pre-investment ESG assessment framework, extra-financial data monitoring and reporting capacities, and sustainability risk management processes.

1.2 — Statement from Our Managing Partner on Sustainable Performance

The predecessor firm to Flexstone Partners signed its first Separate Managed Account in 2006. The client was a large, public, Swiss pension fund. Annex 1 of the SMA contract included specific sector exclusion investment guidelines. This was less than a year after the term ESG was recognized to have been coined in the "Who Cares Wins" landmark study. The study was the result of an initiative launched by then UN secretary general Kofi Annan sponsored by the United Nations, the International Finance Corporation and the Swiss Government. It is fitting, therefore, that our client, a Swiss public pension fund, insisted in 2006 on having clear investment guidelines relating to environment and social matters. Our client was an early mover though, as ESG only started to become mainstream in 2013 & 2014 when the first studies were published showing that good corporate sustainability performance is associated with good financial results. We call it "sustainable performance".

From investments exclusions in 2006, to the integration of ESG considerations into investments memorandum (and signature of the United Nations Principles for Responsible Investments) since 2014 to today's commitment that all new, eligible Flexstone Partners commingled funds will be classified as Article 8 under the SFDR regulations, it has been a long journey, for us as well as the financial industry in general. Yet, it is only the beginning as we clearly highlight in section 4.1 of this report.

As a Limited Partner or a minority investor, Flexstone depends on "its" General Partners to act with portfolio companies on one hand and to collect, monitor and report on ESG performances and progress of its funds and underlying portfolio companies on the other hand. However, being a Limited Partner or a minority investor does not mean that we cannot have an active role. As a large allocator of capital, we can nudge General Partners toward adopting ESG investment best practices. This report will highlight the specific commitments we have made in this regard.

One of the barriers to greater adoption of ESG investment best practices has been the lack of clearly defined, generally accepted standards as well as data collection tools. As you will read in this report, Flexstone has signed up to various initiatives, local or global, in order to add our voice and expertise to this ongoing debate.

Welcome to Flexstone Partners first annual ESG report. We hope that you will enjoy reading the next few pages and that it will prove informative. It is a testament of our team's enthusiasm to address the pressing challenges our world is facing and our commitment to sustainable performance.

Eric Deram
Managing Partner and Head of Sustainability

1.3 — Who We Are

Overview of Flexstone Partners

Flexstone Partners is a majority owned affiliate of Natixis Investment Managers, one of the world's largest asset managers, and was established to provide global institutional investors with investment management and advisory services across global private markets. Flexstone's entrepreneurial mindset, nimble team, and access to superior investment opportunities through the Firm's wide professional network allow Flexstone to continuously deliver exceptional investment performance and client services.

Flexstone's entrepreneurial spirit is reflected in our innovative thinking, compelling investment solutions, and effective day to day management, while benefitting from the support and guidance of one of the largest asset management firms in the world.

Flexstone focuses on global private assets markets and invests in primary funds, direct co-investments as well as secondaries deals through separately managed accounts and fund vehicles.

Flexstone Partners is a leading global asset manager in Private Equity Small- & Mid-Markets

$10 bn
AuMA[1]

25 years
in private markets[2]

52
professionals:
(20) New York
(20) Paris
(8) Geneva
(4) Singapore

4
offices:
New York
Paris
Geneva
Singapore

23
nationalities

38%
women

500+
funds invested

130+
co-investments completed

70+
secondary transactions completed

300+
GPs relationships

100+
advisory board seats

Responsible Performance

Signatory of:

PRI Principles for Responsible Investment

13 CLIMATE ACTION

5 GENDER EQUALITY

Flexstone's Guiding Sustainable Development Goals[3]

Source: Flexstone Partners as of 31/05/2023 unless otherwise noted.

[1] Assets under management and advisory as of 31/03/2023, including commitments for closed-end private placement funds, and sum of Net Asset Value and unfunded commitments otherwise. Assets under management ("AUM"), as reported, may include notional assets, assets serviced, gross assets and other types of non regulatory AUM. [2] Average relevant experience for Managing Partners. [3] Firm-wide Sustainable Development Goals (SDGs).

The ongoing success of the company can be attributed to the following differentiating factors:

Unparalleled performance & dedication to provide bespoke investment solutions for our clients

Flexstone was founded to provide institutional investors superior, bespoke advisory and management services in private assets. Flexstone's dedication to providing its clients with exceptional services and custom investment solutions is one of the Firm's foundational principles. We view ourselves as an extension of our client's investment teams, and thus, the first priority of every professional at Flexstone is to provide clients with top-tier services. This includes being responsive and adaptive to clients' requests, maintaining transparency and uncompromising ethics at all times, and implementing rigorous, best-in-class processes and tools to achieve our clients' investment objectives.

Out of the

US$ 10 billion

we manage,

76%

are part of dedicated solutions…

…(SMAs and dedicated funds) ranging from **€/$30 million to more than €/$1 billion in account size**, including strong references among Pension Funds and Insurance companies in Australia, Japan, Switzerland, or France.

Access to the best global small and mid-market buyout funds

Flexstone employs 52 professionals located in Geneva, Paris, New York and Singapore who have a strong track record of investing in small & mid-market buyout groups in Europe, North America, and Asia. We have deployed approximately US$ 8.0 billion in the small and mid-market over the last ten years, and almost two thirds of the capital we manage is allocated to global small and mid-market buyout funds.

When combined, our wide market coverage and local networks enable us to offer access to a high-quality deal flow on a global basis.

Flexstone's international team of experts deploys

more than half a billion of capital every year

and manages a combined portfolio of

680+ investments in portfolio

(primary, secondary and co-investments) globally.

Including **500+ primary funds**, **140+ co-investment deals**, and **60+ secondary transactions**

Source: Flexstone Partners as of 31/05/2023.

Attractive top quartile performance with relatively low volatility

Thanks to its strong manager influence,

300+ General Partner relationships

and **100+** Limited Partner Advisory Board seats

over 100 Limited Partners Advisory Committees,

and a proven expertise…

…Flexstone has positioned itself as an **attractive investor for fund managers** in the small and mid-market segments.

Flexstone's strong, longstanding relationship with its GPs also provides a unique edge in sourcing and evaluating co-investments and secondary opportunities, allowing Flexstone to strategically add both strategies in its clients' portfolios to enhance returns and mitigate the J-curve.

Institutional quality

Flexstone entities are registered and regulated by the Monetary Authority of Singapore ("MAS"); SEC in the US under the Investment Adviser Act; FINMA in Switzerland; AMF under the AIFM in France; and are members of Invest Europe, France Invest and SECA / ASG.

In addition, as a part of Natixis Investment Managers…

which is the **18th largest** asset manager in the world

with USD 1.2 trillion AUM,

Flexstone is able to provide its clients with the

institutional guarantee of strength and resilience

as well as the support…

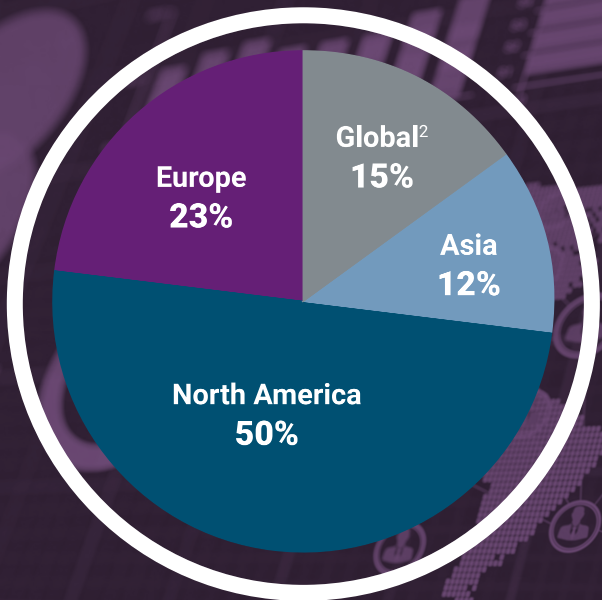
…of a **global leading asset management firm** in terms of middle office, risk, legal, compliance, and ESG resources.

Source: Flexstone Partners as of 31/05/2023.

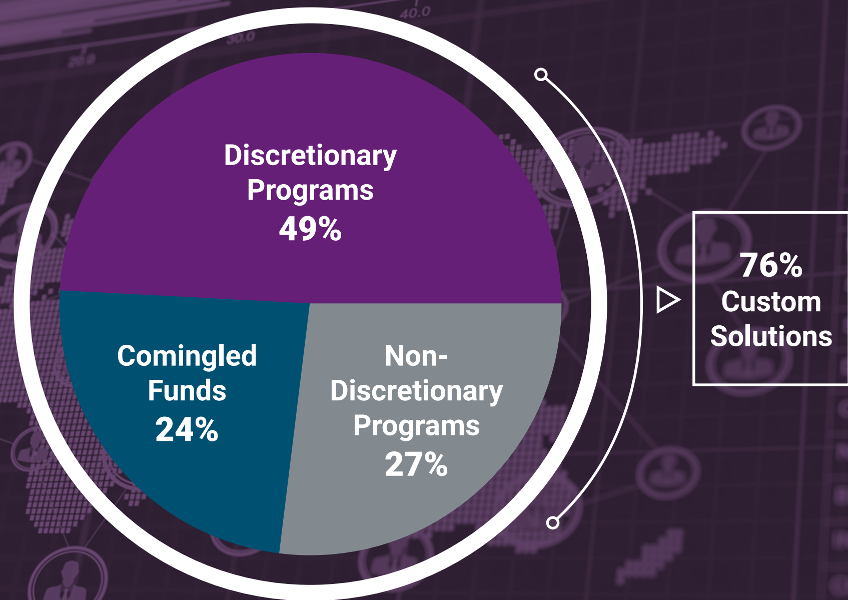
Flexstone AUMA breakdown by geography and governance:

Out of the US$ 10 billion of assets under management & administration, 24% is in the form of comingled funds (fund of funds, co-investment and secondary funds); and 76% in the form of dedicated custom solutions (managed accounts and dedicated vehicles). 95% of our assets are managed for institutional clients.

Portfolio Commitments by Geography



AUMA[1] by Governance



Source: Flexstone Partners, as of 31/12/2022

1.4 — Flexstone's Sustainability Journey

2006

First ESG-related exclusions integrated into side letters for Swiss clients

2012

Social indicators integrated into quarterly reporting on Flexstone's funds (job and operational value creation KPIs)

2014

December 2014 – Flexstone Partners becomes a Signatory of the UN PRI

2015

Integration of social considerations into investment memorandums

2016

Development of the first version of Flexstone's internal GP ESG Assessment Framework (V1)

2017

First UN PRI RI transparency reporting & assessment completed

2020

- Flexstone signs the France Invest Gender Equality Charter, committing to a series of quantitative gender equality objectives to be achieved by 2030 / 2035.
- Establishment of internal ESG Working Group to oversee Flexstone's sustainability strategy
- Launch of annual SDG-based corporate initiatives – focus on SDG 5[3], achieve gender equality and **empower all under-represented groups**, and SDG 13[4], take urgent action to combat climate change and its impacts.

2021

- Update of Flexstone's GP ESG assessment framework and development of company-level ESG assessment for co-investments
- Formalization of Flexstone's Responsible Investment Policy (V1)
- Start of partnership with Sirsa, a consulting firm specialized in sustainability
- Flexstone designates GO IV as its first Article 8 fund under the SFDR in March 2021

2022

- Recruitment of Flexstone's full-time Sustainability Analyst
- Establishment of Flexstone's Sustainability Committee chaired by Flexstone's Head of Sustainability and Sustainability Analyst; formalization of the Sustainability Committee charter
- Implementation of Flexstone's new Sustainable Investment policy and Corporate Sustainability policy (V2 of Responsible Investment policy)
- Launch of first annual Reporting 21 ESG data collection campaign 100+ GPs and 1400+ portfolio companies
- Flexstone becomes a signatory of the Initiative Climat International (iCI) and a member of the ILPA Diversity in Action initiative to reinforce its commitment to SDG 5 and SDG 13
- First scope 1, 2, and 3 carbon footprint assessment of Flexstone's activities
- Estimation of Flexstone's funds' scope 1, 2, and 3 GHG emissions by proxy

2023

*Planned**

- Development of Flexstone's GHG reduction strategy and offset of Flexstone's GHG emissions from business travel, energy, and events.[5]
- Update of Flexstone's ESG assessment framework and due diligence process
- Launch of Flexstone's 2nd annual ESG data collection campaign and development of ESG reporting for Flexstone's funds
- Publication of Flexstone's first annual ESG report

** The ESG projects planned for 2023 may be subject to change over the year. There is no guarantee that all of them will be implemented.*

[3] https://sdgs.un.org/goals/goal5
[4] https://sdgs.un.org/goals/goal13
[5] *Flexstone will offset its GHG emissions from business travel, events, and energy based on its first carbon footprint assessment conducted by Sirsa; Flexstone is currently conducting due diligence of carbon offset providers and will communicate on its offset projects once finalized.*

1.5 — 2022 Sustainability Highlights

Internal Resources & Partnerships

Sustainability Committee – Flexstone established its Sustainability Committee in January 2022, which held its first meeting in June 2022. The Committee is led by Flexstone's Managing Partner and Head of Sustainability, Eric Deram, and Annabel Vaananen, the firm's dedicated Sustainability Analyst. The Committee will meet at least on a quarterly basis in 2023, and is responsible for overseeing and supporting the implementation of Flexstone's sustainability strategy.

Recruitment of Dedicated Sustainability Analyst – In January 2022, Annabel Vaananen joined Flexstone's Paris office as the Firm's dedicated Sustainability Analyst. Together with Eric Deram, the Firm's Managing Partner and Head of Sustainability, Annabel is responsible for developing and implementing the Firm's sustainability strategy at across its corporate and investment activities.

Update of Flexstone's Sustainability Policies and Processes – In 2021, Flexstone started a partnership with a third-party consultant to develop the Firm's sustainability strategy and responsible investment process in alignment with the SFDR and industry best practices. Flexstone also organized a workshop to understand our employees' views on various ESG related topics and to identify priority actions. The results of the workshop were used to develop Flexstone's 2022 sustainability strategy. .

Adoption of Two Beehives in Switzerland & France – As a part of its corporate sustainability initiatives, Flexstone adopted two beehives in partnership with Adopte Une Ruche[6] and Printemps d'Abeilles[7] in order to protect local bee populations and promote biodiversity. As a part of its partnership, Flexstone's employees get to enjoy honey produced by its hives and have attended workshops to learn about the importance of wild pollinators to our ecosystem.

[6] https://adopte-une-ruche.com/
[7] Association printemps d'abeilles (printempsdabeilles.ch)

1.5 — 2022 Sustainability Highlights (cont.)

Flexstone signs the Initiative Climat International (iCI) Manifesto – Flexstone became a Signatory of the iCI in February 2022 to engage with other LPs and GPs on best practices for analyzing and mitigating carbon emissions and exposure to climate-related financial risks. Flexstone participates in the regional chapters for France, North America, and Asia Pacific. Two members of Flexstone's Sustainability Committee actively participate in the iCI Regulatory and iCI Climate Risk Training Materials working groups. The Climate Risk Training Materials recently published a training guide on carbon accounting and reporting for GPs and portfolio companies in alignment with the GHG Protocol.

Carbon Footprint Assessment – Sirsa conducted Flexstone's first carbon footprint assessment of its scope 1, 2, and 3 GHG emissions. Flexstone will continue to assess its carbon footprint on an annual basis with the objective of identifying short-term and long-term actions to reduce, as much as possible, the firm's GHG emissions. The methodology and results of the assessment were presented by Sirsa at Flexstone's global offsite in June 2022, with an overview of how individual employees can reduce their daily climate impact through actions such as eating more plant-based meals and using public transport to commute to work.

initiative climat international
Private equity action on climate change

1.5 — 2022 Sustainability Highlights (cont.)

Flexstone becomes a member of the ILPA Diversity in Action Initiative – In June 2022, Flexstone became a member of the ILPA Diversity in Action Initiative which brings together LPs and GPs who share a commitment to advancing diversity, equity, and inclusion (DEI) in the private equity industry. In order to become a member of the initiative, Flexstone implemented the following four foundational actions to promoting DEI: (i) developing a DEI strategy available on Flexstone's website; (ii) Tracking internal hiring & promotion statistics by gender[8]; (iii) Formalizing organizational goals, including signing the France Invest Gender Equality Charter; and, (iv) Requesting DEI data for new commitments through the Firm's annual Reporting 21 data collection campaign.

Partnership with Paradigm Reach – Flexstone partnered with Paradigm Reach to provide its employees annual training on various DEI topics with the objective of raising awareness on how unconscious bias impacts our daily lives, and to provide employees with tools for creating a safe, inclusive, and rewarding working environment for all. In 2022, Flexstone's training focused on the foundational definitions of DEI and inclusion in the workplace.

[8] Due to legal restrictions in France, Flexstone is not able to capture or report on internal hiring and promotion statistics by race/ethnicity.

1.5 — 2022 Sustainability Highlights (cont.)

Launch of Flexstone's first Reporting 21 ESG data collection campaign – In February 2022, Flexstone launched its first annual ESG data collection campaign with the following objectives: (i) Improve Flexstone's ability to effectively monitor, analyze, and report on the ESG performance of GPs, funds, and portfolio companies; (ii) Identify material ESG risks and opportunities during the investment holding period; and (iii) Prepare GPs for evolving regulatory requirements and improve Flexstone's capacity to comply with various sustainability disclosure frameworks, notably the EU SFDR and Taxonomy. Flexstone will continue to develop its data collection and reporting processes on the extra-financial performance of its funds, and has already engaged with GPs on how to improve its next Reporting 21 campaign in 2023.

Portfolio Carbon Footprint Assessment – In addition to calculating Flexstone's corporate carbon footprint, Sirsa estimated the full carbon footprint of Flexstone's funds by using a proxy methodology. Sirsa estimated the scope 1, 2, and 3 GHG emissions of approximately 1,400 portfolio companies by using GHG emission proxies based on each company's sector, region, and annual revenues.

2.0 — Flexstone Corporate Sustainability Strategy & Initiatives

2.1 — Sustainability Governance & Resources

Sustainability Committee

Flexstone established the Firm's interdisciplinary Sustainability Committee in January 2022 (previously 'the ESG Working Group'), which held its first semi-annual meeting in June 2022.

The Committee is led by Flexstone's Managing Partner, Eric Deram, and dedicated Sustainability Analyst, Annabel Vaananen.

The Committee includes representatives from each office (Paris, Geneva, New York, Singapore) and team (Investments, Compliance, Operations, Investor Relations & Business Development) in order to ensure consistent implementation of Flexstone's sustainability strategy across the Firm.

Head of Sustainability

Eric Deram
Managing Partner - Based in Europe
Historical sponsor for Flexstone Sustainability values, he promotes and supports Flexstone's 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 - Based in New York
Contributes to the development and implementation of Flexstone's corporate sustainability initiatives in the US.

Candice Marmin
Associate, Investments - Based in Europe
Specialist for the Private Equity Impact market in Europe. Contributes to the development of Flexstone's responsible investment approach.

Dedicated Sustainability Analyst

Annabel Väänänen
Analyst, Sustainability - Based in Europe
Responsible for the development and implementation of Flexstone's global corporate sustainability strategy and responsible investment approach with the Head of Sustainability.

Ivy Omar
Executive Director - 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 Paillé
Director, Compliance - Based in Europe
Ensures that Flexstone's responsible investment policies and processes comply with all relevant sustainable finance regulations and conducts periodic controls on the Firm's ESG risk management framework and commitments.

Sustainability Committee Responsibilities

The Committee's main responsibilities include:

i. 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;

ii. Approving updates to Flexstone's ESG assessment framework and risk management procedure;

iii. Reviewing Flexstone's annual sustainability objectives on a semi-annual basis and monitoring the Firm's progress towards the set targets;

iv. Supporting the integration of ESG considerations into investment analysis and decision-making processes across the firm;

v. 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;

vi. Supporting efforts to address the emerging and evolving regional regulatory landscape[9];

vii. 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,

viii. 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.

[9] *For example, EU Regulation on sustainability related disclosures in the financial services sector (SFDR)*

External Resources & Partnerships

Sirsa

In 2021, Flexstone partnered with Sirsa, a consulting firm specialized in sustainability, to support Flexstone with the development and implementation of its sustainability strategy. Notably, in 2022 Sirsa helped Flexstone with the following actions:

- Review of Flexstone's corporate sustainability and responsible investment strategy, policy, and processes to align with best practices in the private equity industry;
- Compliance with evolving sustainability-related regulations, notably the SFDR and the EU Taxonomy;
- Management of Flexstone's annual Reporting 21 ESG data collection campaign, including the update of Flexstone's ESG questionnaire in alignment with industry best practices for ESG data collection and monitoring;
- Assessment of Flexstone's global corporate carbon footprint and preparation of a report highlighting the main sources of GHG emissions for Flexstone and recommended actions to reduce the Firm's carbon footprint;
- Estimation of Flexstone's funds' carbon footprint by proxy, based on sector- and region-specific activity data;
- Providing a training on climate change and the results of Flexstone's corporate carbon footprint for the Firm's global offsite in June 2022 to raise awareness on the climate impact of daily decisions.

Reporting 21

Flexstone contracted Reporting 21, a leading SaaS platform for monitoring and reporting extra-financial data in private markets, to facilitate Flexstone's annual ESG data collection campaign.

The platform was originally owned by Sirsa when Flexstone partnered with the Firm in 2021, and has been a key part of improving Flexstone's responsible investment approach. Reporting 21 was acquired by Cority in September 2022, a leading global environmental health & safety software provider.

Flexstone will continue to use the Reporting 21 platform to conduct the Firm's annual ESG data collection campaign and reporting through dedicated ESG factsheets.[10]

Natixis Investment Managers

As an affiliate of Natixis Investment Managers (NIM), one of the world's largest asset managers, Flexstone regularly engages with NIM's ESG Solutions team to access resources, align with the Group's responsible investment strategy, and to exchange ideas with other private market affiliates.

Flexstone's Sustainability Analyst participates in the Group's annual ESG offsite to engage with other affiliates on industry best practices, and to participate in the development of the Group's ESG data collection and reporting capabilities across asset classes.

[10] Flexstone's ESG factsheets are currently in the final stages of development by the Reporting 21 team, and are expected to be available in Q2 2023 for Flexstone's investors.

2.2 — Public Engagements

UN PRI

Signatory of:

PRI Principles for Responsible Investment

Flexstone Partners has been a Signatory of the United Nations' Principles for Responsible Investment (PRI) since January 2014, and is committed to adhering to the six Principles for Responsible Investment:

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

Collaborative Investor Engagements

As a Signatory of the PRI and in alignment with Principle 5, Flexstone seeks to continuously engage with other Signatories and to participate in regional consultations on various responsible investment topics. Most recently, Flexstone's Sustainability Analyst took part in the PRI in a Changing World signatory consultation in Paris. The consultation was launched with the objective of defining the PRI's future vision, mission, and purpose given the rapidly evolving responsible investment and regulatory landscape.

Flexstone has also supported multiple collaborative investor statements, and joined the Initiative Climat International in 2022, which is a PRI supported collective commitment to reduce GHG emissions in private markets.

Table 1 – Collaborative Investor Statements & Letters Signed by Flexstone Partners in 2022

COLLABORATION: INVESTOR SIGN-ON LETTER FOR AN AMBITIOUS AND EFFECTIVE EU CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE (CSDD)		
Details	**Sustainable Development Goal**[11]	**Date Signed**
The CSDD proposal introduces mandatory environmental and human rights due diligence for large financial and non-financial companies (both EU and non-EU), as well requirements on transition plans, executive remuneration and director's duties. Notably, the CSDD proposal seeks to mandate financial and non-financial companies to carry out effective due diligence, set climate targets and transition plans, and to link executive renumeration with sustainability performance. As a response to the proposal, PRI, Eurosif, and the Investor Alliance for Human Rights drafted a joint statement expressing the improvements required to ensure that the directive is effective and ambitious, and benefits responsible investors. The statement raises five key recommendations to ensure a positive impact throughout the value chain, increase coherence with the EU sustainable finance framework, and to enable investors to better manage their own exposure to sustainability issues. The statement received 142 signatures, representing 1.5 trillion USD in AUM.		24th of November 2022

[11] https://sdgs.un.org/goals

COLLABORATION: 'MOVING ON NATURE TOGETHER': SIGN-ON STATEMENT FROM THE PRIVATE FINANCIAL SECTOR TO THE UN BIODIVERSITY COP15

Details

Members of the private financial sector were invited to sign a statement to the Conference of the Parties to the Convention on Biological Diversity ahead of the UN Biodiversity COP15 held 7 - 19 December 2022 in Montréal.

The statement, jointly drafted by the UNEP Finance Initiative (UNEP FI), the Principles for Responsible Investment (PRI), and the Finance for Biodiversity Foundation, commits financial institutions to contribute to the protection and restoration of biodiversity and ecosystems through financing activities and investments, while calling for the adoption of an ambitious Global Biodiversity Framework (GBF) that can be translated into effective actions and provides the incentives and tools for the financial sector to support the halt and reversal of nature loss.

The statement was endorsed by 154 financial institutions representing over 24.8 trillion USD in AUM.

Sustainable Development Goal[11]

Date Signed

13th of December 2022

COLLABORATION: 2022 GLOBAL INVESTOR STATEMENT TO GOVERNMENTS ON THE CLIMATE CRISIS

Details

The Investor Agenda's seven Foundational Partners coordinated to deliver the annual Global Investor Statement to Governments on the Climate Crisis before the 27th United Nations Climate Change Conference (COP27) held in Egypt in November 2022.

The statement calls on all governments in 2022 to raise their ambition and to focus attention on adopting and implementing the specific policies needed to enable large scale zero-emissions, climate-resilient investments.

The statement was signed by 602 investors representing almost 42 trillion USD in AUM.

Sustainable Development Goal[11]

Date Signed

2nd of November 2022

[11] https://sdgs.un.org/goals

Initiative Climat International

Flexstone became a member of the Initiative Climat International (iCI) in February 2022, and has two members of the Sustainability Committee participating in the iC France and iC Asia chapters. In 2023, Flexstone will also have a member of the US investment team participate in iC North America chapter to gain a better understanding of the US regulatory landscape and best practices for assessing, monitoring, and reporting on climate risks.

As a member of the ICi, Flexstone commits to the following actions:

- **Engaging with GPs on climate change to further the commitments and goals of iC international;**
- **Supporting and promoting the iC International among private equity firm peers.**

Flexstone participates in two iCI working groups:

i. **iCI Policy & Regulation Working Group:** Ivy Omar who represents Flexstone at the iC Asia chapter is a part of the Policy & Regulation working group which is focused on providing members with support on meeting various regulatory requirements, including the Task Force on Climate-Related Financial Disclosures (TCFD). The group also prepares responses to policy consultations. Currently, they are preparing a response to the Financial Conduct Authority's (FCA) Sustainability Disclosure Requirements and investment labels policy proposal.

ii. **iCI Climate Risk Training Working Group:** Annabel Vaananen, Flexstone's Sustainability Analyst, is a part of the iCI Climate Risk Training working group, which produced training materials on GHG accounting and reporting for management companies. The training materials are based on the GHG Protocol standards for the financial industry and were shared with iCI members in Q4 2022.

France Invest Gender Equality Charter

France Invest developed the Gender Equality Charter[12] to promote gender parity among French private equity players and the companies they invest in March 2020. The Charter includes 30 commitments and sets forth quantified objectives in management companies and their holdings.

Among the objectives, the ambition is **to reach 25% of women in senior positions in investment teams and 30% of women in the management committees of investee committees by 2030**. The signatories of the Charter represent approximately 95% of the AUM of France Invest's members.

Flexstone signed the Charter in 2020 to reinforce the Firm's commitment to improve the Firm's approach to gender equity and to promote the importance of diversity and inclusion to Flexstone's GPs and investee companies. Flexstone reports on its progress towards the set objectives on an annual basis so that France Invest can track and measure progress across the private equity industry in France.

As a minority investor in private equity funds, Flexstone is limited in its ability to engage or influence underlying portfolio companies on their approach to diversity, equity, and inclusion. Therefore, Flexstone is focused on improving its efforts to measure gender parity in the companies managing the funds it invests in and integrating gender parity of teams in management companies as a part of the pre-investment ESG assessment process.

[12] *More information on the https://www.franceinvest.eu/boite-outils/parite/charte-parite/*

France Invest Gender Equality Charter - Status

Table 2 - France Invest Gender Equality Charter – Status Against Quantitative Objectives as of December 2022[13]

#	COMMITMENT	FLEXSTONE STATUS AS OF 31.12.2022
1	Increase the % 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.	10%
2	Set a target for women to make up 40% of the investment teams by 2030.	29%

Monitoring Gender Parity in GPs & Investee Companies

Commitment 26 of the France Invest Gender Parity Charter states the following objective:

Measure gender parity in the companies managing the funds we invest in:

- *Percentage and number of women in the management company;*
- *Percentage and number of women on the investment teams;*
- *Percentage of women by hierarchical level.*

In alignment with the commitment, Flexstone's annual Reporting 21 campaign tracks the following social KPIs at management company and portfolio company level:

Diversity in the Management Company:

- Share of women – Board of directors
- Share of women – Investment team
- Share of women – Investment committee
- Share of women – Senior level
- Gender equality initiatives / commitments at management company

Diversity in Investee Companies

- Share of women – Board of directors
- Unadjusted remuneration gap
- Women among the 10 highest earners in the company
- Share of women – Total headcount
- Charter / commitments on diversity at investee company

Currently, Flexstone collects this information on a best-effort basis, and as a Limited Partner and a minority investor depends on its GPs to collect, monitor, and report on the gender diversity of investee companies. For an overview of the results of Flexstone's 2022 Reporting 21 campaign, see section 3.1.

[13] *Flexstone is committed to meeting the stated objectives globally, XX.*

ILPA Diversity in Action Initiative

Flexstone became a member of the ILPA Diversity in Action initiative in June 2022. The *Diversity in Action* initiative brings together limited partners and general partners who share a commitment to advancing diversity, equity, and inclusion (DEI) in the private equity industry. The goal of the initiative is to motivate market participants to engage in the journey towards becoming more diverse and inclusive and to build momentum around the adoption of specific actions that advance DEI over time.

As a signatory, Flexstone implemented the following actions in 2022:

- **Formalizing a DEI statement which is published on Flexstone's website** to reinforce the Firm's commitment to improving the Firm's approach to DEI, and aligning with industry best practices;
- **Formalization of a global Code of Conduct on Discrimination, Harassment and Workplace Violence**. All employees need to review the Code of Conduct on an annual basis;
- **Implementation of annual training on DEI in the workplace**, including a standard training on Unconscious Bias that all new employees must complete. Flexstone partnered with Paradigm's interactive Reach training platform for DEI training for new and existing employees
- **Monitoring gender diversity metrics at management company and portfolio company level** for existing and new investments through Flexstone's Reporting 21 data collection campaign.

2.3 — Employee Engagement & Non-profit Initiatives

New York – The Climate Museum

Flexstone is proud to support the Climate Museum, which seeks to mobilize the power of arts and cultural programming to accelerate this crucial shift toward climate dialogue and action, connecting people and advancing just solutions.

About the Project

'The ubiquitous misperception of American indifference on climate creates a spiral of silence and passivity, which the Museum counters with inclusive, equity-centered programming that helps people turn away from resignation toward their own courage, connectedness, and agency. Our visitors emphatically express the value of this work.

Over the last five years, the Museum has presented six exhibitions and more than 250 events; engaged 350+ high school students in leadership, advocacy, and arts programs; and welcomed hundreds of thousands of visitors. We have collaborated with organizations ranging from municipal departments to international scientific research consortia to local community justice organizations. Our work has been supported by major arts and educational funders and favorably featured in peer-reviewed museum publications and respected mainstream media outlets. What we do has helped to spark a global move toward cultural work on the climate crisis.'

For more information visit: https://climatemuseum.org/mission

Source: https://climatemuseum.org/

Paris & Geneva – Supporting Local Pollinators & Biodiversity

In 2022, Geneva and Paris adopted two beehives in Geneva and Paris with the objective of protecting local pollinator populations and raising awareness on the importance of biodiversity to our ecosystems.

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15 LIFE ON LAND

Paris – Adopte Une Ruche

The Paris office sponsors a beehive through the Adopte Une Ruche[14] organization. The organization's mission is to repopulate French bee colonies and to support local beekeepers. As a part of the hive sponsorship, Flexstone receives 30kg of locally produced French honey per year.

Adopte Une Ruche also organized a training at Flexstone's Paris office with a honey tasting and a presentation on the life of the hive.

[14] Adopte Une Ruche (adopte-une-ruche.com)

Geneva – Association Printemps d'Abeilles

The Geneva office also adopted a beehive in Switzerland in partnership with the Printemps d'Abeilles association.[15] Printemps d'Abeilles is a non-profit association that is committed to protecting bees in Geneva and Vaud.

The hive provides a colony for 30,000 bees and produces 8 to 12 kg of honey per year, which can be distributed to Flexstone's teams and clients.

In addition, Geneva's team participated in the creation of natural habitats for wild pollinators in September 2022. Wild bees play a key role in the pollination of wild and cultivated plants and the wider ecosystem.

'These bees include nearly 600 species in Switzerland. They thus play a leading role in our ecosystem. ***More than 80% of flowering plants depend on these wild bees****. They also* ***guarantee the yield of nearly 75% of agricultural crops****, i.e. an income of 265 billion dollars per year worldwide. This is why our association for the protection of bees implements specific actions to help these often little-known species.'*

[15] *Association printemps d'abeilles (printempsdabeilles.ch)*

Singapore – Journey to Sky Greens Vertical Farms

11 SUSTAINABLE CITIES AND COMMUNITIES
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Flexstone's Singapore office visited the Sky Greens vertical farms in November 2022 to learn more about the benefits of vertical farming systems.

Sky Greens is the world's first low carbon, organic, hydraulic driven vertical farm. Vertical farming systems currently provide 10% of nutritional needs in Singapore, and are aiming to produce 30% by 2030.

Key benefits in comparison to traditional farming methods:[16]

- **At least 10x yield per unit land area**
- **Allows cultivation on originally non-arable lands**
- **Low water use**; by using a flooding method for irrigation and fertilization, the system does not need a sprinkler system. In addition, all water is contained in an enclosed underground reservoir system, and is recycled and reused.
- **Low energy use**; the system harnesses natural sunlight and rotation is powered by a hydraulic water-driven system

For more information on Sky Greens visit:
https://www.skygreens.com/about-skygreens/

Source: https://www.skygreens.com/

[16] *Adapted from: https://www.skygreens.com/technology/*

2.4 — Diversity, Equity, and Inclusion

Key Diversity Metrics: | **38%** Women | **23** Nationalities | **23** Languages Spoken

Diversity at Flexstone

At Flexstone, we believe that a diverse and inclusive workforce is crucial to long-term value creation and sustainable development. Therefore, we are committed to continuously improving our internal DEI practices and policies according to industry best practices, as well as contributing to industry initiatives promoting DEI in the wider private equity industry.

We have chosen to demonstrate our commitment through the following actions:

Ensuring that our global culture, workplaces, and HR policy are inclusive, and provide a safe and rewarding working environment to all employees;

Ensuring that all of our employees, including Flexstone's Sustainability Committee, review Flexstone's DEI strategy and Code of Conduct on Harassment, Discrimination, and Workplace Violence annually;

Providing all of our employees annual training on DEI issues and tools for creating a more inclusive work environment, including a foundational unconscious bias training that is mandatory for all new employees;

Contributing to public engagement efforts and industry associations that promote diversity and inclusion in private markets, notably the ILPA Diversity in Action initiative and the France Invest Gender Equality Charter;

Tracking and reporting on our progress towards the stated targets and commitments in Flexstone's annual ESG Report; and,

Monitoring DEI KPIs and initiatives at GP and portfolio company level through Flexstone's annual Reporting 21 ESG data collection campaign to encourage transparency and gain a better understanding of DEI performance across Flexstone's investee companies.

Table 3 - Diversity at Flexstone, Summary by Department

SUMMARY BY DEPARTMENT	MALE	FEMALE	TOTAL	MALE (% OF TOTAL HEADCOUNT)	FEMALE (% OF TOTAL HEADCOUNT)
Operations	6	4	10	60%	40%
Legal	0	3	3	0%	100%
Investor relations & business development	3	1	4	75%	25%
Executive management	6	0	6	100%	0%
Investments	12	5	17	71%	29%
Sustainability	0	1	1	0%	100%
Compliance	2	0	2	100%	0%
Corporate	2	5	7	29%	71%
Total investment team – including members of executive management	16	5	22	73%	23%
Total	**31**	**19**	**50**	**62%**	**38%**

Table 4 - New Hires Over the Last 12 Months by Department

SUMMARY BY DEPARTMENT	MALE	FEMALE	TOTAL	MALE (% OF TOTAL HEADCOUNT)	FEMALE (% OF TOTAL HEADCOUNT)
Operations	1	2	3	8%	15%
Legal	0	1	1	0%	8%
Investor relations & business development	2	0	2	15%	0%
Executive management	0	0	0	0%	0%
Investments	2	2	4	15%	15%
Sustainability	0	1	1	0%	8%
Compliance	0	0	0	0%	0%
Corporate	1	1	2	8%	8%
Total	**6**	**7**	**13**	**46%**	**54%**

As of 01/01/2023

Table 5 - Diversity of Workforce, Investment Team & Executive Management

INDICATOR	VALUE
Total headcount	**50**
Women in total headcount	19
Share of women - total headcount	**38%**
Investment team members	22
Women in the investment team	5
Share of women - investment team	**23%**
Investment committee members	10
Women in the investment committee	1
Share of women - investment committee	**10%**
Employees at senior level (excluding executive management)	18
Women at senior level	7
Share of women - senior level positions	**39%**
Executive management	6
Women in executive management	0
Share of women - executive management	**0%**

As of 01/01/2023

2.5 — Climate Action

Flexstone Partners' Climate Strategy

Flexstone seeks to contribute to the global net-zero target for 2050 and to align its greenhouse gas (GHG) reduction trajectory with the Paris Agreement, which aims to limit global warming well-below 2°C compared to pre-industrial levels, preferably to 1.5°C.

In 2022, Flexstone contracted Sirsa to complete the firm's first scope 1, 2, and 3 carbon footprint assessment, using the GHG accounting framework developed by ADEME. Flexstone also completed an estimation of the financed scope 1, 2, ans 3 GHG emissions associated with its investment activities, and seeks to use this as a starting point for identifying key areas for improvement across its portfolios. The key objectives of the assessment are to:

i. Identify the most significant sources of GHG emissions across Flexstone's operations and offices;

ii. Implement measures to reduce Flexstone's carbon footprint in alignment with the objectives of the Paris Agreement; and,

iii. Monitor and report on Flexstone's progress towards these goals.

Flexstone seeks to improve the quality and quantity of the input data that is used to assess its carbon footprint in order to provide the most accurate representation of the Firm's climate impact. Flexstone further acknowledges that currently the market has not agreed on a standard methodology for GHG accounting, and that especially in the case of its investment activities, the estimated carbon footprint data does not necessarily provide a complete representation of its funds' climate impact.

However, Flexstone believes that these estimations can be used as starting point to identify 'carbon hotspots' across Flexstone's funds, prioritize future engagements, and to benchmark each fund's progress. Moreover, Flexstone is using the Bilan Carbone™ methodology which is compliant with the Greenhouse Gas Protocol[17] corporate standards in order to align with industry best practices for GHG accounting, and to support the standardization GHG emissions data globally.

In order to achieve its emission reduction targets and contribute to the net-zero transition of the global economy, Flexstone will undertake the following actions:

Assessing, monitoring, and reporting Flexstone's scope 1, scope 2, and scope 3 carbon footprint on an annual basis, starting 2022;

Identifying short-term and long-term actions to reduce, as much as possible, the Firm's carbon footprint and climate impact; and,

Developing a carbon offset scheme to offset the Firms GHG emissions from energy and transport, and to finance the development of high-quality carbon markets.

[17] https://ghgprotocol.org/

2021 Carbon Footprint Assessment

Methodology

Flexstone's carbon footprint was assessed using the Bilan Carbone® (BC)[18] methodology developed by Agence de l'Environnement et de a Maîtrise de l'Energie (ADEME) in 2004. Since 2011, the methodology has been supported and distributed by l'Association pour la transition Bas Carbone (ABC),[19] The Association for Low-carbon Transition, and more than 20,000 people have been trained in the BC method for over 15 years. The objective of the BC methodology is to allow organizations to account for all their direct and indirect GHG emissions in order to identify the main sources of emissions and energy vulnerability.

The Bilan Carbone® methodology is compliant with the GHG Protocol for carbon accounting, ISO 14064, and Directive No. 2003/87/CE.

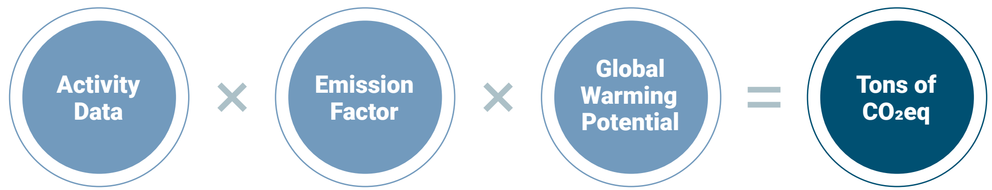
The methodology covers scope 1, scope 2, and scope 3 emissions, and takes into account the following GHGs:

- Carbon dioxide (CO_2)*
- Nitrous oxide (N2O)*
- Perfluorocarbons (PFCs)*
- Chlorofluorocarbons (CFCs)
- Methane (CH4)*
- Hydrofluorocarbons (HFCs)*
- Sulphur hexafluoride (SF_6)[20]
- Water vapor (H_2O) emitted by planes at the stratospheric level

The emissions factors used for the carbon footprint assessment are based on ADEME's Base Carbone® data set which is publicly available for download on the organization's website.[21]

For each identified emission source, Flexstone collected the required activity data at each office according to the GHG protocol standards. The source, coverage, and reliability of the activity data for each category is presented in table 6.[22] The activity data is then multiplied by the appropriate emission factor and the Global Warming Potential (GWP).

The final results are reported in tons of CO_2 equivalent.



[18] More information on the Bilan Carbone methodology can be found on ADEME's website: https://bilans-ges.ademe.fr/en/accueil/contenu/index/page/calculation_methods/siGras/0
[19] https://abc-transitionbascarbone.fr/ [20] The six main GHG emissions covered by the Kyoto Protocol in 1997 [21] ADEME, Bilan GES - Base Carbone Data [22] For more details on the methodological choices & limitations, see Appendix on office specific methodological notes

Reporting Boundaries of GHG Inventory

Organizational perimeter: Flexstone Partners, including Paris, New York, Singapore, and Geneva offices

Temporal perimeter: 2021 Calendar year[23]

The activity data will be collected annually, either for the entire year, or for a representative period. Flexstone's base year will be 2021, since this is the first year the company conducted a carbon assessment of its activities. Flexstone tried to take into account the impact of the Covid 19 pandemic on the carbon assessment by using data from the most representative quarters to estimate annual GHG emissions (for example, Sirsa used Q4 2021, which was when travel restrictions were lifted, as a representative time period to estimate Flexstone's annual GHG emissions from business travel in a 'business as usual' scenario).

Emissions Sources

Sirsa identified the most material and relevant emissions sources to be included in Flexstone's carbon footprint assessment. The activities considered for the carbon footprint include the following:

Scope 1
Direct emissions from fixed combustion sources

Scope 2
Indirect emissions from electricity consumption

Scope 3 – Upstream Activities
Category 1 – Purchased Goods & Services
Category 3 – Fuel & energy-related activities
Category 5 – Waste generated in operations
Category 6 – Business travel
Category 7 – Employee commuting

Scope 3 – Downstream Activities
Category 15 - Investments ('financed emissions')[24]

[23] *Calendar year, 12 rolling months, or 12-month estimate based on a representative period (1 quarter, 1 month, 1 week, etc.)*
[24] *Flexstone's portfolio carbon footprint is reported separately in section 3.4*

Data Quality

Overall, the quality of the input data used to estimate Flexstone's global carbon footprint is high. Table 6 provides an overview of the data coverage and data reliability (see Appendix 3 for full assessment of data sources for each office).

Table 6 - Data Source Reliability & Coverage

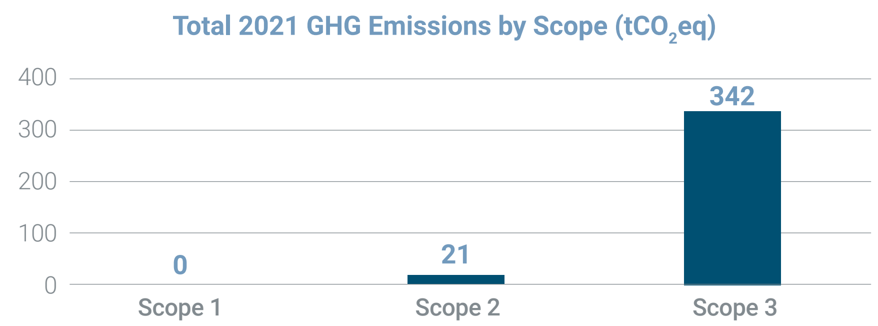
CATEGORY	SUB-CATEGORY	DATA SOURCE & RELIABILITY	TEMPORAL PERIMETER	ESTIMATED DATA COVERAGE
Energy	Electricity	Annual consumption	Annual	100%
	Commuting	Employee questionnaire	Q1 2021	100%
Transportation	Business Travel	Estimation based on Q1 2021 – Employee Questionnaire on business travel	Q1 2024	95%
	Goods Purchased*	Amount spent, employee questionnaires, and number of equipment (annually or Q1 2021)	Annual or Q1 2024	95%
	Services Purchased*	Amount spent on services annually or during Q1 2021	Annual or Q1 2024	95%
Purchases	Digital	Estimated number of emails from sizes of mailboxes – Employee questionnaire	Annual average – calculated with size / number of years in company	100%
Waste	Waste Produced	Estimated volume of office waste over Q4 of 2021	Q4 2021 waste	95%

2021 Average Carbon Footprint of Flexstone Employees by Office (tCO_2eq / employee)[26]

Total GHG Emissions:[25] 363 tCO^2eq 8 tCO2eq/employee

- **94%** of Flexstone Partners GHG emissions are Scope 3 emissions and **6%** Scope 2 emissions.
- Only the Paris office has Scope 1 emissions through its burning of gas. These emissions represent **less than 0.1%** of total emissions and are thus negligible.
- The GHG Protocol standards do not take into account aircraft travel for scope 3 category 6 emissions; therefore, there is a difference of 38 tCO_2eq in the total GHG emissions reported by Sirsa using the Bilan Carbone methodology developed by ADEME (363 tCO_2eq) and the total reported according to the GHG protocol (325 tCO_2eq).

FLEXSTONE OFFICE	TCO_2eq/EMPLOYEE
Geneva	9
New York	12
Paris	5
Singapore	7



Source: Sirsa, June 2022

[25] Including aircraft travel in alignment with the Bilan Carbone methodology
[26] Since Flexstone conducted its first carbon footprint assessment for 2021, a year during which normal business activities were significantly impacted by the Covid-19 pandemic, the average carbon footprint estimation is based on Q4 2021, which was used as a representative period for 'business-as-usual' activities

Flexstone 2021 Carbon Footprint (tCO_2eq) by GHG Protocol Emissions Categories[27]

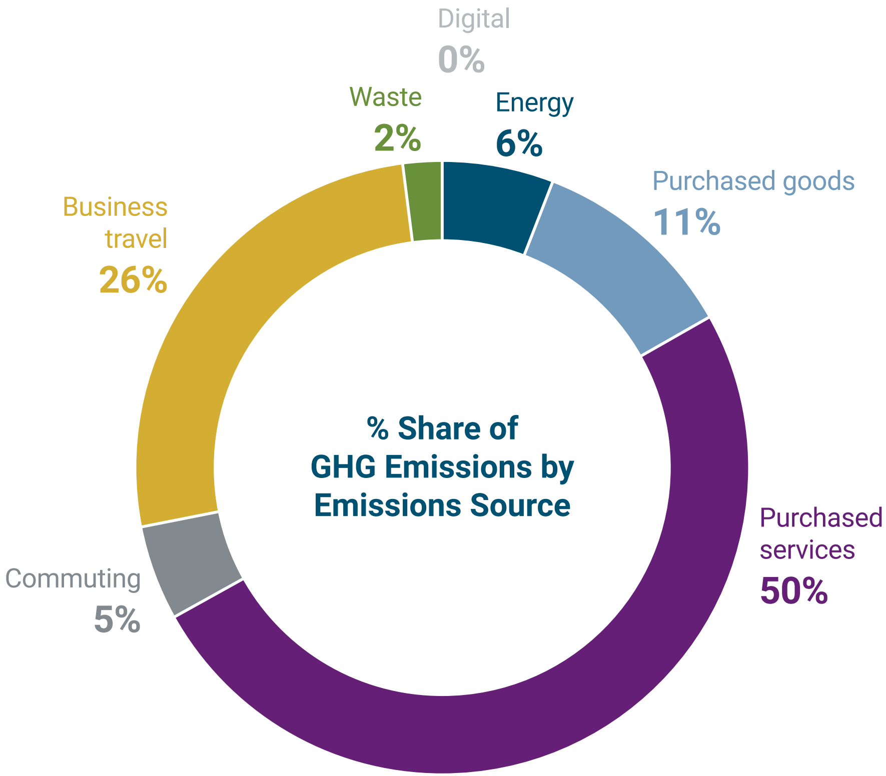
EMISSIONS CATEGORY	NO.	EMISSIONS SUB-CATEGORY	TCO_2eq
Scope 1	1-1	Direct emissions from fixed combustion sources	0,1
	1-2	Direct emissions from mobile combustion sources	-
	1-3	Direct process emissions	-
	1-4	Direct fugitive emissions	-
	Total Scope 1		**0,1**
Scope 2	2-1	Indirect emissions linked to electricity consumption	21
	2-2	Indirect emissions linked to the consumption of steam, heat or refrigeration	-
	Total Scope 2		**21**
Scope 3	**Scope 3 Upstream Emissions**		
	3-1	Purchased goods & services	223
	3-2	Capital goods	-
	3-3	Fuel and energy-related activities (not included in Scope 1 or Scope 2)	2
	3-4	Upstream transportation & distribution	-
	3-5	Waste generated in operations	7
	3-6	Business travel	54
	3-7	Employee commuting	18
	3-8	Upstream leased assets	-
	Other upstream indirect emissions		-

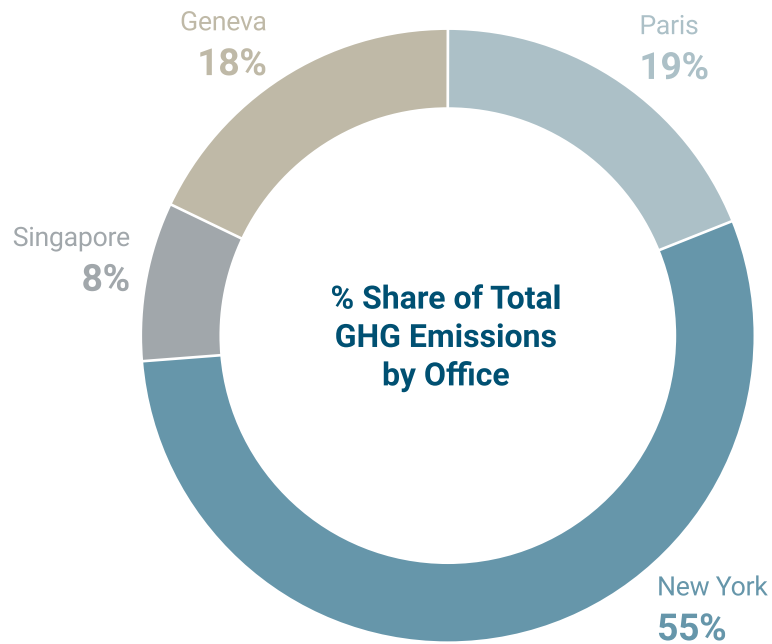
EMISSIONS CATEGORY	NO.	EMISSIONS SUB-CATEGORY	TCO_2eq
Scope 3 *(continued)*	**Scope 3 Downstream Emissions**		
	3-9	Downstream transportation & distribution	-
	3-10	Processing of sold products	-
	3-11	Use of sold products	-
	3-12	End-of-life-treatment of sold products	-
	3-13	Downstream leased assets	-
	3-14	Franchises	-
	3-15	Investments ('Financed emissions')	-
	Other downstream indirect emissions		-
	Total Scope 3		**304**

Source: Sirsa, June 2022, based on data from financial year 2021

[27] *Excluding aircraft travel in alignment with the GHG Protocol GHG accounting standards*

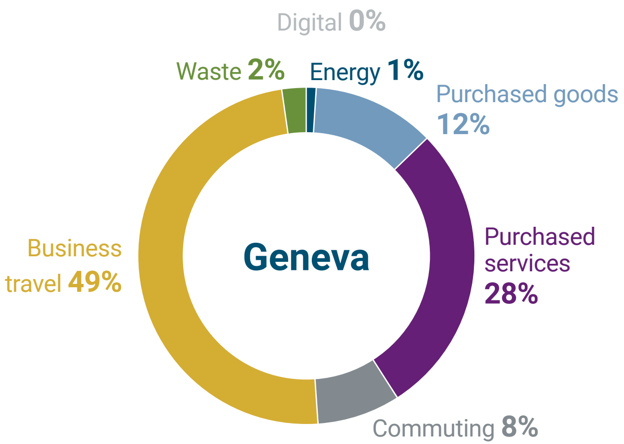
GHG Emissions Breakdown by Source and Office



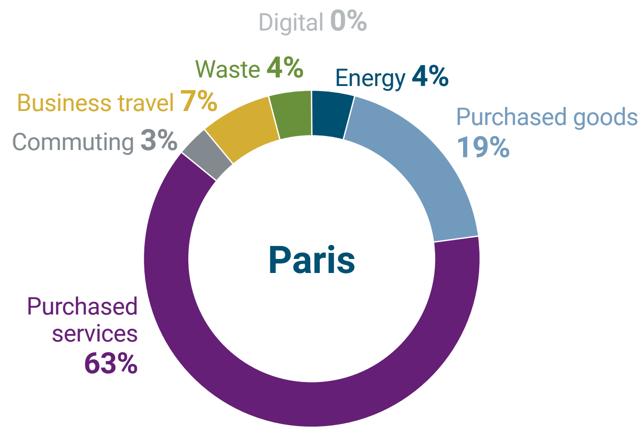


Source: Sirsa, June 2022

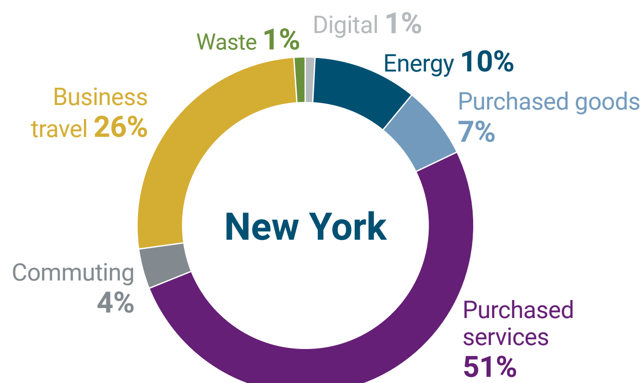
GHG Emissions Breakdown by Office



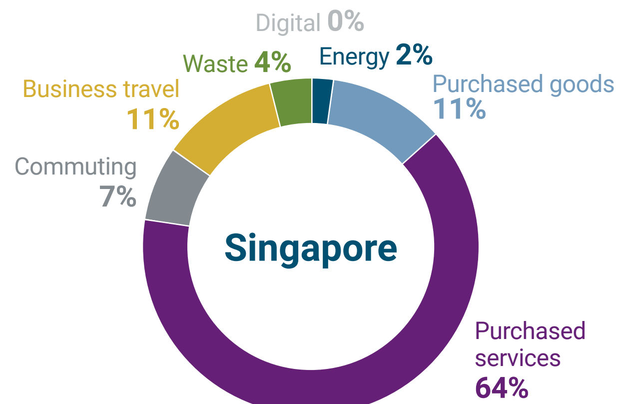
98% of Geneva's office GHG emissions are Scope 3 emissions and **2%** Scope 2 emissions.



94% of Paris' office GHG emissions are Scope 3 emissions and **6%** Scope 2 emissions. Scope 1 emissions, which are related to the burning of gas for heating, represent **less than 0.1%** of total emissions.



90% of New York's office GHG emissions are Scope 3 emissions and **10%** Scope 2 emissions.



98% of Singapore's office GHG emissions are Scope 3 emissions and **2%** are Scope 2 emissions.

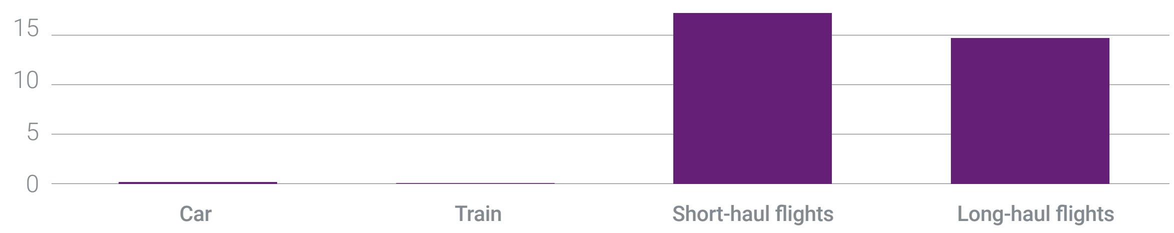
Source: Sirsa, June 2022

Analysis of the Main Sources of GHG Emissions

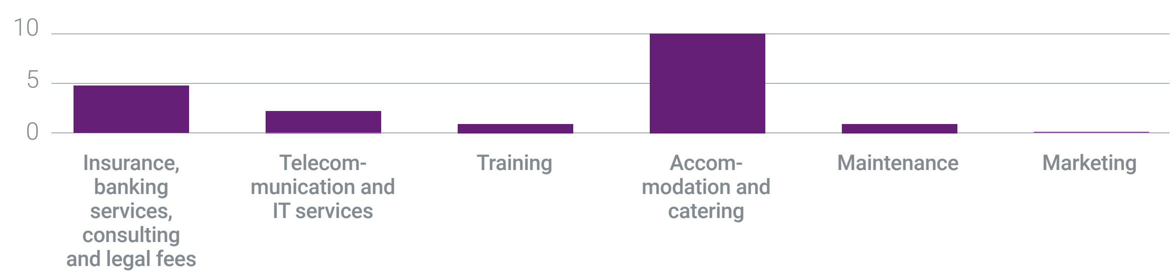
Geneva

EMISSIONS SOURCE	ANALYSIS
Business travel	Short-haul flights GHG emissions represent 53% of total business travel emissions when they represent only 36% of the total distance travelled (0,258 kgCO2e/km). Long-haul flights represent 45% of emission but 52% of the distance travelled (0,152 kgCO2e/km).
	Car travel and train travel respectively 1% and less than 1% of the total business travel emissions.
Purchased services	Among all services purchases, accommodation and catering is the purchase contributing the most to GHG emissions, representing 53% of GHG emissions linked to purchases.
	Insurance, banking services, consulting and legal fees purchases represent 25% of the emissions linked to service purchases and telecommunication and IT services purchases 11%.

Geneva Business Travel - 2021 GHG Emissions ($tC0_2eq$)



Geneva Services Purchased - 2021 GHG Emissions ($tC0_2eq$)



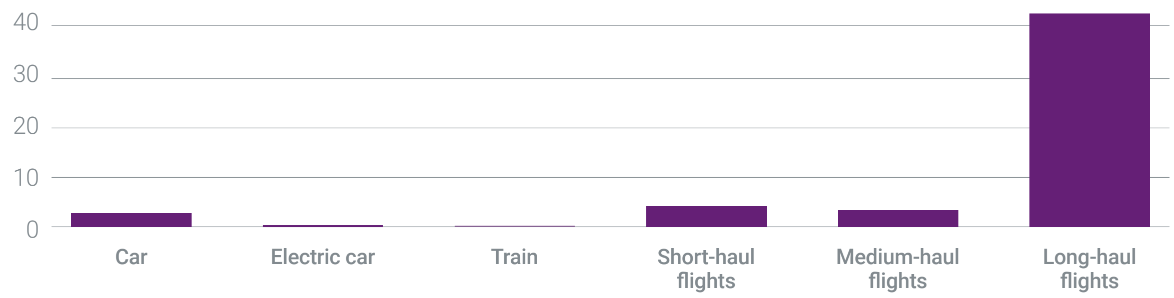
Source: Sirsa, June 2022

Analysis of the Main Sources of GHG Emissions

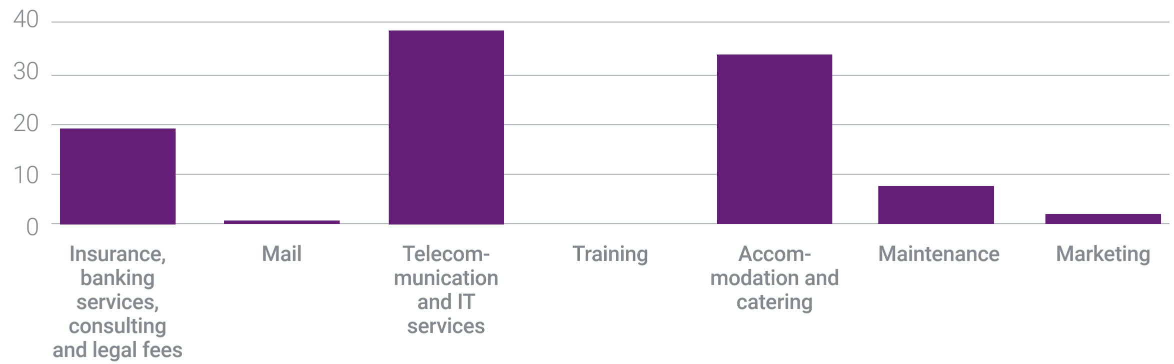
New York

EMISSIONS SOURCE	ANALYSIS
Purchased services	Among all services purchases, **telecommunication and IT services** is the purchase contributing the most to GHG emissions, representing **38%** of GHG emissions linked to purchases.
	Accommodation and catering purchases represent **33%** of the emissions linked to service purchases and **insurance, banking services, consulting and legal fees** purchases **19%**.
Business travel	Long-haul flights GHG emissions represent 80% of total business travel emissions when they represent 84% of the total distance travelled (0,152 kgCO2e/km).
	Short-haul flights represent 8% of emission but 5% of the distance travelled (0,258 kgCO2e/km). Medium-haul flights represent 6% of emission but 5% of the distance travelled (0,187 kgCO2e/km).
	Car travel and Electric car travel respectively 9% and less than 1%.

New York Business Travel - 2021 GHG Emissions ($tC0_2eq$)



New York Services Purchased - 2021 GHG Emissions ($tC0_2eq$)



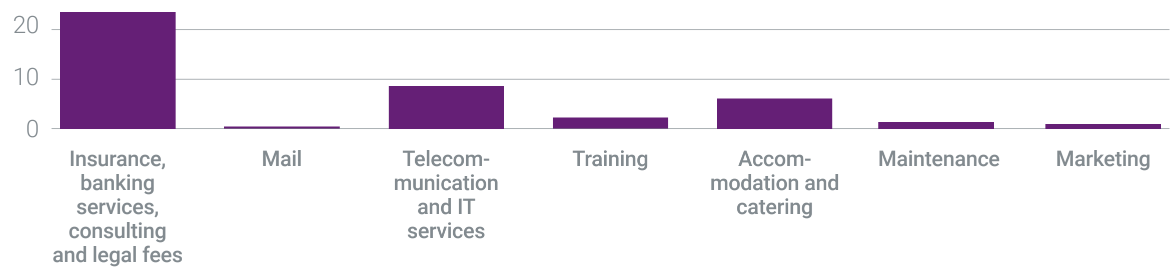
Source: Sirsa, June 2022

Analysis of the Main Sources of GHG Emissions

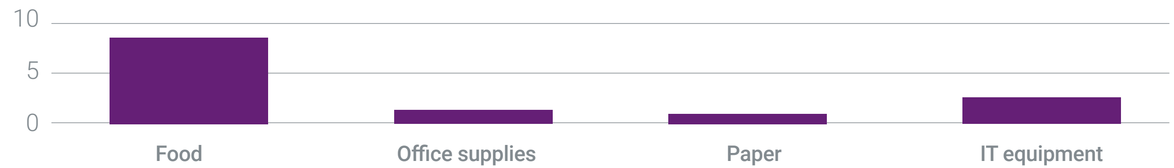
Paris

EMISSIONS SOURCE	ANALYSIS
Purchased services	Among all services purchases, insurance, banking services, consulting and legal fees is the purchase contributing the most to GHG emissions, representing 54% of GHG emissions linked to purchases.
	Telecommunication and IT services purchases represent 20% of the emissions linked to service purchases and accommodation and catering purchases 14%.
Purchased goods	Among all goods purchases, Food is the purchase contributing the most to GHG emissions, representing 63% of GHG emissions linked to purchases.
	Food purchases represent 36% of the emissions linked to goods purchases.

Paris Services Purchased - 2021 GHG Emissions ($tC0_2eq$)



Paris Goods Purchased - 2021 GHG Emissions ($tC0_2eq$)

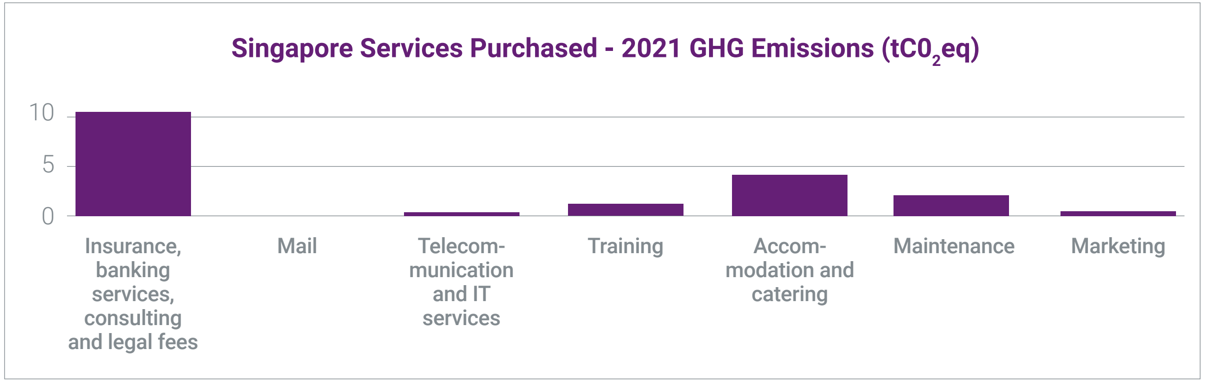


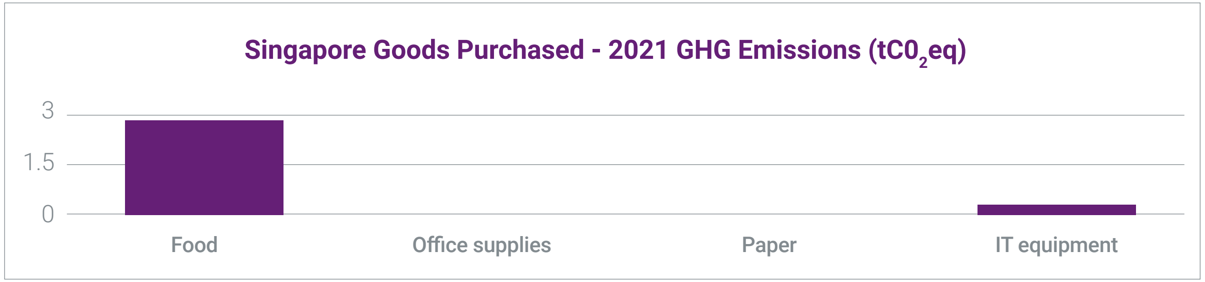
Source: Sirsa, June 2022

Analysis of the Main Sources of GHG Emissions

Singapore

EMISSIONS SOURCE	ANALYSIS
Purchased services	Among all services purchases, **insurance, banking services, consulting and legal fees** is the purchase contributing the most to GHG emissions, representing **57%** of GHG emissions linked to purchases.
	Accommodation and catering purchases represent **23%** of the emissions linked to service purchases and **maintenance** purchases **11%**.
Purchased goods	Among all goods purchases, **Food** is the purchase contributing the most to GHG emissions, representing **91%** of GHG emissions linked to purchases.
	IT equipment purchases represent **9%** of the emissions linked to goods purchases.
	Offices supplies and paper were excluded as they were considered negligible because employees work from home.





Key Areas for Improvement

Sirsa identified key areas for improvement based on Flexstone's first carbon footprint assessment. Flexstone will use the actions identified below as a starting point for its GHG reduction strategy.

Business Travel
Reduce travel; favor, as much as possible, remote meetings / video conferences
Hybrid / electric cabs: choose electric cabs whenever possible: set up the company account and raise employee awareness
Favor the economy class in air travel, which has a much lower emissions factor (depending on the class, order of magnitude from 1 to 4 or from 1 to 8)
Favor the use of train for short distances (<1000 km); replacing all short-haul flights distance travelled with train travel would reduce business travel's GHG emissions by 22%
Favor hotels that follow a sustainable approach or that are certified by sustainable label (e.g. Clef verte certification)
Flexstone has already formalized a business travel policy, which requires employees to get authorization for travel and to consider the environmental impact of their travel in accordance with Flexstone's ESG policy.

Purchased Services
Select suppliers according to climate criteria (e.g., whether they have in place GHG reduction initiatives, carbon offset programs, catering services / restaurants that use of local products and/or propose vegetarian and vegan options)

Purchased Goods
IT Equipment - **Purchasing policy**: Give preference to products with the longest warranty and best reparability. Possibly buy reconditioned second-hand equipment. Systematically favor repair rather than replace, limit the renewal of the computer fleet. - **Maintenance**: Systematically put protections on the assigned equipment. Educate employees to take care of the assigned equipment.
Meals in the Workplace - **Meals**: Reduce the consumption of meat in employee meals

Source: Sirsa, June 2022

3.0 — Responsible Investment

3.1 — Responsible Investment Principles

Signatory of:

PRI Principles for Responsible Investment

Flexstone's Core Responsible Investment Principles

Deliver risk-adjusted returns

We seek to deliver superior, responsible performance by investing with fund managers that have compelling track records and a commitment to responsible investment.

Reduce exposure to material sustainability-related risks

We aim to reduce exposure to material sustainability-related risks by integrating ESG considerations at every step of the investment process.

Raise awareness

We commit to raising awareness of responsible investment practices among our GPs, as well as in the private equity industry as a whole through our public engagements and participation in working groups.

Provide clients with portfolios that have strong sustainability credentials

For each of our clients, we ensure that their core values and ESG policies are integrated into their dedicated portfolios.

Transparency

We regularly communicate with our clients about their investments through periodic portfolio reporting and analytics.

3.2 — ESG Integration in the Investment Process

Pre-Investment ESG Due Diligence & Risk Management

From the deployment phase of the investment strategy to its final liquidation, the funds and mandates managed by Flexstone are exposed to sustainability risks. Sustainability ('ESG') risks[28] are environmental, social, or governance risk factors or 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, Flexstone's investment professionals seek to identify and manage material ESG risks and opportunities by actively integrating E, S, and G factors in the investment process. The following process for assessing material ESG risks is applied systematically to all prospective investments during the pre-investment phase:

Active ESG Integration at Every Step of the Investment Process

Negative Screening	GP ESG Integration Assessment	ESG Questionnaire	Contractual ESG Clauses	Quantitative and Qualitative ESG KPIs	ESG Factsheets
1. EXCLUSIONS	2. DUE DILIGENCE	3. ESG SCORING	4. NEGOTIATION	5. MONITORING	6. REPORTING
Exclusion of industries and activities that have a negative impact on social and environmental outcomes	Assessment of GP ESG integration practices and policies	ESG scoring of GPs and co-investments during pre-investment phase	Negotiation of ESG clauses in Side Letters on a best-effort basis	Annual Reporting 21 ESG data collection campaign	ESG reporting available for funds, GPs, and portfolio companies (Q2 2023)

Source: Flexstone Partners

[28] *Adapted from UN PRI Reporting Framework Glossary, https://www.unpri.org/reporting-and-assessment/reporting-framework-glossary/6937.article*

1. **Negative Screening**: All investments must comply with Flexstone's targeted exclusion policy.[29] The exclusion policy ensures that the investments made by Flexstone do not violate international human rights or business ethics standards (including the Ten Principles of the UN Global Compact[30] and the OECD Guidelines for Multinational Enterprises[31]), and that exposure to business activities and sectors that Flexstone believes to have negative environmental and/or social impacts is minimized (e.g., the tobacco industry).

2. **ESG Due Diligence**: Conducted by Flexstone's investment professionals and Sustainability Analyst to gain an in-depth understanding of the GP's ESG approach as well as the underlying portfolio company's consideration of ESG factors across its business operations. As a part of the due diligence process, Flexstone's investment team will carefully review all supporting documentation provided by the GP, including their ESG policies, due diligence reports, and risk management processes. The aim is to get a holistic view of the material ESG risks and opportunities associated with each investment and to identify any ESG red flags or controversies.

All ESG assessments are reviewed by Flexstone's Sustainability Analyst before the analysis is presented to the Investment Committee in order to ensure a consistent, unbiased assessment of all prospective investments.

Pre-Investment ESG Due Diligence Process

STEP 1	STEP 2	STEP 3	STEP 4
Access GP ESG Integration Policy & Practices	**ESG Scoring of Co-Investment**	**Review by Sustainability Analyst**	**Investment Committee**
Investment team reviews the GP's ESG integration approach and the documentation provided by the GP on their ESG policy and performance.	Completed by the investment team using Flexstone's in-house 'Sustainability Assessment Framework'	1st level control to manage material ESG risks. Review of supporting documents provided by GP on their responsible investment process.	ESG due diligence is included in all investment memorandums, and discussed during the Investment Committee.

[29] *Note that Flexstone's Sustainable Investment Policy and Targeted Exclusion Policy were updated in 2022, and therefore the policy only applies to investments made after its implementation in February 2022. Specifically, the following additional business activities were included in Flexstone's exclusion policy in 2022: activities involved in deforestation and the production, sale, or distribution of nuclear weapons.*

[30] https://www.unglobalcompact.org/what-is-gc/mission/principles

[31] http://mneguidelines.oecd.org/guidelines/

3. **ESG Scoring**: Based on the findings of the ESG due diligence, all prospective investments are scored by the investment team using Flexstone's proprietary ESG assessment framework. GPs are scored on their general ESG integration approach, as well as specific environmental, social, and governance (ESG) criteria. For co-investments, the investment team also scores the underlying portfolio company using Flexstone's co-investment assessment framework, which is focused on the company's approach to ESG integration and exposure to material ESG risks. An overview of the assessment frameworks is provided below.

4. **Negotiation of Contractual ESG Clauses**: ESG Side Letters and LPAs are negotiated on a best effort basis to ensure that all investments align with the six Principles for Responsible Investment defined by the UN. These clauses may also ask the GP to respond to Flexstone's annual ESG data collection campaign with reasonable effort, and to encourage underlying portfolio companies to consider E,S, and G factors in their business activities.

Holding Period

During the investment holding period, Flexstone uses the following processes and tools to monitor its portfolios' ESG performance, and to identify material ESG risks or opportunities:

- **Flexstone's annual Reporting 21 data collection campaign**: includes 40+ ESG indicators on fund manager approach to responsible investment and ESG risk management, and 60+ indicators at portfolio company level on the company's ESG performance (i.e., climate strategy, involvement in ESG controversies / litigation, diversity of management)
- **Quarterly portfolio reporting**: Flexstone's third-party fund administrator verifies that the fund is not exposed to any activities excluded by Flexstone or the Firm's clients.
- **ESG factsheets**:[32] Provide an overview of the ESG performance of Flexstone's GPs and investee companies, as well as any ESG-related controversies reported by GPs through Flexstone's Reporting 21 campaign.
- **Ad hoc ESG Information Requests & Reporting**: For selected financial products, Flexstone requests additional ESG-related information, notably on the status of ESG roadmaps for co-investments, and produces dedicated risk assessment reports.
- **Participation in LPACs and AGMs and monitoring of sustainability issues included on the agenda**: Any red flags identified by Flexstone's investment professionals are communicated to Flexstone's Sustainability Analyst and CCO.

[32] *Currently being finalized by the Reporting 21 development team, expected to be available to investors in Q2 2023*

Risk Management & Escalation Plan

In order to ensure compliance with Flexstone's internal sustainable investment policy and any relevant sustainable finance regulations such as the SFDR and the EU taxonomy, Flexstone has implemented a sustainability governance and escalation processes. The governance strategy includes the following controls:

Level 1 Controls

Carried out by Flexstone's dedicated Sustainability Analyst on a day-to-day basis. The Analyst reviews all ESG assessments and investment memorandums completed by the investment team in order to ensure consistent ESG integration and analysis.

Level 2 Controls

Carried out by the CCO on a semi-annual basis to ensure that Flexstone complies with all relevant sustainability regulations and internal policies. Flexstone's CCO works together with the Firm's Sustainability Analyst to ensure that all investments are systematically assessed using Flexstone's ESG framework, and that ESG roadmaps and controversies are monitored on a regular basis.

Escalation Plan

When a member of the investment team identifies any incident or deficiency in relation to sustainability (such as a policy violation, ESG regulatory breach or ESG-related controversy), they immediately inform Flexstone's Sustainability Analyst, the Head of Sustainability, and the CCO.

When Flexstone's Sustainability Analyst identifies an anomaly, she notifies the CCO and the Head of Sustainability immediately.

The CCO reports any unresolved deficiency to Flexstone management and Sustainability Analyst. If the deficiency is material or involves a financial loss or a reputational risk, it is also reported to Natixis Investment Managers and if required by regulation to the relevant authorities.

ESG Due Diligence

Each investment professional is responsible for conducting ESG due diligence for all prospective investments using Flexstone's proprietary ESG assessment framework.

Level 1 Controls (day-to-day basis)

Flexstone's ESG analyst reviews all ESG assessments and supporting documents received during due diligence, and works with the investment team to identify any material ESG risks or opportunities.

Level 2 Controls (semi-annual basis)

Flexstone's compliance professionals conduct regular controls to ensure that the Firm complies with external regulations and our internal sustainable investment policy.

3.3 — Annual Reporting 21 Data Collection Campaign

In February 2022, Flexstone launched its first annual data collection campaign on the Reporting 21 platform with the objective of monitoring, analysing, and reporting on the ESG performance and practices of its GPs and portfolio companies. The data collection campaign includes a range of ESG KPIs, and is designed to align with international sustainability disclosure frameworks and regulations such as the SFDR, ILPA, and the EU Taxonomy.

Flexstone developed the data collection campaign in partnership with Sirsa, a consulting firm specialized in sustainable transformation, and will update the questionnaire on an annual basis according to regulatory requirements and industry best practices. Since the data will be collected on an annual basis, Flexstone will be able to use it to identify key areas for improvement and to monitor the progress made by GPs and portfolio companies towards set ESG objectives.

It is important to note that the Reporting 21 campaign is conducted on a best-effort basis. As a Limited Partner and a minority investor, Flexstone depends on its GPs to collect, monitor, and report on the ESG performance and progress of its funds and underlying portfolio companies.

However, monitoring GPs' response rates is a useful indicator in itself as it allows Flexstone to identify which GPs have in place effective processes for managing ESG risks, as well as for monitoring and reporting on the ESG performance of the underlying portfolio companies.

Flexstone has also engaged with GPs on how to improve the questionnaire and make the process more efficient next year with the objective of working together with GPs to improve the quality and quantity of the reported ESG data. Moreover, Flexstone seeks to align its questionnaire with industry best practices and to promote the standardization of sustainability-related disclosures. Therefore, in 2023, Flexstone's annual ESG data collection campaign will align with the standard questionnaire developed by France Invest, which is also aligned with the requirements of the SFDR and EU Taxonomy, as well as international sustainability disclosure frameworks such as ILPA and the UN PRI.

Reporting21

Key Objectives

DATA COLLECTION CAMPAIGN OBJECTIVES	
Provide data on the extra-financial performance of GPs and portfolio companies based on the results of the Sirsa workshop survey	The questionnaire aligns with the criteria and indicators that Flexstone employees selected as most important to monitor for GPs and portfolio companies
Improve the Investment team's ability to monitor sustainability objectives & answer sustainability-related client requests	The data collected each year will be stored in a central data base, allowing investment teams at Flexstone to monitor the sustainability performance of GPs, portfolios, and the underlying companies
Comply with regulatory requirements	The data collection campaign will prepare Flexstone to comply with various sustainability disclosure regulations, including the SFDR and the Taxonomy.
Minimize workload for GPs and Investment teams	The questionnaire is aligned with existing sustainability disclosure standards / regulatory requirements to make the process efficient and minimize workload for GPs

2022 ESG Data Collection Campaign Overview

The following section provides an overview of the average response rate to Flexstone's annual ESG questionnaire at GP and portfolio company level.

Key Insights

- The average response rate to the GP questionnaire is significantly higher than for the portfolio company questionnaire, at **63%** and **33%** respectively.
- The ESG questionnaire focused on GPs operating in Europe, as regulatory disclosure requirements on the integration of sustainability factors in the investment process have only been implemented in Europe through the SFDR; as seen from the data presented below, **the average response rate for European GPs is significantly higher than for GPs based in the US and Asia**.
- Most GPs that participated in the data collection campaign **submitted 100% of the data at GP level, and chose to partially complete the questionnaires at portfolio company level**. Based on discussions with GPs, small private equity firms still face significant limitations in terms of resources, data providers, and standard frameworks for ESG-related disclosures at investee company level.
- **Data on the carbon footprint of underlying portfolio companies is still limited**; **12.6%** of GPs reported on the scope 1 and scope 2 emissions of their portfolio companies, and only **8.5%** reported the full carbon footprint including scope 3 GHG emissions.
- **Data provided by GPs on SFDR and EU Taxonomy-related indicators is still limited**; for portfolio companies, only 0.4% reported the % turnover aligned with the environmentally sustainable activities defined by the EU Taxonomy. Flexstone excepts disclosure on fund classification, PAIs, and EU Taxonomy to improve significantly with the implementation of SFDR Level 2 in 2023.
- **Disclosures related to gender pay gaps at GP and portfolio company level are also limited**; Only 35% of GPs reported on the % of women among the 10 highest-paid employees in the company (including annual bonus), while over 60% reported on other diversity-related indicators such as share of women in workforce and senior level positions. Similarly, average hourly earnings for men and women were reported for only 7.5% of underlying portfolio companies.

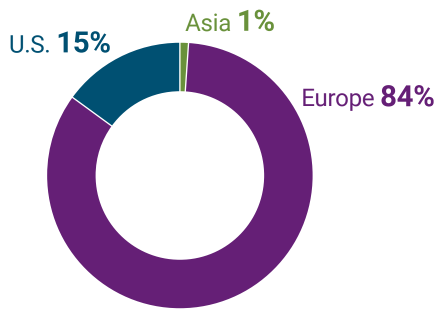
GP ESG Questionnaire – Response Rate Analysis

The GP questionnaire was sent to 125 GPs, with a focus on European fund managers. The questionnaire includes 46 KPIs that focus on two key areas: (1) ESG strategy & governance at management company level; and , (2) ESG integration in the investment process.

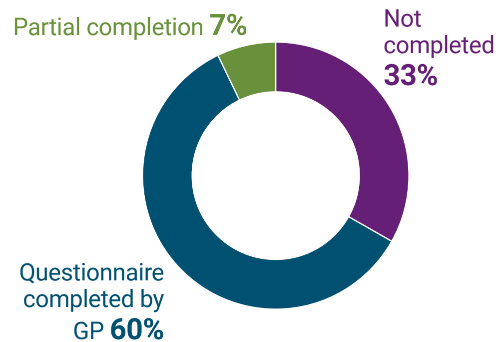
GPs by Geography of Deal Team

GEOGRAPHY – DEAL TEAM	# OF GPS	AVERAGE RESPONSE RATE
Asia	3	33%
Europe	100	66%
US	22	52%
GRAND TOTAL	**125**	**62.90%**

Data Received by GP Geography



GPs Included in the Campaign by Region



GP ESG Questionnaire 2022 – Indicators with Highest Response Rate

INDICATOR	TOTAL # OF RESPONSES	RESPONSE RATE W/O NA	% NOT AVAILABLE - FROM TOTAL RESPONSES	% NOT APPLICABLE - FROM TOTAL RESPONSES
Sustainability Governance - Team / ESG Officer	82	65.6%	0.0%	0.0%
Controversies and Litigations	82	64.8%	1.2%	0.0%
Investment Team Members - Share of Women	80	64.0%	0.0%	0.0%
Holding Period - ESG Data Collection and Monitoring	80	64.0%	0.0%	0.0%
Exclusion Policy	79	63.2%	0.0%	0.0%
Biodiversity Initiatives Within the Management Company	79	63.2%	0.0%	0.0%
Public Engagements	79	63.2%	0.0%	0.0%
Systematic Sustainability Analysis in Investment Memorandum	80	63.2%	1.3%	0.0%
Employees at Senior Level - Share of Women	79	62.4%	1.3%	0.0%

GP ESG Questionnaire – Indicators with Lowest Response Rate

INDICATOR	TOTAL # OF RESPONSES	RESPONSE RATE W/O NA	% NOT AVAILABLE - FROM TOTAL RESPONSES	% NOT APPLICABLE - FROM TOTAL RESPONSES
Taxonomy Eligibility	78	48.0%	7.7%	15.4%
Taxonomy Alignment	78	45.6%	9.0%	17.9%
SFDR - Future Funds	74	39.2%	9.5%	24.3%
Highest-paid Profiles	61	35.2%	27.9%	0.0%
SFDR - Current Funds	75	35.2%	41.3%	0.0%
Carbon Footprint Assessment - Results	71	26.4%	53.5%	0.0%

Portfolio Company ESG Questionnaire – Response Rate Analysis

The 2021 data collection campaign included **1407 portfolio companies** across Flexstone's funds. The questionnaire consisted of **63 ESG KPIs** (75 when considering automatically calculated ones) in alignment with international reporting frameworks such as the SFDR, EU Taxonomy, and ILPA.

For **33% of the portfolio companies, over 50% of the indicators included in the questionnaire were reported to Flexstone**.[33] For the remaining companies, the response rate was either lower than 50%, or no data was provided (this was the case for 863 portfolio companies).

Portfolio Company ESG Questionnaire – Indicators with the Lowest Response Rate

INDICATOR	TOTAL # OF RESPONSES	RESPONSE RATE W/O NA	% NOT AVAILABLE - FROM TOTAL RESPONSES	% NOT APPLICABLE - FROM TOTAL RESPONSES
Taxonomy Alignment - Turnover	417	0.4%	54.4%	44.1%
Energy Consumption Per High Impact Climate Sector	430	5.7%	61.8%	19.9%
Average Hourly Earnings - Men & Women	445	7.5%	76.2%	0.0%
Emissions Into Water	441	7.7%	61.6%	13.6%
Carbon Assessment - Scope 3 Results	461	8.5%	66.6%	7.4%
Non-renewable Energy Production	417	9.3%	50.1%	18.5%
Renewable Energy Production	418	9.7%	49.0%	18.2%

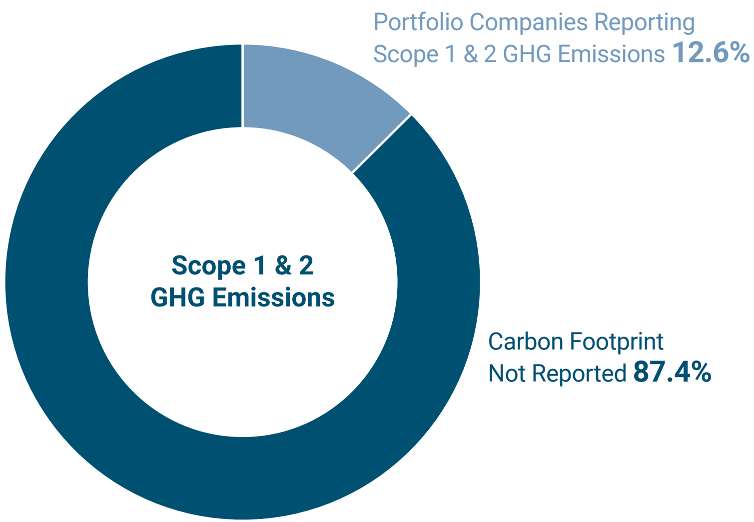
Portfolio Company ESG Questionnaire – Indicators with the Highest Response Rate

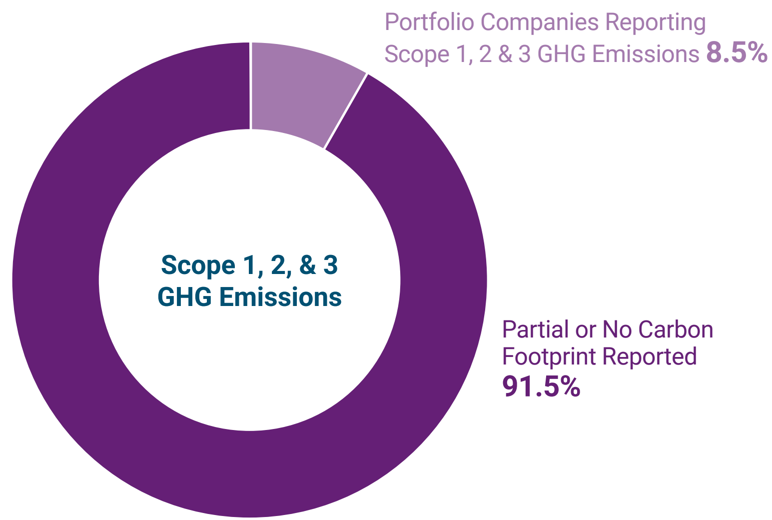
INDICATOR	TOTAL # OF RESPONSES	RESPONSE RATE W/O NA	% NOT AVAILABLE - FROM TOTAL RESPONSES	% NOT APPLICABLE - FROM TOTAL RESPONSES
Women within the Board of Directors	501	28%	21%	0%
Sustainability Policy	487	27%	22%	0%
Sustainability Manager - Team / ESG Officer	483	27%	22%	0%
Independent Members within the Board of Directors	478	26%	22%	0%
Climate Initiatives	480	26%	24%	0%
Business Ethics Litigations	479	25%	25%	0%
Exposure to Controversial Weapons	468	25%	26%	0%

[33] *See full dataset of the response rate at indicator level in appendix.*

Share of Portfolio Companies Reporting on Carbon Footprint

Data on the carbon footprint of underlying portfolio companies is still limited; 12.6% of GPs reported on the scope 1 and scope 2 emissions of their portfolio companies, and only 8.5% reported the full carbon footprint including scope 3 GHG emissions.





Portfolio Review

This section provides an overview of our fund managers' approach to sustainability across their corporate and investment activities. It is based on our GPs' responses to Flexstone's first Reporting 21 ESG data collection campaign in 2022, which focused on two key topics at GP level: (i) ESG governance, environmental initiatives, and diversity of the management company; and, (iii) GP approach to responsible investment during the investment cycle.

At portfolio company level, the response rate and quality of data were not high enough to provide an accurate representation of the ESG performance of investee companies. Flexstone will continue in its efforts to improve the quality and quantity of data collected at portfolio company level. Flexstone's Sustainability Analyst has engaged with GPs to receive feedback on how to make the data collection process more user-friendly and time-efficient, and will take this into account for its second Reporting 21 data collection campaign in 2023.

GP Questionnaire – ESG Integration at Management Company & Approach to Responsible Investment

DEFINITION	VALUE		COMPLETED (N)	NO RESPONSE (EMPTY / NOT AVAILABLE)
Does the management company index its remuneration policy to sustainability objectives?	**15** Yes, annual bonuses are indexed to sustainability objectives; **1** Yes, carried interest is indexed to sustainability objectives;	**52** No	67	58
Does your management company actively participate in working groups or other sectoral organisation focused on sustainability matters?	**47** Yes	**30** No	77	48
How does your management company disclose its sustainability information to its investors?	**48** Within a dedicated report on sustainability. If so, please attach a copy of the last report.; **17** At least annually Within the financial report;	**32** Systematically during Annual General Meetings; **10** Not disclosed; **16** Other (please specify in comments)	78	47
Does your firm have a policy describing its approach to sustainability?	**67** Yes	**11** No	78	47
Does the management company disclose information related to climate risks according to the Task-force on Climate Finance-related Disclosure (TCFD)?	**10** Yes	**69** No	79	46
Have you a formalized exclusion policy for high-risk business sectors (i.e., tobacco, weapons) or controversial activities (i.e., human rights violations)?	**71** Yes	**8** No	79	46
Which responsible investment and corporate initiatives is your management company a signatory of?	**55** UNPRI; **5** Carbon Disclosure Project; **11** TCFD guidelines; **25** Initiative Climat International (former IC21); **2** Walker guidelines; **9** Global Compact;	**13** Initiative promoting diversity; **19** Level 20; **1** 30% Club; **2** Out Investors; **14** No; **22** Other (please specify in comments)	79	46
Has your management company faced any litigation during the period?	**6** Yes	**75** No	81	44
Does the management company have a Sustainability Team or Officer?	**25** Yes, a Sustainability Officer **38** Yes, a Sustainability Team	**19** No	82	43

Source: Reporting 21, data as of 12.31.2021.

Diversity at Management Company

DEFINITION	VALUE	COMPLETED (N)	NO RESPONSE (EMPTY / NOT AVAILABLE)
Is the CEO of your management company a woman?	**3** Yes **74** No	77	48
What is the share of women among the 10 highest-paid employees of the management company, including annual bonus components?	**17%**	44	81
Average share of women - Board of directors (or Supervisory board)	**15%**	73	52
Average share of women - Investment Committee	**13%**	75	50
Average share of women - Senior level positions	**25%**	78	47
Average share of women - Investment team	**22%**	80	45

Environmental Initiatives at Management Company

DEFINITION	VALUE	COMPLETED (N)	NO RESPONSE (EMPTY / NOT AVAILABLE)
Does your management company undertake climate initiatives?	**37** Carbon assessment at the management company level **36** Carbon footprint reduction initiatives **24** Carbon offset scheme/program **8** Climate trajectory formalization **21** Purchase of green energy **18** Green transportation policy **20** Responsible purchasing policy **14** Other (please specify in comments) **18** No	78	47
Does your management company undertake biodiversity-related initiatives?	**12** Yes **67** No	79	46
Are employees trained on sustainability-related topics?	**59** Yes, at least once a year **6** Yes, less than once a year **15** No	80	45

Source: Reporting 21, data as of 12.31.2021.

GP Responsible Investment Approach

Pre-Investment ESG Due Diligence & Risk Management Approach

DEFINITION	VALUE	COMPLETED (N)	NO RESPONSE (EMPTY / NOT AVAILABLE)
Does your management company conduct sustainability / ESG due diligence for the companies it invests in?	**50** Yes, systematically using an internal framework **30** Yes, systematically using an external ESG specialist **3** Yes, occasionally using an internal framework **11** Yes, occasionally using an external ESG specialist **7** No	78	47
Does your management company specifically assess the risks and/or opportunities associated to climate change?	**47** Yes, systematically **20** Yes, occasionally **11** No	78	47
If so, how does your company assess the risks and/or associated to climate change?	**60** ESG due diligence including climate risks **26** Physical and/or transition risks assessment **20** Carbon footprint assessment **2** Taxonomy alignment calculation **5** Other (please specify in comments) **9** No	76	49
Does the company formalize sustainability action plans as a part of the pre-investment process to be implemented by portfolio companies during the holding period?	**36** Yes, systematically **23** Yes, occasionally **19** No	78	47
Does your management company systematically incorporate sustainability analysis in its investment memorandum?	**63** Yes **16** No	79	46
Does your management company typically incorporate sustainability-related clauses within shareholder agreements?	**28** Yes, systematically **12** Yes, occasionally **36** No	76	49

Source: Reporting 21, data as of 12.31.2021.

Holding Period

DEFINITION	VALUE	COMPLETED (N)	NO RESPONSE (EMPTY / NOT AVAILABLE)
Does your management company develop a sustainability roadmap for the companies it invests in?	**43** Yes, a sustainability action plan **11** Yes, a carbon trajectory **0** Yes, a biodiversity trajectory **15** Other (please specify in comments) **24** No	78	47
Does your management company collect and/or monitor sustainability / ESG data for portfolio companies	**72** Yes **8** No	80	45
Does your management company require underlying portfolio companies to include sustainability-related issues in executive board meetings?	**45** Yes, systematically **19** Yes, occasionally **13** No	77	48
Does your management company engage with portfolio companies to ensure that they identify and manage climate change risks and/or opportunities (financial, operational, commercial, reputational)?	**57** Yes **20** No	77	48
Does your management company assesses its portfolio's carbon footprint? If yes, please specify the methodology used.	**17** Partial carbon footprint assessment - scope1 & 2 emissions **11** Carbon footprint assessment by proxy - scope 1, 2 & 3 emissions **13** Scope 1, 2 & 3 emissions with most significant items **6** Full carbon footprint assessment – scope 1,2, & 3 emissions **12** Other **26** No	77	48

Exit

DEFINITION	VALUE	COMPLETED (N)	NO RESPONSE (EMPTY / NOT AVAILABLE)
Does your management company perform sell-side ESG due diligence during the exit process?	**21** Yes, systematically **20** Yes, occasionally **35** No	76	49

Source: Reporting 21, data as of 12.31.2021.

Sustainable Finance Disclosure Regulation

SFDR Overview

The EU Sustainable Finance Disclosure Regulation (SFDR) Level 1 was implemented in March 2021 and Level 2 in January 2023. The regulation requires financial market participants operating in the EU to disclose information on how sustainability risks and principal adverse sustainability impacts are integrated into their investment and decision making processes.

The level of disclosure on ESG factors required by the regulation depends on the investment strategy of the financial product, specifically whether it has sustainable investment as a core objective, or aims to promote, among other objectives, positive environmental and social characteristics. This has led to three types of classifications for financial products according to the SFDR: Article 6, Article 8, or Article 9:

Article 6: All funds that do not promote environmental or social characteristics, and do not have sustainable investment as their core objective. Fund managers are still required to disclose how sustainability risks are integrated into their investment decisions, or explain why the consideration of such risks is not relevant.

Article 8: Funds that promote, among other characteristics, environmental and/or social characteristics, provided that the companies in which the investments are made to follow good governance practices.

Article 9: Funds that have sustainable investment as their main objective

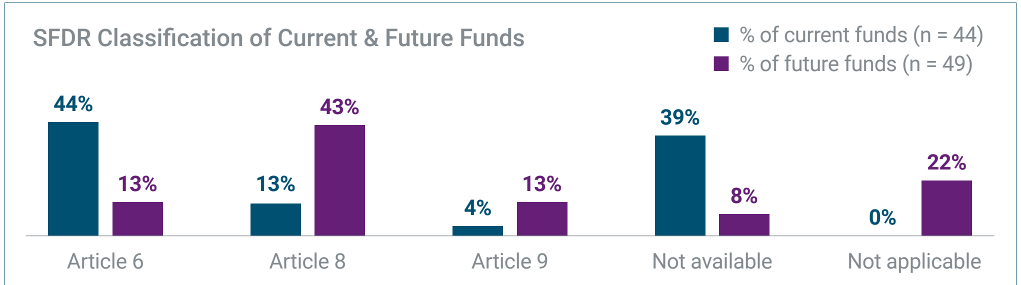
The SFDR aims to increase transparency on the integration of sustainability risks at product and entity level, standardize ESG-related disclosures, and to make it easier for market participants to compare sustainable investment strategies.

For more information on the SFDR, see Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector.

SFDR Classification – Current & Planned GP Funds

As a part of Flexstone's ESG data collection campaign, Flexstone collected data on the SFDR classification of its GPs' funds, as well as their plans for eligible future funds. The objective was to gain a better understanding of what to anticipate from Flexstone's GPs in the near future, notably since Flexstone's ambition is to have all of its new, eligible funds classified as Article 8 under the SFDR.

As seen in the graph below, **most GPs have their current funds classified as Article 6 under the SFDR since they were launched before the implementation date in 2021**. In the near future, **most GPs with eligible funds are planning to classify their future funds as Article 8, while only a few are reporting plans to launch Article 9 funds**.



Principal Adverse Impact Indicators

Article 4 of the SFDR requires financial markets participants with 500 or more employees to publish and maintain on their websites a statement on their due diligence policies with respect to principal adverse impacts (PAIs) of investment decisions on sustainability factors, and to report on the PAI indicators according to the regulatory technical standards.

Flexstone does not consider principal adverse impacts of investment decisions on sustainability factors, and has chosen to 'explain' why the Firm does not consider PAIs of investment decisions on sustainability factors during the investment process. As a result of the Firm's size, with over 50 employees across four locations, as well as Flexstone's role as a Limited Partner and a minority investor, Flexstone is limited in its resources and ability to assess, monitor, and report on the PAIs at portfolio company level.

As a Limited Partner and a minority investor, Flexstone heavily relies on its GPs to conduct due diligence on the risks and opportunities associated with investee companies, including the assessment of PAIs at portfolio company level. Moreover, Flexstone depends on its GPs to collect, monitor, and report on the ESG performance of portfolio companies, including the 14 mandatory PAI indicators defined by the EU Commission. Based on the data collected during Flexstone's first ESG data collection campaign in 2022, the quality and quantity of data available at portfolio company level is very limited, especially for investments made before the implementation of the SFDR.

Flexstone seeks to help its GPs prepare for evolving sustainability disclosure requirements and to report on relevant ESG KPIs at portfolio company level once the quality and quantity of sustainability-related information improves. Flexstone's 2022 Reporting 21 campaign included **13 out of the 14 mandatory principal adverse impact (PAI) indicators** as defined in Annex 1 of Regulation (EU) 2019/2088.[34] The following table provides an overview of the response rate for each PAI indicator, which is significantly low for climate and waste-related indicators.

[34] *In 2023, all PAI indicators will be integrated in Flexstone's annual ESG questionnaire*

Principal Adverse Impact Indicators Response Rate – 2022 ESG Data Collection Campaign[35]

The average response rate to the PAI indicators for the 2022 Reporting 21 campaign was **32.3%** when including 'not applicable' and 'not available' responses, and **15.6%** when excluding them.

#	PAI	RESPONSE RATE EXCLUDING N/A[36]	'NOT AVAILABLE' – SHARE OF TOTAL RESPONSES (%)	'NOT APPLICABLE' – SHARE OF TOTAL RESPONSES (%)
1	GHG emissions – Scope 1	12.9%	56.3%	4.9%
	GHG emissions – Scope 2	13.2%	55.4%	4.7%
	GHG emissions – Scope 3	8.4%	66.6%	7.4%
2	Exposure to companies active in the fossil fuel sector	24.2%	26.1%	0.0%
3	Non-renewable energy consumption	14.4%	53.0%	0.0%
	Renewable energy consumption	12.4%	59.9%	0.0%
	Non-renewable energy production	9.3%	50.1%	18.5%
	Renewable energy production	9.8%	49.0%	18.2%
4	Energy consumption intensity per high impact climate sector	5.7%	61.8%	19.9%

[35] *n = 1407, with the exception of indicators marked with * for which n = 1390*
[36] *'N/A' refers to indicators marked as 'not available' or 'not applicable' by the GP*

#	PAI	RESPONSE RATE EXCLUDING N/A[36]	'NOT AVAILABLE' – SHARE OF TOTAL RESPONSES (%)	'NOT APPLICABLE' – SHARE OF TOTAL RESPONSES (%)
5	**Activities negatively affecting biodiversity-sensitive areas**	16.8%	46.2%	0.0%
6	**Emissions to water**	7.8%	61.6%	13.6%
7	**Hazardous and radioactive waste**	11.0%	54.2%	10.9%
8	**Violations of the UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises**	25.1%	25.4%	0.0%
9	**Processes for monitoring compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises**	23.2%	28.7%	0.0%
10	**Unadjusted gender pay gap**	7.4%	76.2%	0.0%
11	**Board gender diversity – Members of the Board of Directors**	27.8%	20.9%	0.0%
	Board gender diversity – Women within the Board of Directors	28.2%	20.8%	0.0%
12	**Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)***	24.6%	25.8%	0.0%

[36] *'N/A' refers to indicators marked as 'not available' or 'not applicable' by the GP*

3.4 — Portfolio Carbon Footprint

Flexstone contracted Sirsa to estimate the carbon footprint of Flexstone's funds by proxy, with the objective of improving the Firm's ability to monitor and report the GHG emissions associated with its portfolio companies to Flexstone's investors.

Although there are significant discrepancies in current GHG accounting methodologies, Flexstone believes that assessing the carbon footprint of its funds is important to promoting transparency in the financial industry and supporting the standardization of GHG accounting and reporting standards.

Flexstone seeks to improve the quality and quantity of the input data that is used to assess its carbon footprint in order to provide the most accurate representation of the Firm's climate impact. Flexstone further acknowledges that the estimated carbon footprint data does not necessarily provide a complete representation of its funds' climate impact, but can act as a useful starting point for identifying key areas for improvement and engagement in the future.

Portfolio Carbon Footprint Methodology

Sirsa estimated the scope 1, 2, and 3 GHG emissions of Flexstone's funds by using a proxy methodology developed by ADEME and Bilan Carbone.® The methodology uses the investee company's sector and country of operation to estimate its carbon footprint using the appropriate emission factor. Sirsa also computed the financed GHG emissions for Flexstone's funds based on the invested amount in each company. The methodology is compliant with the GHG Protocol[37] guidelines, and includes the GHGs required by the UNFCCC/Kyoto Protocol.

Flexstone Portfolio Carbon Footprint by Scope (tCO^2e)

PORTFOLIO	NUMBER OF PORTFOLIO COMPANIES INCLUDED IN ASSESSMENT	SCOPE 1 - DIRECT	SCOPE 2 - INDIRECT	SCOPE 3 - UPSTREAM & DOWNSTREAM	TOTAL GHG EMISSIONS (TCO_2E)
GO IV	12	14844	4433	27220	**46497**
FS III	286	14635	3676	53063	**71374**
FS IV	41	3062	1004	14848	**18914**
SO I	24	9162	4390	23204	**36755**
SO II	54	61826	13871	97903	**173600**
Swiss Select Opportunities	49	13712	2311	13411	**29435**

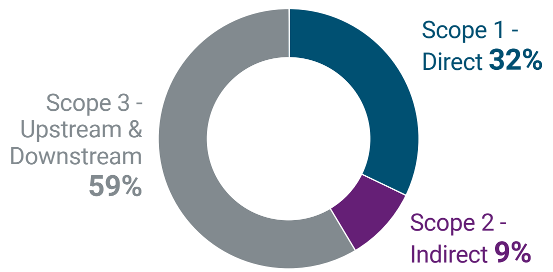
Portfolio carbon footprint data as of Q3 2022.

[37] https://ghgprotocol.org/

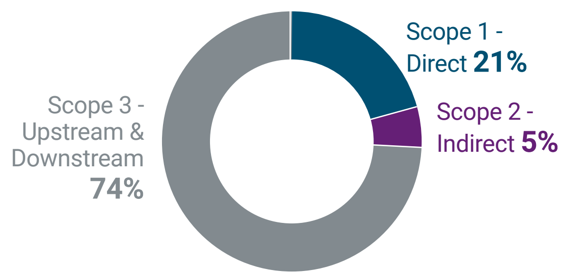
Key Insights

- For all of Flexstone's dedicated funds, **scope 3 emissions make up the largest share of the portfolio carbon footprint** between **45% - 79% of the total GHG emissions** associated with the underlying portfolio companies.
- The **second largest source** of emissions is **scope 1 direct GHG emissions**, although they contribute significantly less to the portfolio carbon footprint, which range between **16% – 47% of the total GHG emissions**.
- **Scope 2 indirect emissions** represent the **smallest share of GHG emissions** across Flexstone's portfolios, **between 5% and 12%**.

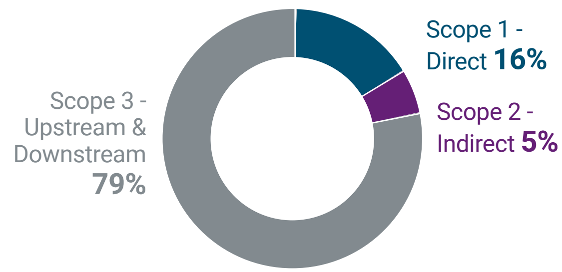
GO IV Carbon Footprint - Share of Scope 1, 2, and 3 GHG Emissions (% of tCO_2e)



FS III Carbon Footprint - Share of Scope 1, 2, and 3 GHG Emissions (% of tCO_2e)

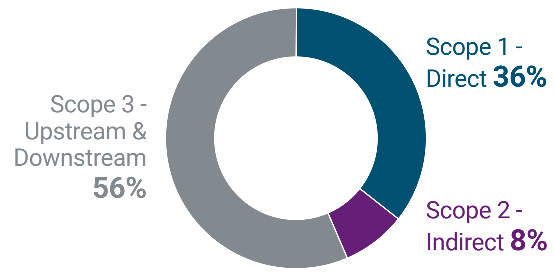


FS IV Carbon Footprint - Share of Scope 1, 2, and 3 GHG Emissions (% of tCO_2e)

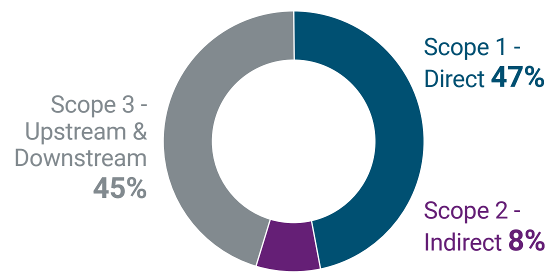


SO I Carbon Footprint - Share of Scope 1, 2, and 3 GHG Emissions (% of tCO_2e)

SO II Carbon Footprint - Share of Scope 1, 2, and 3 GHG Emissions (% of tCO_2e)



Swiss Select Opportunities Carbon Footprint - Share of Scope 1, 2, and 3 GHG Emissions (% of tCO_2e)



4.0 — ESG Integration in Value Creation — GP & Portfolio Company Case Studies

Polaris

POLARIS
THE POWER OF PARTNERSHIP

Overview of the Management Company

Management company: Polaris Management A/S ("Polaris")

Size: 40 employees

Investment strategy: Majority buy-out investments in Nordic mid-market companies (target revenue 20-200 MEUR)

Geographic focus: Nordic countries predominantly Denmark and Sweden

HQ: Copenhagen | **Founded**: 1998 | **AUM**: 1.5B EUR

Polaris Sustainable Investment Approach

Polaris is a generalist investor. We are willing to invest in most businesses as long as they are defensible and viable from a sustainability perspective. Our contribution to society as an investor is then to support our mid-market companies, in partnership with the management team, in improving their sustainability overall performance during our ownership. We believe this is an important and necessary role and a responsibility which need to be taken. This is 'impact' for us at Polaris. We do this for two reasons, it is a moral imperative (it is the right thing to do) and it is necessary for future value creation. We see that there is a large demand for this support among management teams.

Key ESG Milestones: The Polaris Sustainability Program

Our main impact is the impact of our portfolio companies and the main way for Polaris to have an impact is therefore to work with our portfolio companies. We invest a lot of time and resources into our collaboration with them.

A major part of this work, and a major milestone, is the Polaris Sustainability Program, which is our model for supporting our portfolio companies. We started Polaris Sustainability Group, where the sustainability leads of our portfolio companies meet on a monthly basis to discuss relevant topics, share experiences, and develop our work.

In 2023, we have also expanded our sustainability reporting to include sustainability data which enables the completion of several ESG data standards including Article 4 of the SFDR on principal adverse sustainability impacts of investments.

GP Case Study - Polaris

Polaris Responsible Investment Process

To deliver on our ambition, we have integrated sustainability throughout the investment process.

- **Integration of sustainability considerations in the pre-investment process**: In the investment phase, sustainability considerations are fully integrated into the overall assessment of each potential investment in order to capture all potentially material risks and opportunities. The sustainability assessment starts already in the early stages before we conduct a full sustainability due diligence on each potential investment supported by external experts.

  At this stage we also start to onboard the management teams on our plans and ambitions related to sustainability and start to build the future development plan together.

- **Engagement approach**: In the portfolio management phase we support our companies in implementing a standard structure called Polaris Sustainability Program, which is a continuation of the analysis and engagement started during the pre-investment phase. This is based on the company-specific material sustainability related risks and opportunities which we identify and combine these with key industry standards and frameworks in order to produce a sustainable business plan. As we have worked with sustainability as a value lever during the portfolio management phase, it is naturally an integrated part of the exit process and the company's strategy and business plan.

How do you view the role of private equity fund managers in achieving the UN SDGs and how have these considerations been integrated into Polaris' sustainability approach?

The SDG's can provide valuable insights into which societal issues should be prioritized and how companies might support these. We have therefore integrated them into the Polaris Sustainability Program. Once we have identified each company's material sustainability impacts, we map these to the SDG's to identify which ones are relevant for each individual company. We generally focus on Climate Change (SDG 13) , Gender Equality (SDG 5) and Working Environment (SDG 8) as general themes at Polaris and for our portfolio companies.

Link Logistics

Polaris - Portfolio Company Case Study

Link Logistics was bought in 2019 by Polaris to accelerate the company's growth and expand its resources and expertise. Link Logistics provides customized solutions to the courier express parcel market.

Sustainability has been integrated as one of the main strategic themes for the company as it is increasingly important for Link's B2B and B2C customers as well as for their employees.

The logistics industry has a significant carbon footprint and Link is taking responsibility for their role in the value chain and support their customers in addressing their logistics related carbon emissions. Link can help their customers understand their emissions and find more carbon efficient transport solutions.

Link Logistics

Link Logistics 2025 Sustainability Objectives

In the beginning of 2022, Link's management presented their 2025 sustainability objectives with a focus on SDG 5, 8, 9, and 13:

- **Increase female leaders in management positions to at least 40% by 2025**
- **Promote increased transparency in logistics services** by communicating on our sustainable development progress, projects, and initiatives
- **Reduce our carbon footprint across the value chain**; in 2020, Link started measuring their full carbon footprint and are developing this in order to be able to deliver full CO2 accounting to their customers on a 'per shipment' level. This will provide significant value to their customers and will also be a first step to be able to start to optimize freight options based on environmental footprint and not only on quality (speed) and cost.

Futur Pension

Polaris - Portfolio Company Case Study

Futur Pension is a digitized, Swedish insurance company that offers private individuals and companies comprehensive insurance solutions, including occupational pensions, endowment insurance, private pensions, and life insurance.

Futur Pension manages around 20B EUR of pension savings on behalf of their customers in a highly efficient and digitalized structure. The investment decisions are made by their customers together with their advisors.

Futur Pension is committed to supporting their customers and advisors in making more sustainable investment decisions by proving resources and making more sustainable investment options available in their structure. As a result, they were recently awarded the highest sustainability rating by Sweden's leading pension advisor. To live up to their overall commitment, Futur Pension is also committed to making their own operations as sustainable as possible.

- **76% of the funds offered by Futur Pension to their customers have social or environmental objectives while 13% have social or environmental objectives as their main objective**. The aim is to continuously increase the share of funds with social and / or environmental objectives.

- Futur Pension **provides its customers with a variety of sustainability reviews and ratings** from the most influential ratings agencies and third parties to allow customers to compare, filter, and use their chosen sustainability criteria to prioritize specific environmental and social objectives in their fund selection.

  The Firm has also developed a proprietary sustainability criteria for clients that want Futur Pension to screen their funds on their ESG performance.

- As a part of their sustainability commitment, **Futur Pension produces an annual sustainability report, and has implemented a sustainability policy & a code of conduct for suppliers**. In addition, all staff at Futur Pension are certified in sustainability.

- Futur Pension has measured their **carbon footprint since 2020 with the goal of reducing their footprint annually**. This includes actions such as reducing business trips, switching to video conferences, digitalizing communications, and shifting to using electric cars.

Contour Design

Polaris - Portfolio Company Case Study

Contour is a designer and manufacturer of ergonomic mouse and keyboard solutions with a main objective of improving life in front of the computer for office workers by reducing and preventing unnecessary stress injuries.

Sustainability is a core part of Contour's operations; the Firm was established in 1995 with the vision to develop and distribute high quality products that improve a key social outcome – the right to safe and healthy working conditions.

Contour considers all aspects of sustainability, including the social and environmental externalities related to their products and their operations – from design, material selection, to sourcing, assembly, logistics and packaging.

- **In 2021, the Contour's Board of Directors adopted their overarching Sustainability Policy**. Contour produces an annual sustainability report annually to report on their progress towards their environmental and social targets.
- Contour Design started **measuring their scope 1, 2, and 3 carbon emissions in 2021 and set a scienced based reduction target which was approved by the SBTi**. Based on this data, Contour has begun to replace virgin materials with recycled materials, reducing air-travels and -freight, and reducing and improving the recycling of packaging materials.

Investindustrial

Overview of the Management Company

Management company: Investindustrial
Size: 160+ professionals
Investment strategy: Majority or control positions in leading mid-market companies
Geographic focus: Europe
HQ: London | **Founded**: 1990 | **AUM**: 11B EUR

Key ESG Milestones

Investindustrial achieved B Corp™ Certification in 2020, and was recognized by B Lab as Best for the World™ 2022 on Governance for the second consecutive year.

InvestIndustrial Sustainable Investment Approach

Active Ownership with Sustainability at the Core

Investindustrial believes that making sustainable investments and encouraging its portfolio companies to integrate sustainability into their corporate strategy, supported by impactful and measurable ESG objectives and targets, is an important responsibility for any long-term asset owner. To this effect, in 2009, Investindustrial became a signatory to the UN PRI and continues to be committed to applying its six Principles for Responsible Investment (www.unpri.org). Investindustrial was the first private equity operator with a focus on Southern Europe to become a signatory to the UN Global Compact (www.unglobalcompact.org) in 2008 and strives to implement the Ten Principles in the areas of human rights, labour, environment and anti-corruption through all its business activities.

GP Case Study - Investindustrial

Investindustrial also contributes to the UN Sustainable Development Goals, through its portfolio companies, its own operations, and its Firm foundations, Invest for children and the Investindustrial Foundation. Whilst Investindustrial's investment strategy does not currently target Sustainable Development Initiatives (SDIs), contributing to SDGs is core business for several portfolio companies. Additionally, in 2020, Investindustrial achieved B Corp™ Certification (www.bcorporation.net) and became a signatory/ supporter of the Taskforce for Climate-related Financial Disclosure (www.fsb-tcfd.org), the Initiative Climat International (iCI) and re-joined InvestEurope's Responsible Investment Roundtable.

The Firm continued its industry collaboration in 2021 by joining ILPA's Diversity in Action, UN PRI's PE Advisory Committee and working with a select group of private equity firms to lead climate action in the industry by developing the SBTi Guide for Private Equity in partnership with the SBTi, iCI and supported by the UN PRI. In doing so, Investindustrial set science-based, carbon emissions reduction targets in 2021 as well as a net zero commitment for 2030 as part of NZAM.

What role do you see private equity firms playing in the low carbon transition?

As either majority or significant minority owners of SMEs, Private Equity (PE) firms are particularly well-positioned to drive the transition in areas of global economies that public markets can't reach.

The value and resilience of PE assets is increasingly determined by widespread environmental issues, increasing regulatory exposure, and a growing market sophistication which has made the management of carbon risks and opportunities a business essential. Managing these risks present real opportunities within the holding period and beyond, relating to reduced operating costs, gains in market share, improved consumer and competitive demand as well as reputational, supply chain and regulatory resilience. Despite these benefits, challenges persist such as, but not limited to, resource constraints, relevant skill sets, data consistency and lack of awareness on the issues and potential benefits. However, for GPs with good knowledge and know-how of the issues, these challenges or deficits within a company can also be an opportunity for value creation.

Guala Closures Group

Investindustrial - Portfolio Company Case Study

Established in 1954, Guala Closures Group (“Guala Closures” or the “Company”) is a world leader in the production of closures for spirits, wines, water, beverages, and cooking/olive oil. Headquartered in Milan (Italy) employing 5872 employees worldwide, Guala Closures is a world leading manufacturer of aluminum and specialty closures for spirits, with three product lines: safety, luxury, and roll-on.

In terms of reach, Guala Closures has a network of 33 production facilities, including 6 R&D facilities in Italy (2 centers), Bulgaria, Mexico, Ukraine, and UK, with products being sold in over 100 countries.

Sustainability As a Core Part of the Business

Since its acquisition by Investindustrial in July 2021, Guala Closures has made remarkable progress in their sustainability journey. Key accomplishments have been their **commitment to the Science-Based Target initiative (SBTi), the achievement of Scope 1 and 2 carbon neutrality**, as well as meaningful shifts towards **renewable energy, covering 43% of its total electricity consumption as of 2022** (5% increase from the previous year).

These achievements were made possible by the Company’s early decision **to develop a bespoke, certified GHG inventory back in 2017**. The tool has since allowed them to accurately track and collect data on a monthly, quarterly, and annual basis across the entire organisation, and has served an essential function for periodic internal and external audits, as well as annual certification with external parties.

This robust foundation (data, processes, targets) has provided Guala Closures with a systemic understanding of the weight of GHG emissions across their value chain, allowing them to identify opportunities to address specific emission sources and operational inefficiencies.

With an accurate and transparent carbon footprint in place, the company has also been able to establish a solid baseline from which to set future targets, and execute against its action plans such as, but not limited to, moving to renewable energy, increasing the quantity of recycled materials in its products as well as sourcing more sustainable raw materials.

These also include their SBTI-aligned carbon emission targets of **44% reduction of absolute scope 1 and 2 GHG emissions by 2030**, and **25% reduction of scope 3 GHG emissions from purchased goods and services and fuel and energy related activities by 2030** from a 2020 baseline).

With a clear mission towards sustainability, Guala Closures has been consistently strengthening its customer relationships, gaining tangible competitive advantages, and now has the opportunity to practice its values as a company.

Verdane

Overview of the Management Company

Management company: Verdane

Size: 140 full-time employees, including 65 investment professionals

Investment strategy: Lower mid-market growth specialist focusing on two core themes: Digitalization and Decarbonization. Equity tickets between €10-80m. Flexible investment model with majority or significant minority ownership through single companies or portfolios of companies.

Geographic Focus: Northern Europe, emphasis on Nordics, Germany and the UK

HQ: Oslo | **Founded**: 2003 | **AUM**: 4.5B EUR

Sustainable Investment Approach

Our belief in the transformative power of private equity to change the future for both people and the planet has been deeply engrained in Verdane's cultural DNA since inception.

Innovative use of technology will be the single most important component in reducing the resource intensity of our economies. At Verdane, we believe growth equity has a critical role to play in scaling the technologies and business models of companies that will help enable that transition.

We actively work to be on the right side of history through our investment choices, value creation approach, and institutional investor partnerships.

Sustainability is integrated across our investment lifecycle. We future-proof all investment opportunities through the Verdane's '2040 test', an overview as to whether the company fits into the theoretical future sustainable scenario to ensure the potential investment is viable in the long-term. Throughout our investment tenure, we work closely with our portfolio companies to make sustainability an integrated growth driver and to be part of the solution to global challenges. To achieve this, we leverage market-leading sustainability expertise from our dedicated Elevate Team.

More than half of the capital in Verdane's funds raised since 2018 originates from non-profit institutional sources supporting public welfare through pensions and causes like the rights to education, democracy, and free speech. Moreover, Verdane is partly owned by the Verdane Foundation which provides donations, financial support and makes selective investments focused on two areas: climate change and more equitable and inclusive local communities.

More info can be found here: https://verdane.com/why-verdane/sustainable-growth/

GP Case Study - Verdane

Key ESG Milestones

- In 2023, Verdane was awarded B Corp accreditation.
- In 2022, Verdane was the first private equity firm globally to commit to neutralizing all future residual carbon emissions with engineered, permanent carbon removals. Verdane was ranked in the top ten purchasers of carbon offsets globally that same year, and launched an initiative called Njord Carbon alongside a globally leading forest industry group, Södra, and international energy company Equinor, with the aim of sustainably removing and permanently storing biogenic carbon emissions and scaling the carbon removals value chain.
- In 2021, Verdane launched Idun, one of the largest growth impact funds in Europe.
- Verdane is a founding member of the Nordic chapters of Lvl20 and OutInvestors.

Certified B Corporation

LEVEL 20

OUT INVESTORS LGBT+ NETWORK

SUSTAINABLE DEVELOPMENT GOALS

Swappie

Verdane - Portfolio Company Case Study

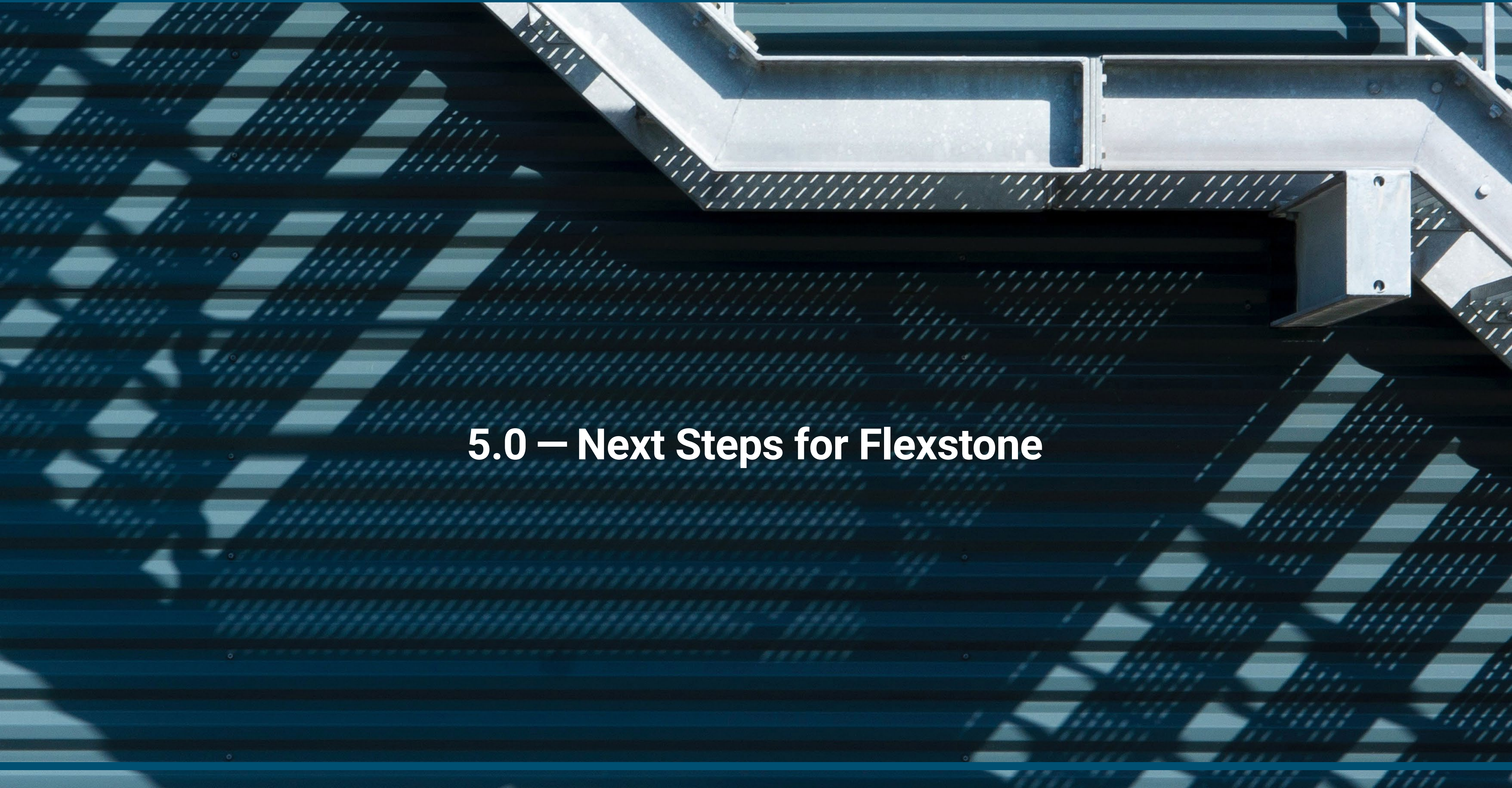
Swappie is the leading end-to-end online destination for buying and selling refurbished smartphones. Its mission is to close the loop on electronics, by giving people a way to upgrade their phones that is high quality, affordable and environmentally friendly. Swappie currently operates in 15 countries across Europe. Since its inception in August 2016, Swappie grew strongly and has become one of the most innovative and fast-growing startups in Europe.

At Swappie, the mission to make refurbished electronics mainstream — and empowering people to make more environmentally friendly choices — is our North Star. We help consumers stay connected while building a more sustainable future. On top of that, we collaborate with companies, charities and organize public events to spread sustainability awareness and positive messages for refurbishment.

- **In 2021, Swappie implemented a digital platform to track the Firm's carbon emissions** to promote transparency and helped customers save more than 23 500 tons of CO_2e by extending the life cycle of existing smartphones
- Swappie is in the **top 10% of all net positive companies and received an Upright Project net impact score of +65% in 2021** which is focused on qualifying the net impact of companies on society, knowledge, health, and environment.

Swappie

- Swappie has two key environmental goals: **maximize customers carbon savings and minimize Swappie's own GHG emissions** and **keep materials circular and maximize recyclability** while maintaining the high quality of operations, processes, and products. As a part of these goals, Swappie will reduce its energy consumption emissions and transition to 100% renewable electricity by 2024 and reuse 100% of functional smartphone parts, and collect and recycle 100% of non-functional smartphone parts and other generated e-waste in all Swappie refurbishment centers by 2024.



5.0 — Next Steps for Flexstone

4.1 — Next Steps

Flexstone will continue to review and develop the Firm's responsible investment and corporate sustainability approach in alignment with industry best practices. Flexstone's Sustainability Committee has identified the following priorities for the near future:

- DEVELOP Flexstone's Responsible Investment policies and processes in alignment with the new UN PRI framework
- REVIEW and update Flexstone's proprietary GP and co-investment assessment framework with Flexstone's investment professionals
- ALIGN Flexstone's annual ESG data collection campaign with the standard ESG questionnaire prepared by France Invest to promote standardization of ESG-related monitoring and reporting practices in private markets, and to make the data collection process more efficient for Flexstone's GPs
- LAUNCH of Flexstone's 2023 Reporting 21 campaign, which is expected to start in September 2023 to allow GPs to finalize their own data collection processes
- CONDUCT carbon footprint assessment for Flexstone's activities in 2022, and develop a GHG reduction strategy with measurable targets
- PREPARE first periodic reporting in compliance with the SFDR for Flexstone's Article 8 products
- CONTINUE to engage with GPs and LPs on responsible investment opportunities, challenges, and solutions in private markets, and participate in collaborative engagement through involvement in associations and working groups focused on responsible investment

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Flexstone Partners ("Flexstone")[38] 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.[39] 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.[40] It is a majority owned subsidiary of Natixis Investment Managers, one of the largest investment managers worldwide.

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+65 6221 609

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[38] *Flexstone is the name that collectively identifies Flexstone and its underlying companies.*
[39] *Under certain conditions related to marketing and prospection regulatory requirements specific to each entity.*
[40] *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.*

Appendixes

Appendix 1 – 2022 GP ESG Questionnaire Response Rate by Indicator[41]

INDICATORS	TOTAL # OF RESPONSES	RESPONSE RATE W/O NA	% NOT AVAILABLE - FROM TOTAL RESPONSES	% NOT APPLICABLE - FROM TOTAL RESPONSES
Sustainability Governance	82	66%	0%	0%
Controversies and litigations	82	65%	1%	0%
Investment team members	80	64%	0%	0%
Women within the investment team	80	64%	0%	0%
Training on sustainability	80	64%	0%	0%
Data collection and monitoring	80	64%	0%	0%
Disclosure of sustainability information - TCFD guidelines	79	63%	0%	0%
Exclusion Policy	79	63%	0%	0%
Biodiversity initiatives within the management company	79	63%	0%	0%
Initiatives	79	63%	0%	0%
Systematic sustainability analysis in investment memorandum	80	63%	1%	0%
Sustainability considerations - Holding period	79	63%	0%	0%
Disclosure of sustainability information	78	62%	0%	0%
Employees at Senior level	79	62%	1%	0%

[41] *Data for financial year 2021*

INDICATORS	TOTAL # OF RESPONSES	RESPONSE RATE W/O NA	% NOT AVAILABLE - FROM TOTAL RESPONSES	% NOT APPLICABLE - FROM TOTAL RESPONSES
Women at senior level	79	62%	1%	0%
Sustainability policy	78	62%	0%	0%
Climate initiatives within the management company	78	62%	0%	0%
Sustainability due diligence in pre-investment phase	79	62%	1%	0%
Climate risks and opportunities in pre-investment phase	79	62%	1%	0%
Sustainability action plan	79	62%	1%	0%
Sustainability improvement plans	79	62%	1%	0%
Female CEO	80	62%	4%	0%
Climate risks and opportunities within the management company	77	62%	0%	0%
Sustainability working groups and sectoral organizations	77	62%	0%	0%
Carbon footprint assessment	77	62%	0%	0%
Sustainability at executive board meetings	78	62%	1%	0%
Investment Committee members	79	61%	4%	0%
Donations	79	61%	4%	0%
Climate risks and opportunities in pre-investment phase - details	78	61%	3%	0%
Sustainability clauses within shareholder agreements	79	61%	4%	0%
Sustainability information in exit memos	78	61%	3%	0%
Women within the Investment Committee	77	60%	3%	0%

INDICATORS	TOTAL # OF RESPONSES	RESPONSE RATE W/O NA	% NOT AVAILABLE - FROM TOTAL RESPONSES	% NOT APPLICABLE - FROM TOTAL RESPONSES
Climate risks and opportunities in holding period - processes	78	60%	4%	0%
Women within the Board of Directors	78	59%	5%	0%
Gender equality	77	59%	4%	0%
Members of the Board of Directors	78	58%	6%	0%
Independent members within the Board of Directors	77	57%	8%	0%
Disclosure of sustainability information - SFDR	76	54%	4%	8%
Compensation	69	54%	3%	0%
Profit sharing mechanisms	67	52%	3%	0%
Taxonomy eligibility	78	48%	8%	15%
Taxonomy alignment	78	46%	9%	18%
SFDR - Future Funds	74	39%	9%	24%
Highest-paid profiles	61	35%	28%	0%
SFDR - Current Funds	75	35%	41%	0%
Carbon footprint assessment - Results	71	26%	54%	0%

Appendix 2 – 2022 Portfolio Company ESG Questionnaire Response Rate by Indicator[42]

INDICATORS	TOTAL # OF RESPONSES	RESPONSE RATE W/O NA	% NOT AVAILABLE - FROM TOTAL RESPONSES	% NOT APPLICABLE - FROM TOTAL RESPONSES
NACE Code	496	26%	2%	25%
Country	512	29%	0%	21%
Sector	491	25%	0%	29%
Revenues	500	27%	0%	25%
Exposure to controversial weapons	468	25%	0%	26%
Exposure to coal	471	25%	0%	27%
Exposure to the fossil fuel sector	462	25%	0%	26%
Exposure to Flexstone Partners' exclusion list	449	23%	1%	28%
Business ethics litigations	479	25%	0%	25%
Global Compact compliance mechanism	465	24%	0%	29%
Code of ethics	494	26%	0%	26%
Corruption	445	5%	46%	37%
Money laundering	430	2%	57%	38%
Personal data collection	482	24%	4%	27%
Data protection policy	479	25%	0%	27%
Sustainability at the supervisory board	479	26%	0%	23%
Sustainability policy	487	27%	0%	22%

[42] *Data for financial year 2021*

INDICATORS	TOTAL # OF RESPONSES	RESPONSE RATE W/O NA	% NOT AVAILABLE - FROM TOTAL RESPONSES	% NOT APPLICABLE - FROM TOTAL RESPONSES
Sustainability Manager	483	27%	0%	22%
Contribution to the Sustainable Development Goals	476	23%	0%	31%
Members of the Board of Directors	494	28%	0%	21%
Independent members within the Board of Directors	478	26%	0%	22%
Women within the Board of Directors	501	28%	0%	21%
Non-renewable energy consumption	430	14%	0%	53%
Renewable energy consumption	434	12%	0%	60%
Non-renewable energy production	417	9%	18%	50%
Renewable energy production	418	10%	18%	49%
Emissions into water	440	8%	14%	62%
Hazardous waste	448	11%	11%	54%
Climate initiatives	480	26%	0%	24%
Carbon Assessment - Scope 1 results	472	13%	5%	56%
Carbon Assessment - Scope 2 results	471	13%	5%	55%
Carbon Assessment - Scope 3 results	461	9%	7%	67%
Energy consumption per high impact climate sector	437	6%	20%	62%
Biodiversity assessment	445	21%	0%	33%
Impact on biodiversity	446	17%	0%	46%

INDICATORS	TOTAL # OF RESPONSES	RESPONSE RATE W/O NA	% NOT AVAILABLE - FROM TOTAL RESPONSES	% NOT APPLICABLE - FROM TOTAL RESPONSES
Biodiversity trajectory	444	20%	0%	36%
Taxonomy eligibility	429	14%	17%	35%
Taxonomy alignment - Turnover	417	0%	44%	54%
Taxonomy alignment - CAPEX	411	0%	45%	53%
Taxonomy alignment - OPEX	410	0%	46%	53%
Environmental litigations	471	24%	0%	30%
Total Headcount - including build-ups	489	27%	0%	23%
Total Headcount - excluding build-ups	447	21%	0%	35%
Permanent headcount	480	26%	0%	24%
Non-permanent headcount	465	23%	0%	31%
Number of hires	463	23%	0%	32%
Number of departures	464	22%	0%	34%
Turnover	425	15%	0%	49%
Trained employees	445	15%	0%	51%
Number of accidents at work	458	21%	0%	34%
Number of fatal accidents at work	468	24%	0%	28%
Total hours worked	444	13%	0%	58%
Social / societal litigations	473	25%	0%	27%

INDICATORS	TOTAL # OF RESPONSES	RESPONSE RATE W/O NA	% NOT AVAILABLE - FROM TOTAL RESPONSES	% NOT APPLICABLE - FROM TOTAL RESPONSES
Women headcount	483	23%	0%	34%
Employees with disabilities	434	11%	0%	65%
Charter and/or commitments on diversity	454	20%	0%	39%
Average hourly earnings - men	441	7%	0%	76%
Average hourly earnings - women	440	7%	0%	76%
Women among the 10 highest earnings	443	14%	0%	56%
Compensation indexed on sustainability objectives	437	18%	0%	42%
Profit-sharing system	474	24%	0%	28%
Sustainability assessment of suppliers	463	23%	0%	30%
Sustainable sourcing policy/charter	465	22%	0%	33%

Appendix 3 – Corporate Carbon Footprint Methodological Limitations by Office

Geneva

All the data provided on a portion of the year were multiplied as to estimate the data over the full year (e.g. the data provided for Q4 only were multiplied by 4).

SCOPE, CATEGORY	DATA LIMITATIONS & ASSUMPTIONS MADE
Purchases	Data given in CHF were converted back to euro using the exchange rate of June 2022
	The employees were considered to eat their lunch once a day, for the number of business days in Switzerland
	Some service purchases made for the Geneva and Singapore offices are taken into account in the carbon footprint of the Paris and New York offices
Employee Commuting	The employees were considered to do their work-home commute once a day, back and forth, for the number of business days in Switzerland
	Public transportation was assumed to be the train
Business Travel	The distance travelled by plane was estimated using the number of flights within 3 categories (short, medium and long-haul) and the average distance of a flight in each category
Waste	All recycled waste were considered to be paper
Digital Footprint	The number of emails was estimated using the size of employee's mailboxes and the maximum size of an email (Outlook, 2022)
	All digital impact outside of email (internet browsing, streaming, online meeting, etc.) has been excluded

Paris

All the data provided on a portion of the year were multiplied as to estimate the data over the full year (e.g. the data provided for Q4 only were multiplied by 4).

SCOPE, CATEGORY	DATA LIMITATIONS & ASSUMPTIONS MADE
Energy	The energy consumption was taken as 6.35% (which corresponds to the ratio between the total building's surface area and Flexstone's office surface) of the total building's energy consumption
Purchases	The employees were considered to eat their lunch once a day, for the number of business days in France
	Gifts were considered to be only books and chocolate
	The maintenance expenses were taken as 6.35% of the building's total maintenance expenses
	Some service purchases made for the Geneva and Singapore offices are taken into account in the carbon footprint of the Paris and New York offices
Employee Commuting	The employees were considered to do their work-home commute once a day, back and forth, when working from the office (3 days a week) for the number of business days in France
	The public transportation was assumed to be the metro
Business Travel	The distance travelled by plane was estimated using the number of flights within 3 categories (short, medium and long-haul) and the average distance of a flight in each category
Waste	All recycled waste were considered to be paper
Digital Footprint	The number of emails was estimated using the size of employee's mailboxes and the maximum size of an email (Outlook, 2022)
	The data regarding the data servers were not available and were thus not included
	All digital impact outside of email (internet browsing, streaming, online meeting, etc.) has been excluded

New York

All the data provided on a portion of the year were multiplied as to estimate the data over the full year (e.g. the data provided for Q4 only were multiplied by 4).

SCOPE, CATEGORY	DATA LIMITATIONS & ASSUMPTIONS MADE
Purchases	Data given in USD were converted back to euro using the exchange rate of June 2022
	The employees were considered to eat their lunch once a day, for the number of business days in the US
	Some service purchases made for the Geneva and Singapore offices are taken into account in the carbon footprint of the Paris and New York offices
Employee Commuting	The employees were considered to do their work-home commute once a day, back and forth, when working from the office (3 days a week) for the number of business days in the US
	The public transportation were considered to be only the subway
Business Travel	The distance travelled by plane was estimated using the number of flights within 3 categories (short, medium and long-haul) and the average distance of a flight in each category
Waste	The amount of waste was estimated using a national average (Roadrunner, 2021)
Digital Footprint	The number of emails was estimated using the size of employee's mailboxes and the maximum size of an email (Outlook, 2022)
	The data regarding the data servers were not available and were thus not included
	All digital impact outside of email (internet browsing, streaming, online meeting, etc.) has been excluded

Singapore

All the data provided on a portion of the year were multiplied as to estimate the data over the full year (e.g. the data provided for Q4 only were multiplied by 4).

SCOPE, CATEGORY	DATA LIMITATIONS & ASSUMPTIONS MADE
Purchases	The employees were considered to eat their lunch once a day, for the number of business days in Singapore
	Gifts were considered to be only books and chocolate
	Paper and office supplies were considered negligible as employees are working from home
	Some service purchases made for the Geneva and Singapore offices are taken into account in the carbon footprint of the Paris and New York offices
Employee Commuting	The employees were considered to do their work-home commute once a day, back and forth, for the number of business days in Singapore
	The public transportation was assumed to be the subway
Business Travel	The distance travelled by plane was estimated using the number of flights within 3 categories (short, medium and long-haul) and the average distance of a flight in each category
Waste	All recycled waste were considered to be paper
Digital Footprint	The number of emails was estimated using the size of employee's mailboxes and the maximum size of an email (Outlook, 2022)
	All digital impact outside of email (internet browsing, streaming, online meeting, etc.) has been excluded