MMS III – Website disclosures

FLEXSTONE PARTNERS

January 2023

SUMMARY

MMS III designates together Flexstone's Mid-Market Secondaries Fund III SCSp and Flexstone's Mid-Market Secondaries (Feeder) Fund III SCSp.

MMS III seeks to promote the following E and S characteristics:

- Climate action and greenhouse gas reduction
- Inclusion, diversity and well-being in the work force.

However, MMS III will not make sustainable investments.

E/S characteristics are integrated at each step of the investment process of MMS III through Flexstone's sustainability assessment framework that includes:

- Targeted exclusions
- Pre-investment ESG due diligence
- ESG scoring of GPs during pre-investment phase
- Side letters negotiation
- Monitoring of ESG KPIs
- Transparent annual ESG reports

Flexstone will leverage the Reporting 21 SaaS platform to monitor a range of E, S, KPIs in order to measure the attainment of the E and S characteristics. All ESG data that Flexstone analyses and reports for MMS III is based on data received from GPs through Flexstone's annual Reporting 21 data collection campaign and/or quarterly / annual reporting completed by the GP. The dependence on GPs for data on underlying portfolio companies and the use of estimated data are the main limitations of MMS III ESG approach.

MMS III will make 100% of its investment in investments that are aligned with E/S characteristics. Flexstone has implemented a sustainability governance and escalation plan to ensure that all investments made by MMS III comply with Flexstone's Sustainable Investment Policy and relevant sustainability regulation.

MMS III désigne ensemble le Mid-Market Secondaries Fund III SCSp de Flexstone et le Mid-Market Secondaries (Feeder) Fund III SCSp de Flexstone.

MMS III cherche à promouvoir les caractéristiques E et S suivantes :

- *Action climatique et réduction des gaz à effet de serre*
- *Inclusion, diversité et bien-être de la main-d'œuvre.*

Cependant, MMS III ne fera pas d'investissements durables.

Les caractéristiques E/S sont intégrées à chaque étape du processus d'investissement de MMS III grâce au dispositif d'évaluation de la durabilité de Flexstone qui comprend :

- *Des exclusions ciblées*
- *Des diligences ESG avant l'investissement*
- *Un scoring ESG des gestionnaires sous-jacents pendant la phase de pré-investissement*
- *La négociation de side letters*
- *Le suivi des indicateurs clés de performance ESG*
- *Des rapports ESG annuels transparents*

Flexstone s'appuiera sur la plateforme SaaS Reporting 21 pour suivre une série d'indicateurs E, S afin de mesurer l'atteinte des caractéristiques E et S. Toutes les données ESG que Flexstone analyse et reporte pour MMS III sont basées sur les données communiquées par les sociétés de gestion des fonds sous-jacents lors de la la campagne annuelle de collecte de données de Flexstone et/ou dans les rapports trimestriels / annuels émis par ces mêmes sociétés. La dépendance aux données fournies par les sociétés de gestion sous-jacentes et l'utilisation de données estimées sont les principales limites de l'approche ESG de MMS III.

MMS III réalisera 100 % de ses investissements dans des placements qui sont alignés sur les caractéristiques ESG. Flexstone a mis en place une gouvernance et un process d'escalade pour s'assurer que tous les investissements réalisés par MMS III sont conformes à la politique d'investissement durable de Flexstone et à la réglementation applicable en matière de durabilité.

NO SUSTAINABLE INVESTMENTS

Flexstone's Mid-Market Secondaries Fund III ('MMS III') promotes environmental or social characteristics but does not have as its objective sustainable investment.

ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

MMS III seeks to promote the following E and S characteristics by selecting GPs that have a strong sustainability approach, or that have committed to significantly improving the integration of ESG risks and opportunities in their investment process:

i. **Strong overall E and S integration and contribution to positive sustainability outcomes.** Flexstone's sustainable investment strategy and minimum ESG safeguards (see detailed description in section 2) ensure that the GPs and underlying portfolio companies in which MMS III makes investments promote positive E and S outcomes, such as responsible governance and carbon footprint reduction initiatives. In addition, Flexstone analyses SDG contribution at portfolio company level, with the objective of promoting companies that contribute to at least one SDG through their business activities. The level of analysis conducted for each company is determined on a case-by-case basis, depending on portfolio exposure

ii. **Climate action and greenhouse gas reduction.** Flexstone's targeted exclusion policy prohibits investment in funds and portfolio companies that operate in the fossil fuel sector and/or make a significant % of their revenue from the production, distribution, or sale of fossil fuels, with the objective of promoting companies that have a low climate impact. Note that this is not a 'zero tolerance' exclusion policy on the fossil fuel sector; for example, if a GP has a low carbon transition plan and has made significant progress in reducing their GHG emissions, investment may be considered. Therefore, the significance threshold for investments with exposure to the fossil fuel sector is determined on a case-by-case basis, depending on the materiality of the climate risk associated with the investment and whether the company has in place a concrete strategy for transition.

   Moreover, Flexstone's annual data collection campaign and ESG assessment takes into account company exposure to climate risks, including carbon footprint and corporate climate strategy. This allows Flexstone's investment teams to monitor GP and portfolio company progress with regards to their climate strategy, GHG reduction & net zero targets, and reporting of key climate indicators. If the investment team identifies a GP or company that is significantly lagging behind its peers on climate action and disclosure, they will engage with the GP to develop a climate action plan with clear, quantitative targets.

iii. **Inclusion, diversity, and well-being in the work force.** Flexstone seeks to promote diversity, equality, and inclusion (DEI) within the workforce by integrating social KPIs such as gender pay gap, corporate DEI commitments, representation of women in senior roles and Board of

Directors, and history of social litigation in the investment process. Moreover, these indicators are included in Flexstone's annual data collection campaign, allowing Flexstone to identify companies that are 'laggards' and promote DEI initiatives to itsk GPs and portfolio companies.

iv. **Responsible governance and supply chains.** As a part of Flexstone's targeted exclusion policy, Flexstone prohibits investment in companies involved in modern slavery of any kind, the distribution, sale, or manufacturing of controversial weapons, and the violation of the UN Global Compact. In addition to these minimum safeguards, Flexstone's pre-investment ESG due diligence assesses the sustainability governance and business ethics practices of GPs and portfolio companies (e.g., ESG policy, involvement in litigation).

Moreover, Flexstone's annual ESG data collection campaign includes numerous GP and portfolio company level indicators on supply chains and governance, including code of ethics, data privacy policies, ESG assessment of suppliers, governance process to ensure compliance the Ten Principles of the UN Global Compact, and operations in countries with high risk of corruption or money laundering. Therefore, Flexstone will be able to identify any significant governance risks and promote ethical sourcing and governance practices to its GPs.

INVESTMENT STRATEGY

MMS III will target 15 – 20[1] secondary transactions focused on the small and mid-cap segments of the market and has a target fund size of €200 million. The investment objective is to generate attractive risk-adjusted returns by buying high quality assets at an identified inflection point in their value creation, acquiring funds at an opportune time in their life (typically between 3 – 8 years). The underlying fund sizes will vary between €/$150M to €/$1'500M, but this may be higher or lower on an opportunistic basis.

The Fund will follow an opportunistic approach to deal selection, while maintaining strict diversification rules:

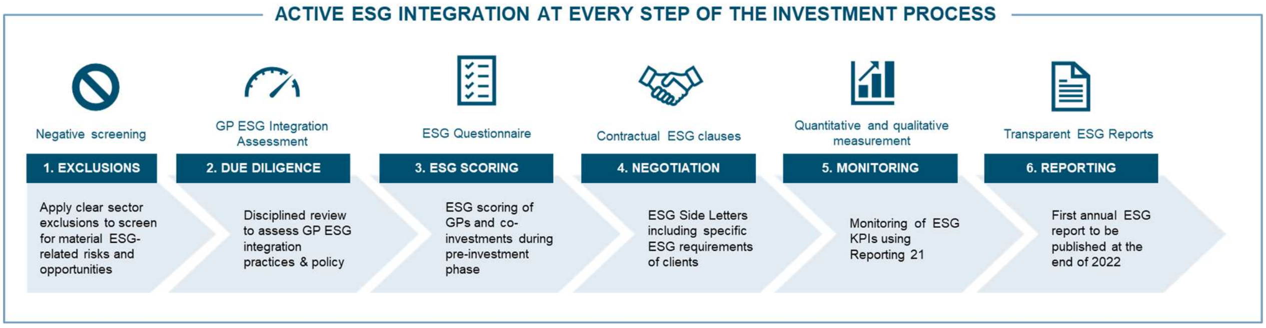
Geographies:
- Europe – 75% to 100% (up to 20% per single European country)
- North America & RoW – up to 25%

Concentration guidelines:
- Individual transaction – up to 15%
- Individual fund interest – up to 10%
- Single fund manager – up to 20%

ESG Integration in the Investment Process

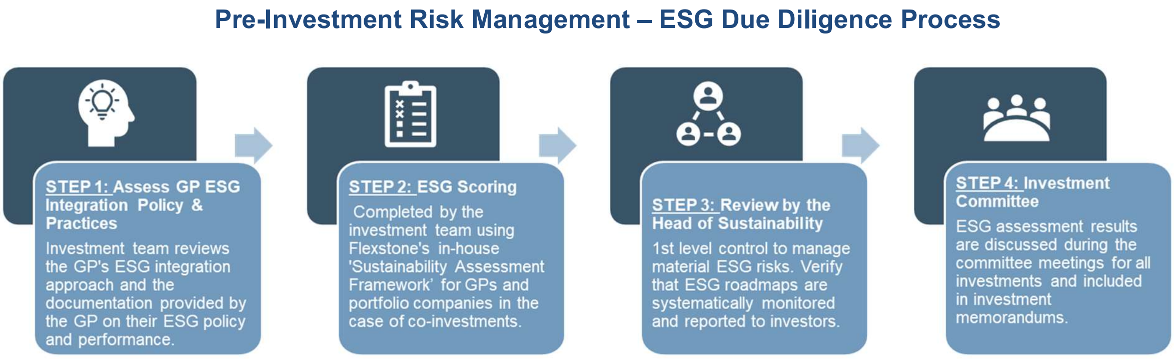
In order to promote the stated E and S characteristics, ESG factors will be integrated at every step of the investment process, in alignment with Flexstone's Sustainable Investment policy:

[1] For illustrative purposes only. Final allocation may differ.



(1) **Exclusions:** All investments must meet the minimum safeguards set by Flexstone's targeted exclusion policy (see Flexstone's Sustainable Investment Policy). The exclusion policy ensures that the investments made by MMS III do not violate international human rights, and that they promote E and S characteristics by minimizing exposure to controversial business activities, such as companies operating in the fossil fuel or controversial weapons sector.

(2) **ESG Due Diligence:** Conducted by Flexstone's investment and sustainability professionals as a key part of the pre-investment process. Flexstone's dedicated Sustainability Analyst works together with the investment team to gain an in-depth understanding of the GPs ESG approach as well as the underlying company's ESG performance and progress. All ESG assessments for prospective investments are reviewed by the Sustainability team before the analysis is presented at the Investment Committee. The aim is to get a holistic view of the material ESG risks and opportunities associated with each investment and to identify any red flags for underlying companies and GPs. This also ensures a consistent, unbiased assessment of all investments. Moreover, the Chief Compliance Officer (CCO) reviews ESG assessments on the basis of a sample during the second-level controls on a semi-annual basis (see governance and escalation process described below).

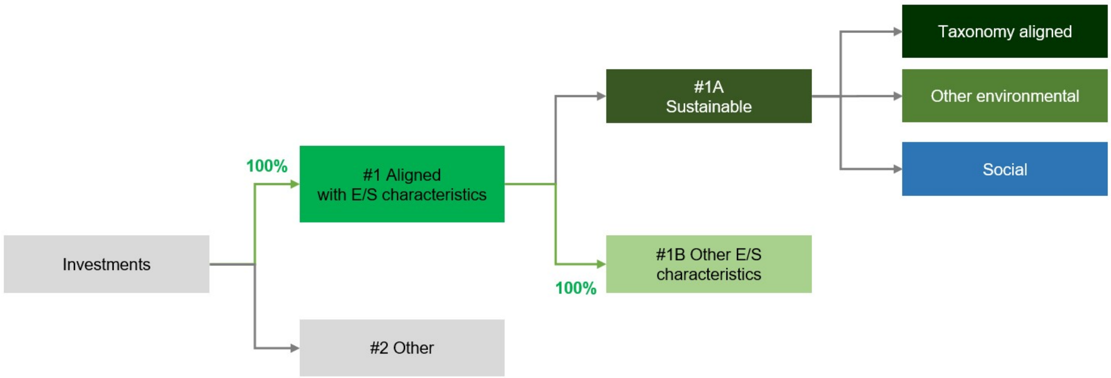


(3) **ESG Scoring:** Based on the findings of the ESG due diligence, all investment opportunities are scored by the investment team, in partnership with the sustainability team, using Flexstone's proprietary ESG assessment framework. GPs are scored on their general ESG integration approach, as well as specific 'E', 'S', and 'G' criteria. In the case of portfolio companies, the ESG assessment is conducted using the MSCI ESG Industry Materiality Map to identify the most material ESG issues for each sub-industry. At the time of the investment GPs must have an ESG score above 40% according to Flexstone's ESG scoring framework.

PROPORTION OF INVESTMENTS

MMS III will make 100% of its investment in investments that are aligned with E/S characteristics.

MMS III Targeted Asset Allocation



MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

Flexstone will monitors GP and portfolio company ESG performance on an annual basis. Flexstone's annual Reporting 21 ESG data collection campaign will allow Flexstone's investment and sustainability professionals to screen the underlying funds for any potential red flags, and to track progress across a range of ESG KPIs, including carbon footprint, diversity, and ESG integration in the investment process (see section 7 below). The data campaign will also allow Flexstone to identify key areas for improvement, and to engage in regular discussion with GPs that are falling behind on their commitments, or do not have a concrete sustainability action plan in place.

It is also important to note that since MMS III is a secondary fund of funds, Flexstone does not have any direct influence over the underlying portfolio companies. Flexstone relies on its GPs to engage with portfolio companies on E and S related risks and opportunities. This is why Flexstone's pre-investment sustainability assessment emphasizes the GP's approach to ESG risk management, reporting and engagement, including whether the GP develops ESG roadmaps and tracks standard ESG KPIs for its portfolio companies.

Flexstone further ensures that its GPs meet the minimum ESG criteria, such as the exclusion of companies with any involvement in human rights violations or controversial weapons, by negotiating ESG side letter at the time of investment. However, since MMS III is a secondary fund of funds, it is rarely possible to negotiate new ESG side letters and criteria for existing commitments. Therefore, Flexstone investment professionals will conduct a gap analysis of the existing ESG clauses included in the funds' side letters against Flexstone's targeted exclusion policy.

In the case where a GP does not follow best practices but meets the minimum ESG criteria, Flexstone investment teams seek to help the GP adopt better sustainability practices in order to manage material ESG risks. For example, Flexstone investment professionals can support GPs with the following actions: (i) Training GPs on effective engagement with portfolio companies; (ii) Formalizing ESG action plans for GPs with quantitative targets; and (iii) Guiding GPs on best practices for monitoring and reporting on standard ESG metrics. As explained in section 2, Flexstone considers divestment as a last resort action, and instead seeks to engage with GPs by maintaining regular dialogue, negotiating contractual ESG clauses for its investments, and monitoring, analyzing, and reporting on GP and portfolio company ESG performance on an annual basis.

However, if a GP is involved in a significant ESG controversy or does not adopt better ESG risk management and integration practices leading to material financial, reputational, and extra-financial risk, Flexstone will consider selling the fund on the secondary market.

METHODOLOGIES FOR ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

Flexstone will leverage the Reporting 21 SaaS platform developed by Sirsa to monitor a range of E, S, and G KPIs in order to measure the attainment of the E and S characteristics.
Notably, Flexstone will be able to create dedicated ESG reports in alignment with a range of internationally recognized ESG disclosure standards in order to communicate on the Fund's performance against set E and S targets to investors, GPs, and the Firm's investment teams.

The following table includes examples of the key E and S indicators that will be collected at GP and portfolio company level:

Sustainability Indicators Used to Measure GP & Portfolio Company ESG Performance*

	GP	Portfolio Company
Environmental Indicators	• Sustainability governance & resources, including dedicated personnel, disclosure of sustainability information, and ESG policy • Carbon footprint assessment • Climate initiatives within management company (e.g., carbon footprint reduction initiatives or others) • Engagement with portfolio companies on climate risks and opportunities • Sustainability integration across the investment process (pre-investment, holding period, and post-investment)	• Sustainability policy, governance and resources • Exposure to controversial business activities (fossil fuel sector, deforestation, etc.) • Non-renewable and renewable energy consumption • Emissions into water • Biodiversity assessment • Carbon assessment • Climate initiatives at portfolio company level • Carbon trajectory
Social Indicators	• Statement or policy on human rights & modern slavery • Code of ethics • Share of women in Board of Directors and Investment teams (%)	• Statement or policy on human rights & modern slavery • Code of ethics • Share of women in headcounts

	• Women among the 10 highest-paid employees • Employee training on sustainability at least once a year • Indexation of remuneration policy to sustainability objectives • Profit sharing mechanism in place • Donations to nonprofit organizations	• Share of women within the 10 highest earning positions • Share of non-permanent and permanent employees • Average unadjusted gender pay gap • Accident frequency rate • Involvement in social litigation cases • Turnover rate

**The table includes key indicators as an example of the numerous KPIs Flexstone monitors through Reporting 21. The actual questionnaire used to monitor and report on GP sustainability performance has additional indicators and is reviewed annually to align with the applicable regulation and industry best practices.*

DATA SOURCES AND PROCESSING

As a Limited Partner and a Minority Investor, Flexstone depends on its GPs to collect, monitor, and report ESG data for all underlying portfolio companies. Therefore, all ESG data that Flexstone analyses and reports for MMS III is based on data received from GPs through Flexstone's annual Reporting 21 data collection campaign and/or quarterly / annual reporting completed by the GP. For automatically calculated indicators (e.g., share of female board members) the calculation is conducted systematically by Reporting 21 using data inputs from GPs.

For the portfolio carbon footprint estimation conducted by Sirsa, Flexstone depends on two main data sources: (1) The Bilan Carbone emission factors data base; and (2) Sector, geography, and revenue data provided by GPs (processed by MB and collected through eFront). The carbon footprint estimation for Flexstone's portfolios is conducted by Sirsa.

Flexstone's Sustainability analyst systematically reviews all data that is reported to investors to identify errors and/or anomalies. For example, anomalies may occur as a result of invalid input format or due to issues during the import of data from Excel to the Reporting 21 platform. If an anomaly or invalid value is identified, Flexstone's Sustainability Analyst will use existing reports and data shared by the GP to check if an error was made during the input process, and review the audit trail to confirm the date and source of the data point.

If no additional data is available to verify the GP's input, Flexstone's Sustainability Analyst will reach out to the GP to request missing data or to verify the value of an outlier.

LIMITATIONS TO METHODOLOGIES AND DATA

Key limitations to Flexstone's ESG data collection campaign and carbon footprint assessment:

i. Dependence on GPs for data on underlying portfolio companies: Flexstone depends on its GPs to collect and report ESG data on underlying portfolio companies. Flexstone conducts its Reporting 21 data collection campaign on a best-effort basis, and therefore cannot guarantee the quantity and quality of data received from GPs. Flexstone's position as a Minority Investor also limits the Firm's ability to comply with Article 4 of the SFDR, as Flexstone depends on its GPs to report on the principal adverse impact indicators. However, the Firm expects the availability and quality of

ESG data to increase significantly in the upcoming years with increased standardization and regulatory requirements such as the SFDR.

ii. Portfolio carbon footprint estimation: A key limitation of the portfolio carbon footprint assessment conducted by Sirsa is that the values are estimated using proxies based on sectoral and geographic averages. As a result, the estimated values do not reflect differences between individual companies within a sector. Flexstone's objective is to use the estimated values as a starting point to help GPs identify carbon hotspots across portfolio companies.

    Another methodological limitation is the lack of standardization in carbon accounting methodologies across reporting frameworks and data providers. The methodology developed by Bilan Carbone and ADEME is compliant with the GHG Protocol, which is one of the most widely adopted frameworks for calculating and reporting scope 1, 2, and 3 emissions.

iii. Third party verification: Sirsa does not check the data submitted by GPs on the Reporting 21 platform, and therefore the data is not verified by a third party. However, Reporting 21 does provide an audit trail for each indicator, so that Flexstone is able to access information on the source and date of the input data.

Flexstone will continue to improve its data collection process and to engage with its to look for solutions for large-scale data verification.

DUE DILIGENCE

Flexstone's GP ESG Assessment Framework

The following four pillars are at the core of Flexstone's proprietary ESG assessment framework, and are used to rate GPs on their ESG integration practices:

I. **General GP ESG Integration:** The 'General Integration' section is dedicated to evaluating GPs on their sustainability practices during the investment process. Each GP is scored on a scale from 0 (no sustainability practices in place) to 6 (best practices applied systematically) on their sustainability integration at management company level. The criteria evaluated for this section include the GP's public sustainability commitment; as well as its level of integration in its investment process, including (but not limited to) its ability to conduct ESG due diligence on portfolio companies, help them build ESG roadmaps, as well as produce sustainability reports.

II. **Environmental:** The 'Environmental' dimension of the assessment framework examines GP's ability to manage and monitor portfolio companies direct and indirect environmental impact through actions such as limiting their energy consumption, reducing their greenhouse gas emissions, and protecting biodiversity. The environmental score also assesses whether the GP provides the minimum environmental metrics for the portfolio company. Minimum standard metrics include:

    • Carbon emissions

    • Waste treatment

    The final environmental score calculated for each GP is on a scale from 0 (involvement in significant environmental lawsuit, high environmental risk) to 4 (no involvement in environmental lawsuits, low environmental risk).

III. **Social:** The 'Social' dimension examines GP's ability to assess and monitor portfolio companies' strategy to develop its human capital, drawing on fundamental principles. The "S" in sustainability covers two distinct concepts: the social aspect linked to a company's human capital, and the one linked to human rights in general.

    The social score also assesses whether the GP provides the minimum social metrics for the portfolio company. Minimum standard metrics include:

    - Gender diversity quantitative metrics

    The final social score calculated for each GP is on a scale from 0 (involvement in significant EH&S controversies, high social risk) to 4 (no involvement in EH&S controversy, low social risk).

IV. **Governance:** The 'Governance' dimension is set to ensure a strong alignment of interests between the management, fund managers, other stakeholders as well as employees that guarantees it meets long-term objectives. The assessment provides an analysis of how a GP integrates all its stakeholders, LPs, and entrepreneurs in its development model.

The scoring matrix for governance also assesses whether a GP has any involvement in lawsuits due to corruption or money laundering. The final governance score calculated for each GP is on a scale from 0 (involvement in corruption/money laundering, high governance risk, low level of alignment of interests, etc.) to 4 (no involvement in governance controversies, low governance risk, strong alignment of interests etc.).

The GP is scored on a scale from 0% (weak integration of sustainability considerations) to 100% (strong, systematic integration of sustainability considerations) for each criterion across the four parameters. The 'General Integration' represents 60% of the GP's final sustainability score. The rest of the score (40%) is determined by the GP's approach to environmental, social, and governance issues. The sustainability scoring matrix allows Flexstone to map each of its investment opportunities across three sustainability categories, based on the GP's final sustainability score: weak (0 – 50%), average (50% -80%), and strong (80% to 100%).

<u>ESG Assessment Framework for Portfolio Companies</u>

For portfolio companies, company specific ESG risks and opportunities are assessed through a deep review of the lead GP's ESG due diligence reports and ESG roadmaps for the company, its progress towards set sustainability targets, and the company's ability to measure and report on ESG KPIs such as its carbon footprint and standard diversity indicators. The lead GPs ESG integration represents 1/3 of the company's sustainability rating, while the company's approach to sustainability and exposure to material ESG risks represents 2/3 of final rating.

Flexstone's investment professionals also use the MSCI ESG Industry Materiality Map to integrate the key ESG issues for each sub-industry into the company scoring. This also helps the investment and sustainability teams identify key issues or opportunities for each prospective investment by focusing on the most material extra-financial risks in each sub-industry. The company level assessment framework is based on the following key pillars which add up to a total of 18 points (the final assessment score is reported as a value between 0% - 100%):

I. **Lead GP ESG Integration:** Based on the lead GPs ESG approach according to Flexstone's GP ESG assessment framework (as described above). For the portfolio company level ESG rating, the maximum score in this section is 6 points (from 0 – 'poor' to 6 – 'strong' GP ESG integration practices). In addition to the GP level assessment, this section considers the following indicators:

- ESG due diligence performed for the company
- ESG roadmap developed for the company (done or planned)
- FS ESG requirements included within the side letter

II. **Environmental:** The 'E' pillar of the company level assessment seeks to identify any material 'E' risks and/or red flags, as well as provides an overview of whether the company reports on minimum standard environmental metrics. The maximum score for this section is 4 points, and is based on the following indicators:

- Environmental litigations (lawsuits that negatively impact company valuation)
- Monitoring and reporting of minimum standard environmental metrics (carbon emissions, waste treatment)
- Sector exposure to material environmental / climate risks (based on the MSCI ESG Industry Materiality Map)

III. **Social:** The 'S' pillar seeks to capture any material social risks that the company may be exposed to by identifying any social controversies (e.g., lawsuits due to discrimination) and assessing whether the company tracks basic diversity metrics. The maximum score for this section is 4 points, and is based on the following indicators:

- History of environmental health & safety issues or social litigations (e.g., lawsuits due to discrimination or employee contract termination)
- Monitoring and reporting of minimum standard social metrics (gender diversity)
- Sector exposure to social risks (based on MSCI ESG Industry Materiality Map)

IV. **Governance:** The 'G' pillar seeks to capture company level exposure to governance risks, and to identify any business ethics red flags. The maximum score for this section is 4 points, and is based on the following indicators:

- Lawsuits stemming from corruption or money laundering issues
- Ownership governance
- Level of exposure to governance risks (based on MSCI ESG Industry Materiality Map)

Flexstone's sustainability team can also produce custom ESG assessments when the existing framework is not applicable to a prospective investment.

(4) **Negotiation of Contractual ESG Clauses:** Investment teams will negotiate ESG Side Letters and clauses in LPAs on a best effort basis to ensure that all investments comply with the Flexstone's exclusion policy and minimum ESG safeguards (e.g., ensuring compliance with the UN Global Compact and OECD Guidelines for Multinational enterprises).

(5) **Systematic Monitoring & Reporting of ESG KPIs:** By leveraging Reporting 21, a leading SaaS platform, Flexstone investment teams are able to systematically collect, monitor, and report on a wide range of ESG KPIs for GPs and the underlying fund portfolio companies. Flexstone will collect ESG data at least on an annual basis through its ESG data collection campaign in order to identify and manage any material ESG risks in its funds. Moreover, through Reporting 21, Flexstone is able to create dedicated ESG reports on its investments to communicate on its funds current performance and progress towards stated E, S, and G targets.

Material ESG Risk Management

A key part of the investment strategy for MMS III is the active identification and management of material ESG risks and opportunities. Flexstone investment professionals use the following tools and processes to assess the most material ESG risks associated with each investment, both during the pre-investment period and during holding.

ESG Due Diligence & Risk Identification - Pre-Investment

- **ESG Due Diligence:** As a key part of the ESG due diligence process, the investment team seeks to identify any material ESG risks or opportunities, as well as any red flags based on the GPs financial and extra-financial performance and progress. This includes reviewing the GPs ESG policy (or any equivalent responsible investment policy), exclusion policy, ESG reports, as well as any relevant due diligence reports and assessments conducted by the GP for portfolio companies.

- **Flexstone GP Sustainability Assessment Framework:** Flexstone's investment professionals work with the sustainability team to assess GP ESG integration practices across the three dimensions; environmental, social, and governance. Key criteria include involvement in ESG-related litigation or controversies, overview of sustainability governance, engagement practices with portfolio companies on ESG issues, GP ESG reporting practices, and tracking of standard environmental and social metrics (e.g., gender diversity and carbon footprint indicators).

At portfolio company level, sub-industry specific ESG issues are identified and assessed using the MSCI ESG Materiality Map. The Materiality Map captures the long-term resilience of companies to E, S, and G issues by considering the contribution of each issue to companies' sustainability ratings – these issues are then integrated into Flexstone's propriety framework in order to take into account sector-specific risks.

- **Reporting 21:** Flexstone investment teams can leverage the Reporting 21 online platform during the pre-investment process to retrieve any existing ESG data or policies reported by the GP. The data is updated on an annual basis through Flexstone's annual ESG data collection campaign and includes ESG KPIs on the underlying portfolio companies, when monitored by the GP.

ESG Risk Management Process – Holding Period

- **Identification of ESG Risks:** The investment team regularly reviews GPs' reports, including fund management reports, ESG and impact reports, and reports provided from AGMs in order to identify any potential ESG risks. The investment team also reviews GP and portfolio company level sustainability reports produced using data from Flexstone's annual Reporting 21 data collection campaign. In addition, the investment team regularly engages with GPs to support them with any sustainability related activities on an ad hoc basis and to evaluate how GPs' are managing material sustainability risks.

- **GP Engagement:** If a material ESG risk is identified during the holding period, or a GP or a portfolio company is involved in a controversy (e.g., a business ethics litigation case), Flexstone will engage with the GP to assess the level of risk and how it can be managed. The relevant investment team members will work together with Flexstone's sustainability team to help the GP address the risk and develop a long-term strategy for long-term risk management.

- **Divestment:** Flexstone considers divestment of non-compliant investments as a last resort action. By divesting, we would essentially give up any opportunity to engage with GPs on their sustainability approach. Therefore, Flexstone promotes active engagement with GPs in order to help fund managers become more sustainable and to meet evolving extra-financial regulatory requirements.

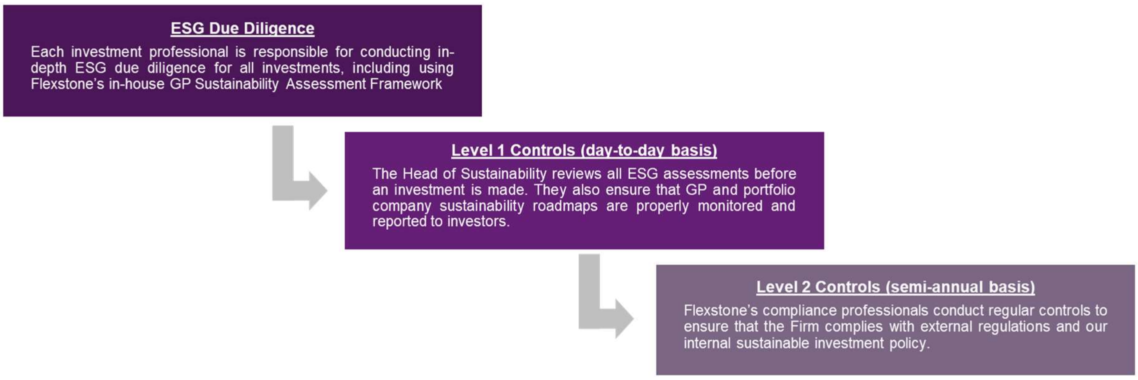
  If there is no satisfactory solution to manage a material ESG risk, then the investment team will contemplate selling the asset on the secondary market.

Additionally, Flexstone has implemented a **sustainability governance and escalation plan** to ensure that all investments made by MMS III comply with Flexstone's Sustainable Investment Policy and relevant sustainability regulation, including the SFDR and the EU Taxonomy. The governance and control strategy includes the following key controls:

(i) **Level 1 Controls**: Carried out by the Sustainability team and Flexstone's dedicated Sustainability Analyst on a day-to-day basis. Flexstone's sustainability team reviews all ESG assessments and investment memorandums completed by the investment team in order to ensure consistent ESG integration and analysis across the European, American, and APAC offices. The Firm's sustainability professionals also work with investment teams on ad-hoc sustainability assessments on a case-by-case basis and ensure that concrete sustainability action plans are in place for companies with lower ESG assessment scores.

(ii) **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 compliance officers work together with the sustainability and investment teams to ensure that all investment professionals understand the rapidly evolving ESG regulations and have implemented best practices for ESG integration in the investment process.

Flexstone Sustainability Governance



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 the Head of Sustainability and the CCO.

When the Head of Sustainability identifies an anomaly, she notifies the CCO immediately.

The CCO reports any unresolved deficiency to Flexstone management. 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.

ENGAGEMENT POLICIES

Flexstone seeks to maintain regular dialogue with its GPs to understand their approach to managing ESG risks during the pre-investment process and the holding period.

Flexstone Partners' investment professionals hold over 100 Limited Partners Advisory Committee (LPAC) seats. This allows Flexstone to engage with GPs on their approach to identifying and managing material ESG risks and opportunities associated with underlying portfolio companies.

In order to ensure that sustainability is integrated as a part of Limited Partner Advisory Committees (LPACs) and Annual General Meetings (AGMs), Flexstone's Sustainability Analyst systematically reviews all agendas and requests for sustainability (or 'ESG) to be included. The objective is to gain a better understanding of how sustainability is integrated by GPs at management and portfolio company level, and to encourage discussion of key topics such as best practices for ESG due diligence, monitoring & reporting, and controversy risk management.

After the LPACs and AGMs, the investment team provides an overview of the key sustainability topics discussed during the meetings to the Sustainability Analyst who will review the materials to identify any significant ESG risks and monitor GP progress against set sustainability targets.

DESIGNATED REFERENCE BENCHMARK

Not applicable