

Article 10 (SFDR) – Sustainability disclosures for an Article 8 fund

Flexam Tangible Asset Income Fund II ("FTAIF II")

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a) Summary

FTAIF II (the Fund), for which Flexam Invest Asset Management (Flexam) is the AIFM, does not have sustainable investment objectives within the meaning of Regulation (EU) 2019/2088, but promotes the following environmental and social characteristics:

- Mitigating climate change.
- Energy performance.
- Sustainable use of resources.
- Protecting ecosystems and biodiversity.
- Good governance and the fight against corruption.
- Respect for human rights and the fight against discrimination.

The Fund's investment strategy promotes the above-mentioned environmental and social characteristics through:

- A focus on decarbonising transport, logistics and energy: Flexam invests in the rail and maritime sectors to support renewable energies (freight ships transporting biomass, CTVs operating offshore wind farms) and contributes to the circular economy by financing mid-life or reconditioned assets.
- Exclusion policies: at sectoral, geographical, and regulatory level

During the pre-investment phase, Flexam conducts in-depth due diligence to ensure that the investment complies with the Fund's environmental and social criteria. This due diligence includes:

- An in-depth ESG analysis: review of the documentation provided, questions and answers, Internet research.
- An ESG questionnaire (designed with EthiFinance¹): assessment of the compliance of the asset, the operator and the end-user with the Sustainable Development Goals defined by the UN.
- A Know Your Customer (KYC) process: verification of a customer's identity and integrity about corruption, money laundering, tax evasion or the financing of illegal activities.

Flexam ensures that the investment remains compliant during the investment period by updating the ESG questionnaire in the portfolio management, and by producing an ESG report each year. To better assess its performance, Flexam will undergo UNPRI rating by 2023.

In addition, Flexam wishes to extend its ESG policy beyond its investments by having an impact on the strategic decisions and operations of its counterparties through the conditioning of offers with high ESG criteria, the inclusion of clauses making the continuation of the contract conditional on compliance with emissions targets or by encouraging its counterparties to reflect on their impact on environmental and social factors by participating in the completion of the ESG questionnaire.

¹ EthiFinance is an innovative European rating, research and advisory group dedicated to sustainable finance. The group provides solutions to investors, companies, and organisations to meet the challenges of financing as well as environmental and societal transformations. It was commissioned by Flexam to produce the management company's ESG charter and the ESG questionnaire used in pre-investment and periodic due diligence.

No benchmark has been designated to achieve the environmental or social characteristics promoted by the Fund. During the annual portfolio management reviews, the ESG ratings of the transactions are reviewed. At 31/12/2023, the Fund had obtained a satisfactory overall ESG rating of 83/100 according to Ethifinance's ESG evaluation matrix.

b) No sustainable investment objective

The Fund promotes environmental and social characteristics but does not have sustainable investment objectives within the meaning of Regulation (EU) 2019/2088.

c) Environmental or social characteristics of the financial product

The Fund promotes the following environmental, social and governance characteristics:

- Mitigating climate change.
- Energy performance.
- Sustainable use of resources.
- Protecting ecosystems and biodiversity.
- Good governance and the fight against corruption.
- Respect for human rights and the fight against discrimination.

d) Investment strategy

The Fund's investment strategy promotes the above-mentioned environmental and social characteristics mainly through exclusion policies:

- **At sector level:** the Fund excludes from the scope of its investments assets operating in the following sectors:
 - Assets involved in thermal coal projects.
 - Assets involved in unconventional oil and gas projects, i.e. shale oil, shale gas, oil sands or Arctic oil and gas resources.
 - Assets related to the production of distilled alcoholic beverages and tobacco - and their derivatives.
 - Assets involved in the production of controversial weapons, namely anti-personnel mines, cluster munitions, nuclear weapons, biological and chemical weapons, and depleted uranium munitions.
 - Assets used for the production, sale or purchase of equipment and goods whose purpose is "to inflict capital punishment, torture or other cruel, inhuman or degrading treatment or punishment".

- **Geographically:** the Fund excludes certain regions from the scope of its investments, based on a list of exclusions including countries at war, countries under international sanctions or countries where human rights are not respected.
- **In terms of standards:** the Fund excludes from the scope of its investments assets that do not comply with regulations or whose operator does not comply with regulations, whether in terms of energy performance, safety, corruption, respect for human rights or labour law, for example.

The Fund invests in environmentally friendly assets with the aim of contributing to the decarbonisation of transport and logistics. Flexam aims to contribute to the greening of these sectors by acquiring assets that are more environmentally friendly, more energy efficient and use new, less polluting fuels, such as helicopters powered by Sustainable Aviation Fuel (SAF) or ships running on biodiesel. Flexam also aims to continue financing the rail freight sector, which represents a real alternative to more polluting road transport.

The Fund is also seeking to promote the energy transition by investing in assets such as ships operating on offshore wind farms or freighters transporting biomass. As part of this energy transition-oriented investment strategy, other renewable energies are also being considered as investment sectors, such as geothermal energy and photovoltaics.

Finally, as part of the initial ESG due diligence assessment, Flexam gathers information (via external resources and the ESG questionnaire) on the corporate governance structure and relevant policies and procedures of each investee company (the counterparties). All counterparties are assessed against four key good governance criteria:

- Sound management structures,
- Employee relations,
- Remuneration of staff and
- Tax compliance.

e) Proportion of investments

Information on environmental or social characteristics is available in the pre-contractual appendix. It should be noted that the financial product promotes environmental or social characteristics, without having sustainable investment as its objective within the meaning of Regulation (EU) 2019/2088.

At 31/12/2023, 58% of the investments made by the Fund were aligned with the environmental and social characteristics promoted.

Although some investments are not directly aligned with the environmental and social characteristics promoted by the financial product, they may be indirectly integrated into a responsible strategy. This is the case, for example, with volumetric scales, refrigerated containers and trailers, which were financed for an operator that took out a 'green' syndicated loan conditional on a number of covenants, including the reduction of carbon emissions, the

use of photovoltaic panels in its logistics centres and the installation of electric charging points in its logistics centres to green its fleet.

f) Monitoring of environmental or social characteristics

During the pre-investment phase, an in-depth ESG analysis of the asset is conducted to ensure that the asset falls within the Fund's investment perimeter in terms of ESG criteria as described in part d) *Investment strategy*.

This pre-investment analysis is accompanied by an ESG questionnaire developed with Ethifinance to assess compliance with the Sustainable Development Goals as defined by the UN at the various stages of the transaction:

- Assets
- Operator/landlord
- End user.

This questionnaire consists of a 17-criteria evaluation grid presented below. Each of these indicators addresses one or more of the environmental or social characteristics promoted by the financial product.

By completing the questionnaire, the various indicators can be checked to ensure that the investment does not present a sustainability risk.

Once the investment has been made, Flexam ensures that it remains responsible throughout the investment period. The ESG questionnaire is updated annually as part of the portfolio management process. It should be completed in the same way as during the investment period, i.e. by answering all the indicators.

This periodic check by the investment team ensures that a sustainability risk has not arisen since the date of investment.

An ESG report is also produced each year to assess the ESG performance of the Fund's investments over the year. As part of the performance evaluation, Flexam is also subject to UNPRI rating for the year 2023.

Families	Subfamilies	Indicators	Environmental and social characteristics
Assets	Composition of assets	Has the asset in question suffered damage in the past that has resulted in environmental/human damage?	Protecting ecosystems and biodiversity
		Does the asset use innovative technologies? If so, specify the type of technology and the benefits (assets, energy efficiency, performance gains, human resources).	Mitigating climate change, Energy performance
	Energy used	"Could you indicate the type of energy used (fossil, electric, etc.) and the energy efficiency of your asset? Depending on the answer you give, please give the score you think is most appropriate."	Mitigating climate change, Energy performance, Sustainable use of resources
		"Will assets evolve in terms of energy efficiency? (Please comment on planned developments)".	Mitigating climate change, Energy performance, Sustainable use of resources

	Sustainable Development Objective	<p>"The asset/activity responds directly to a fundamental sustainable development issue (SDG) below:</p> <ul style="list-style-type: none"> - MDG 3: Ensure good health for all and promote well-being for all at all ages - MDG 7: Ensure access for all to reliable, sustainable, and modern energy services at affordable cost - SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation - SDG 13: Take urgent action to combat climate change and its impacts - SDG 14: Conserve and sustainably use the oceans, seas, and marine resources for sustainable development - MDG 15: Conserve and restore terrestrial ecosystems, ensuring their sustainable use, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss". 	<p>Mitigating climate change, Sustainable use of resources, Protecting ecosystems and biodiversity</p>
Operator/landlord	Controversies	<p>Is the operator the subject of controversy?</p>	<p>Good governance and the fight against corruption</p>
Operator/landlord	Environment	<p>Existence of an environmental policy (issues and objectives)</p>	<p>Mitigating climate change, Sustainable use of resources, Protecting ecosystems and biodiversity</p>

	Governance	"Have you set up a management system - for the environment, quality, etc. - that complies with one or more international standards? (Specify the standards concerned in the comments)".	Mitigating climate change Good governance and the fight against corruption
		Formalisation of a business conduct and anti-corruption policy	Good governance and the fight against corruption
		Existence of a structured CSR strategy, including an action plan or objectives covering social, environmental and stakeholder issues	Mitigating climate change, Good governance and the fight against corruption
		Publication of information on CSR practices	Mitigating climate change Good governance and the fight against corruption
		Do you have a similar ESG policy in place internally for the selection of end users?	Good governance and the fight against corruption
	Social	"Is the asset used in countries where human rights are at risk? (Please specify the countries concerned in the comments)".	Good governance and the fight against corruption, Respect for human rights and the fight against discrimination
		Are the assets used in countries exposed to the risk of corruption?	Good governance and the fight against corruption
		Existence of a non-discrimination policy.	Good governance and the fight against corruption, Respect for human rights and the fight against discrimination

End user	Controversies	Is the end user the subject of controversy?	Good governance and the fight against corruption
	Governance	Has the end user made any commitments to contribute to the energy and ecological transition?	Mitigating climate change

g) Methodologies

Environmental and social characteristics are assessed using an ESG questionnaire, comprising the seventeen indicators listed in the previous section, divided into families and sub-families.

These seventeen indicators call for a closed evaluation (such as "yes", "no" or "not applicable", for example). A scale is used to assign a score to each indicator, ranging from 0 to 100. The following mechanism is used to calculate the overall ESG score:

- Each indicator has an equal weighting in each sub-family, enabling the sub-family score to be calculated.
- Each sub-family has a different weighting within a given family, enabling the family score to be calculated.
- Each family has a different weighting, which is used to calculate the ESG score of the investment. The 'Asset' family is weighted at 50%, the 'Operator' family at 30% and the 'User' family at 20%.
- To determine the Fund's overall ESG score, the scores for each family and each investment are weighted by the percentage of capital at risk at date for that investment in the Fund.

The Fund's overall ESG score is 83/100 based on this scoring as at 31/12/2023.

h) Data sources and processing

The data used in the procedures to achieve the environmental and social characteristics comes from a variety of sources.

ESG analysis in the pre-investment phase involves:

- In-depth Internet research to better understand the asset, its activity, its impact and its ESG positioning in relation to other substitutable assets, as well as to better understand the activity of the counterparty and the various players involved and their environmental and social impact. None of this data is estimated.
- Examination of the documentation provided by the counterparty, operator, or broker. This documentation may consist of presentations of the company, its market, the asset, the transaction, or the business plan, but it is also possible to obtain documents from the counterparty detailing calculations of CO2 emissions, for example. None of this data is estimated.
- Exchanges by e-mail or videoconference with the counterparty, operator, or business introducer, to obtain answers to specific questions. None of this data is estimated.
- Finally, experts and consultants may be contacted for further analysis and understanding of the asset, the market and the associated ESG issues. None of these data are estimated.

In parallel with this ESG analysis, the ESG questionnaire designed with EthiFinance is completed. The information needed to answer the ESG questionnaire is initially extracted

from public or available sources (the counterparty's website, articles, analyses, etc.). If the information available does not allow all the indicators to be answered, the counterparties are consulted through questions and answers, exchanges or by sending documents, to complete the questionnaire.

To guarantee data quality, Flexam relies on:

- Checks conducted on the source (audit, certification, etc.)
- The cross-referencing of data provided by different sources.
- Our professional judgement and consistency with known data

Data is processed in diverse ways at distinct stages of the investment process:

- The data obtained as part of the pre-investment ESG analysis is included in the investment memorandum for assessment by the investment committee. This assessment is based on qualitative and/or quantitative data. Quantitative data may include carbon emissions or the number of electric cars in a company's fleet, for example. The members of the investment committee examine this data in detail to give a positive or negative opinion.
- The data obtained from the ESG questionnaire designed with EthiFinance is then used to assign ratings to the asset, the counterparty, and the end user. The final rating assigned to the transaction is obtained by weighting the ratings of the asset at 50%, the operator at 30% and the user at 20%. These ratings are considered in the investment decision and are updated and reviewed annually as part of the portfolio management process.

i) Limits to methodologies and data

Certain limitations can be noted in the methods and data processed by Flexam. Flexam does not systematically have access to quantitative data to assess the environmental impact of different assets. This risk is compensated for by searching for data on similar assets on the Internet, and if there is any doubt as to whether the asset complies with Flexam's ESG criteria, an expert can be contacted to obtain greater comfort.

In addition, to carry out its pre-investment ESG analysis, Flexam obtains its data from various external sources, including the operator, the broker and the various websites consulted. This information may be erroneous and/or contradictory. However, the risk that this information may be incorrect, or misleading is mitigated by:

- The fact that sources such as websites are always footnoted in the investment memorandum, which is then reviewed by various people at distinct levels. The investment team always seeks to refer to reliable sources.
- The multitude of data and the cross-references made between the different data provided.
- Professional judgement.

j) Due diligence

During the pre-investment phase, Flexam conducts in-depth due diligence to ensure that the investment complies with the Fund's environmental and social criteria. This due diligence includes various processes:

- An exhaustive ESG analysis is conducted and the conclusions are included in the investment memorandum for consideration by the investment committee. This ESG analysis is conducted by various means, via a review of documentation provided by the counterparty, the broker, or other third-party experts, via questions and answers and discussions with the counterparty or via internet research.
- An ESG questionnaire is completed by the counterparty to assess compliance with the Sustainable Development Goals as defined by the UN at the distinct levels of the transaction, that of the asset itself, the operator and the end user.
- Due diligence is supplemented by a KYC process to verify the identity and integrity of the customer, particularly about corruption, money laundering, tax evasion or the financing of illegal activities such as terrorism. During the KYC process, various documents are requested, such as the company's articles of association or the identity documents of the company's directors.

Finally, after due diligence, certain clauses are included in the contracts to ensure that the counterparty remains honest during the transaction period.

k) Engagement policies

As the Fund's investments do not involve the acquisition of shares in related companies, Flexam does not sit on the boards of these companies. However, Flexam wishes to extend its ESG policy beyond its investments by having an impact on its counterparties, their strategic decisions, and their operations.

The Fund's first lever of influence is to make more attractive financing offers conditional on compliance with high ESG criteria. The greener the assets that the counterparty seeks to finance, the more Flexam will be inclined to offer low interest rates. This may encourage counterparties to review their long-term acquisition strategies by moving towards more environmentally friendly assets to obtain more attractive financing.

Flexam has also already included clauses in its leasing contracts making the continuation of the contract conditional on compliance with carbon emission targets throughout the term of the transaction. This second approach makes it possible to influence the counterparty in its day-to-day operations with the aim of reducing its emissions over the long term.

Finally, by asking its counterparties each year to complete the ESG questionnaire designed with EthiFinance, Flexam encourages its counterparties to reflect on their impact on the various ESG criteria assessed to answer the questions correctly.

l) Designated reference benchmark

No benchmark has been designated for the environmental or social characteristics promoted by the financial product.