

ESG Charter

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This document sets out Flexam's engagement towards Environmental, Social and Governance (ESG) objectives and responsible investment policy. It defines how Flexam considers its economic, social and environmental impact through its daily business. Flexam commits to sustainability to align its global strategy with the needs of its Limited Partners (LPs).

Flexam's ESG approach applies to all employees and managers of the company. Flexam ensures that the members of the company adhere to and sign the ESG Charter and that they perform their duties with transparency, probity, moderation and courtesy. The signatories thus undertake to disseminate and advance Flexam's ESG approach and to conduct their activities in accordance with the principles laid down in the Charter.

1. About Flexam

Founded in 2011, Flexam is an investment company providing fully collateralized debt to European SMEs to finance their transformation and growth capex in 3 major trends:

- ✓ Sustainable supply chain
- ✓ Regional development
- ✓ Mission-critical services

With more than 500 million euros of financed assets historically, Flexam integrated into Kartesia group in 2023, being a major private debt player, accounting for about 7 billion euros of assets under management. Flexam specializes in the financing of tangible BtoB industrial assets with a decarbonization angle.

Through its historical activity of structuring transactions on behalf of third parties and for its two funds (*Flexam Tangible Asset Income Fund - FTAIF I* - and *Flexam Tangible Asset Income Fund II - FTAIF II*), Flexam offers financing solutions that ensure sustainable growth for its industrial partners.

Flexam aims to meet the societal and environmental challenges of the United Nations Sustainable Development Goals notably through *FTAIF II*, complying with Article 8 of the EU SFDR regulation.

Flexam is a global team of 13 professionals based in Paris, London and Luxembourg and participating in supporting a multitude of industrial players and end users. Flexam team has been built around a common set of values:

- ✓ Entrepreneurship
- ✓ Industrial DNA
- ✓ Loyalty

2. Transparency

Flexam strongly believes that transparency is key to building trust and takes a proactive approach to communicating both financial and non-financial performance to its different stakeholders.

Transparency towards Limited Partners

Flexam's aim is to provide Limited Partners (LPs) with the highest standards of communication, notably through half-yearly financial reports, annual extra financial / ESG report and through other forms of interaction such as the Annual General Meeting.

Transparency towards counterparties

Flexam does take an open and transparent approach with its counterparties and prospects to identify, monitor and manage financial and sustainability risks. Flexam communicates with its counterparties throughout the entire duration of the transactions and strives to deal with any issue that could arise.

Transparency towards staff

Flexam is keen to keep its staff well informed about its activities. Thanks to the relatively small number of employees, Flexam can achieve this through cross-team discussions on a weekly basis.

3. FTAIF II's responsible investing policy

The launch of Flexam's more recent vintage, *FTAIF II*, which is an article 8 fund under SFDR, came with the formalization of Flexam's responsible investor's approach, in which ESG criteria are determining factors in investment choices.

Flexam is a signatory to the United Nations Principles for Responsible Investment (PRI) and has integrated responsible investing (RI) policies into its investment strategy. Flexam follows the PRI in their definition of responsible investment as a strategy and practice of integrating environmental, social and governance (ESG) factors into investment decisions and active ownership.

Flexam aims to be recognized as a leading investor based both on the returns it delivers to its LPs and on its responsible approach to investing. Flexam's commitments to responsible investment are motivated by:

- ✓ the search for investment opportunities that generate financial performance
- ✓ the desire to respond to major societal and environmental challenges, particularly those included in the Sustainable Development Goals (SDGs) as defined by the UN.

Flexam believes that companies meeting environmental, social and governance standards are generally better managed, present fewer business risks and, ultimately, create better value. RI is comprehensively part of Flexam's global investment strategy.

To go further, Flexam has set ambitious objectives in the fight against global warming. Indeed, it wishes to align with Paris Agreement¹ objectives, notably to maintain the rise of the global temperature to a level below 2°C by 2100 and to pursue efforts to limit the rise in temperature to 1.5°C. Flexam is committed to mobilizing the necessary resources to enable it.

To reach these objectives, Flexam has set up different responsible investment policies.

¹ Paris Agreement: Adopted at the Paris Climate Conference (COP21) on December 12, 2015, the Paris Agreement is the first international climate agreement of a universal nature and is an important milestone in the fight against global warming.

a. Applying exclusion policies

As part of its ESG approach, Flexam has created a vigilance and exclusion policy that forbids investments that could represent a severe sustainability risk. This exclusion policy is divided into three types of exclusions:

✘ Sector-based exclusions

- ✘ Assets involved in thermal coal projects
- ✘ Assets involved in non-conventional oil and gas projects, namely shale oil and gas, oil sands, oil and gas resources located in the Arctic
- ✘ Assets involved in the production of distilled alcoholic beverages and tobacco - and its derivatives
- ✘ Assets involved in the production of controversial weapons, namely anti-personnel mines, cluster munitions, nuclear, biological and chemical weapons, and depleted uranium munitions
- ✘ Assets used in the production, sale or purchase of equipment and goods whose purpose is "to inflict capital punishment, torture and other cruel, inhuman or degrading treatment or punishment."

✘ Norm-based exclusions

- ✘ Operators or end users of an asset that would not comply with international standards in the fight against corruption, respect for human rights and labor law.

✘ Asset exclusions regarding non-compliance with pre-determined ESG criteria

- ✘ Assets that do not comply with the regulations and directives in force or that will come into force in terms of energy performance and security during the financing period
- ✘ Assets that have caused environmental and/or human damage and for which no satisfactory corrective action has been implemented
- ✘ Operators and/or end-users that are the subject of proven serious controversies

b. Identifying and monitoring controversies

Flexam's exclusion policy is complemented by an identification and monitoring of controversies regarding direct and indirect counterparties, namely the operators benefiting from the financing solutions and the end users of the financed assets. Controversies are evaluated and monitored during the pre-investment phase and annual monitoring.

c. Integrating ESG criteria in decision-making

As a stakeholder of the decarbonization process of the transport sector, Flexam's ESG strategy aims at supporting companies towards energy transition. Flexam's investment team has an integrated and ambitious ESG approach through strict asset selection and portfolio construction process.

Flexam is committed to systematically considering environmental, social and governance factors in its investment decisions. To this end, Flexam has set up an extra-financial evaluation grid enabling it to analyze the ESG maturity level of its counterparts as well as the impact of the assets that the company may finance, at different stages of the transaction:

- ✓ **During the pre-investment phase:** Flexam is committed to incorporating ESG criteria into its due diligence process. These criteria concern the financed assets, the operator involved in the projects and the end users, so that Flexam's investment committee has a global understanding of the various issues related to each transaction.

- ✓ **During the annual monitoring:** The annual collection of ESG criteria allows Flexam to monitor the maturity of its counterparts regarding environmental, social and governance matters until the end of the contract.

The systematic consideration of ESG criteria, both upstream, when analyzing investment opportunities, and downstream, when monitoring its investments, enables Flexam to better identify and characterize the potential risks to which investments could be exposed.

These factors relate, among others, to climate change and human rights and are aiming at preventing bribery and corruption.

d. Identifying and monitoring good governance of its counterparties

Flexam has set up a good governance test within its pre-investment and annual monitoring due diligence to determine whether the operators of the financed assets comply with good governance principle around the four following pillars:

- ✓ Sound management structure
- ✓ Compliance with tax obligations
- ✓ Employee relations
- ✓ Staff remuneration

e. Managing conflicts of interest

Flexam has set up a policy to identify, prevent and manage conflicts of interest to ensure constant respect for the principle of putting customers' interests first.

f. Stewardship activities

Although these do not adapt to its investment scope, Flexam does conduct collaborative stewardship activities by engaging with counterparties whenever possible, on their good willing.

4. Reporting

a. ESG / Extra Financial reporting

Flexam is committed to communicating with its investors (institutional and private) and counterparties. To this end, in addition to semiannual financial report, the company has implemented since 2020, an annual ESG reporting to meet following objectives:

- ✓ To communicate on the extra-financial performance of *FTAIF II*
- ✓ To communicate on its contribution to the achievement of the Sustainable Development Objectives defined by the United Nations through impact indicators.
- ✓ To communicate any change in policies, governance or oversight related to Flexam's responsible investment strategy
- ✓ To communicate on any responsible investment commitments and their progress

b. PRI reporting

In addition, as signatory to the UN PRI, Flexam communicates with its stakeholders through the Transparency report to state progress in the application of the principles promoted by the PRI. Flexam's RI Transparency report is publicly available on the PRI website (www.unpri.org).

c. SFDR reporting

Flexam commits to comply with EU's Sustainable Finance Disclosure Regulation:

- ✓ Pre-contractual disclosure (Annex II) is attached to *FTAIF II*'s LPA.
- ✓ Periodic disclosure (Annex IV) is revised and attached each year to *FTAIF II*'s financial statements.
- ✓ Website disclosures are publicly available on the dedicated page of Flexam's website.

5. Flexam's CSR approach

Flexam's ESG approach also reflects its desire to become a responsible player towards its stakeholders at the corporate level. Therefore, the company has implemented a CSR policy that responds to the following issues:

- ✓ **Limiting its environmental impact** by implementing several initiatives aimed at reducing:
 - ↓ **Reducing its waste consumption:** with the implementation of a sorting system, the recycling of coffee capsules and the choice of a cleaning service provider with a CSR policy
 - ↓ **Reducing its carbon footprint:** to limit business travel, the company favors train journeys and has deployed an optimal videoconferencing system. In addition, with the provision of a bicycle storage solution, employees are encouraged to use an alternative mode of transportation.
- ✓ **Putting people at the core of the company through responsible human resources management.** To foster a fulfilling, motivating and stable working environment, Flexam makes commitments to its employees in terms of fair compensation, equal opportunities and skills development. With the launch of *FTAIF II*, the company announced the implementation of a Group-wide profit-sharing policy.
- ✓ **Adopting a good governance structure ensures that CSR is integrated into the company's overall process.** This is why Flexam has set up a committee in charge of CSR issues.
- ✓ Flexam has started in 2023 to **calculate its carbon footprint** both at *FTAIF II*'s level and at the entity level.

6. ESG committee

Flexam has set up a committee whose mission is to bring the company's ESG approach to life and to ensure its proper application. The ESG Committee is integrated to the management and investment process. It is composed of the following persons:

- ✓ **Olivier Fitoussi**, in charge of preparing the ESG reporting of *FTAIF II* (and soon *FTAIF III*) and of the company's CSR-related topics
- ✓ **Fabrice Fraikin**, in charge of taking ESG considerations into account during *FTAIF II*'s (and soon *FTAIF III*'s) investment committees

The committee has formal oversight over responsible investment strategy.

The ESG Committee,

Fabrice Fraikin



Olivier Fitoussi

