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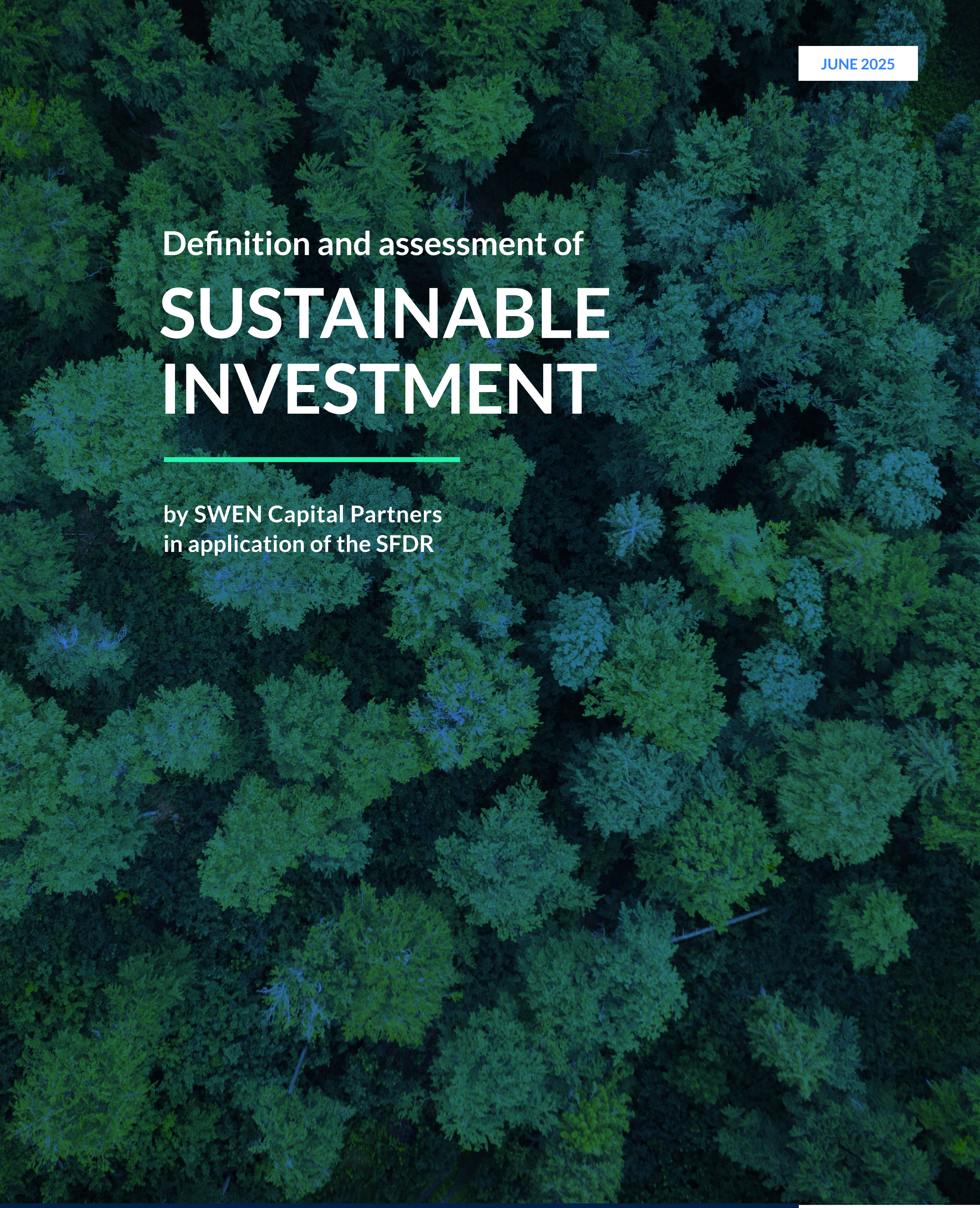

Definition and assessment of

SUSTAINABLE INVESTMENT

by SWEN Capital Partners
in application of the SFDR

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CONTENTS

Introduction

Article 2(17)[1] of Regulation (EU) 2019/2088, called the Sustainable Finance Disclosure Regulation (hereinafter "the SFDR"), defines a sustainable investment as follows:

- "**an investment in an economic activity that contributes to an environmental objective**, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy,

or

- **an investment in an economic activity that contributes to a social objective**, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities,

provided that such investments do not significantly harm any of those objectives and that the investee companies follow **good governance practices**, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance."

In line with the SFDR, we have established **three key components** of a **sustainable investment.** The investment must:

1

Be made in one or more activities contributing to an environmental or social objective,

and

2

Comply with the precautionary principle of "Do No Significant Harm" to any other social or environmental objective (the "DNSH principle"),

and

3

Be made in a company that applies **good governance principles.**

The purpose of this document is to detail SWEN Capital Partners' approach to defining an investment as sustainable, in alignment with the definition set out in the SFDR. In particular, it describes the specific criteria and conditions, for each of the three components indicated above, that each investment must necessarily meet to qualify as sustainable.

SWEN Capital Partners ensures that these criteria and conditions are met while evaluating an investment opportunity and, if the investment is made, throughout the holding period.

[1] https://eur-lex.europa.eu/legal-content/FR/TXT/HTML/?uri=CELEX:32019R2088&from=fr#d1e644-1-1

Specific case of investment in investment funds that themselves make sustainable investments

When investing in funds that make sustainable investments, SWEN Capital Partners ensures that the underlying investments meet the SFDR's definition of a sustainable investment under article 2(17) – for example, by examining the fund's resources and processes – and tracks the percentage of sustainable investments in the fund. We also analyse the extent to which the fund's practices are consistent with our own, in terms of evaluating the contribution to an environmental or social objective (parts I.A and I.B below), complying with the DNSH principle (part II), and applying good governance principles (part III).

In the specific case of investing in an Article 9 fund, SWEN Capital Partners ensures that the sustainable investment objective of the fund is consistent with that of the investment vehicle through which the investment is made. We examine how the Article 9 fund evaluates the contribution of an investment's activities to one or more social or environmental objectives, and we assess the robustness and completeness of the resources and processes implemented by the fund manager for this purpose. To do so, we may refer to the documentation of the underlying financial products to learn their definition and percentage of sustainable investments; however, we systematically carry out our due diligence in accordance with the legislation applying to our industry. If we observe a significant difference between the fund's application of article 2(17) of the SFDR and our own approach, the underlying investments are considered to be sustainable only if they meet the criteria applied by SWEN Capital Partners for direct investments. Lastly, side letters signed between SWEN Capital Partners and its portfolio funds oblige these funds to provide, upon request, a record of the assessments performed to qualify an investment as sustainable.

Monitoring during the investment holding period

Direct investments, funds and underlying assets are monitored using annual ESG questionnaires, as detailed in our sustainability policy and our statement on principal adverse impacts (PAI)[2], available in the Sustainable Finance section of our website (https://www.swen-cp.fr/en/). Contributions to social and environmental objectives are monitored whenever necessary and at least every three years, using additional specific indicators (see the criteria set out in part I). The ESG questionnaires are also used to monitor DNSH compliance (application of sector exclusions, monitoring of controversies and CSR performance, consideration of PAIs, etc.). They include a series of items focusing specifically on governance practices. During the holding phase, we also monitor any ESG incidents that may affect our direct investments and the main underlyings of our funds and management mandates.

[2] Note that to calculate the PAI indicators set out in the SFDR, SWEN CP uses a consolidation method that transparently lists the investments held in each vehicle. As a result, the scope of this calculation includes direct investments as well as the underlyings of funds in which we have invested in a primary or secondary transaction.

I. Activities contributing to an environmental or social objective

SWEN Capital Partners considers that sustainable investing is part of a just transition towards environmentally and socially sustainable economic models. We apply the International Labour Organization's definition of a "just transition", which is "greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind"[3].

As we see it, sustainable investing can help to satisfy humanity's essential needs, while staying within planetary boundaries, and generate positive impacts on the biosphere without deepening social inequalities.

A. Activities contributing to an environmental objective

SWEN Capital Partners defines an activity contributing to an environmental objective as one that contributes to at least one of the following objectives set out in the EU Taxonomy Regulation (EU 2020/852):

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

To assess an activity's contribution to one or more of these environmental objectives, we measure five key indicators, using internal and external tools. For each of these five indicators, a minimum level of contribution is required.

To be considered sustainable, an investment must meet at least one of the following conditions:

1. At least **50%** of the company's turnover (or CapEx for investments in infrastructure projects) is generated by activities aligned with the Taxonomy Regulation (EU) 2020/852,

   or

2. The company has achieved a **NEC Score[4] of at least 10** (on a scale of -100 to +100),

   or

3. The company has set (or plans to set) a greenhouse gas emissions reduction target[5] to help reach the Paris Agreement's goals to limit global warming,

   or

4. **75% of the company's revenue supports the energy and ecological transition,** according to the classification in appendix 1 of the Greenfin Label Criteria Guidelines[6] in force at the time of the investment,

   or

5. The investment is made through an impact vehicle and meets the criteria set out in SWEN Capital Partners' Impact Doctrine, which defines specific indicators for each impact vehicle (see the vehicle's impact methodology).

[3] Ilo.org, Climate change and financing a just transition, 28 October 2021, https://www.ilo.org/resource/other/climate-change-and-financing-just-transition
[4] According to the methodology in force at the time of the investment. At the time of writing, NEC 1.1 is the version in force.
[5] To meet this sustainable investment criterion, the alignment of this carbon reduction target with a temperature trajectory established for the relevant industry by a recognised organisation or institution must be assessed, documented and validated. In addition, the set targets must be verifiable and time-bound.
[6] Greenfin Label Criteria Guidelines, January 2024, https://www.ecologie.gouv.fr/sites/default/files/documents/Label_TEEC_Criteria%20Guidelines.pdf

B. Activities contributing to a social objective

SWEN Capital Partners defines an activity contributing to a social objective as one that makes a **material** and **significant** improvement to social well-being.

Social well-being is the satisfaction of basic human needs and the ability of individuals to coexist peacefully in communities offering opportunities for economic development. It is a multidimensional concept that encompasses access to basic resources and services, such as food, housing, health and education, as well as issues relating to equality, work, social relations and quality of life.

The contribution to improving social well-being is characterized by the contribution to the following Sustainable Development Goals (SDGs), identified as strategic by SWEN Capital Partners :

1. No poverty
Eradicate extreme poverty

2. Zero hunger
End hunger, achieve food security and improved nutrition and promote sustainable agriculture

3. Good health and well-being
Ensure healthy lives and promote well-being for all at all ages

4. Quality education
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

5. Gender equality
Achieve gender equality and empower all women and girls

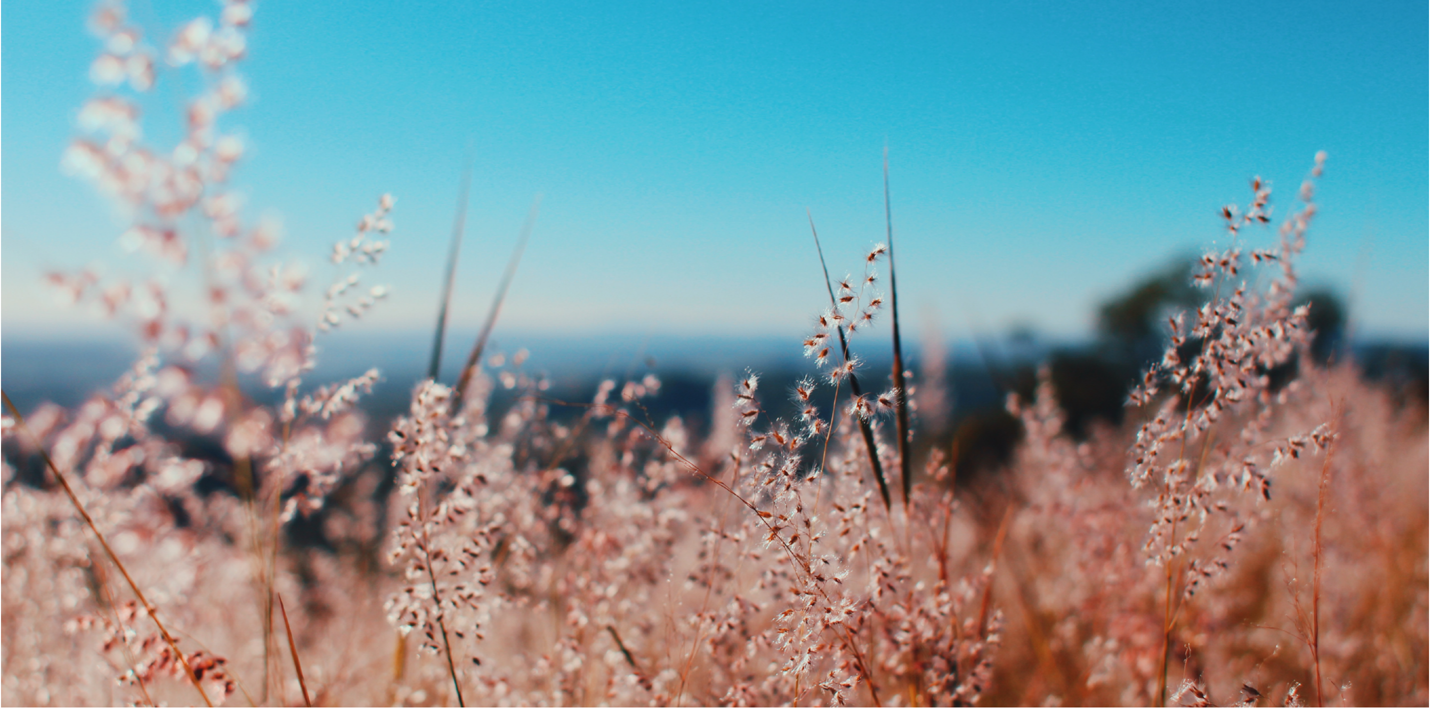
6. Clean water and sanitation
Ensure availability and sustainable management of water and sanitation for all

8. Decent work and economic growth
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

9. Industry, innovation and infrastructure
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

11. Sustainable cities and communities
Make cities and human settlements inclusive, safe, resilient and sustainable

12. Responsible consumption and production
Ensure sustainable consumption and production patterns



To qualify an investment as sustainable, we assess whether it makes a **significant contribution to social well-being,** using the following criterion to measure the size of its contribution to SDGs:

1. Material contribution

1.1 Innovative activity improving social well-being. The relevant business activities have or will have a positive social contribution compared to the products and solutions that are commonly available or used. These activities contribute or will contribute to the SDGs characterizing social well-being.

or

1.2 **Reduced inequality.** The relevant business activities provide products and services that help or will help to significantly reduce inequality, or that enable or will enable entities using these products and services to significantly reduce inequality. We assess the affordability and availability of these products and services, among other aspects. These activities contribute or will contribute to the SDGs characterizing social well-being.

We assess a company's contribution to SDGs in the context of a specific geographical region and/or population (as relevant to each investment) using the related targets and indicators, among other tools. If the company's business model focuses on social integration, we measure its contribution case-by-case, based on the percentage of full-time equivalents employed under the integration policy.

On the other hand, to qualify an investment as sustainable, the activities contributing materially to social well-being, identified in the previous point, must also be significant. The significance of the contribution to social well-being must be assessed using the following criterion:

2. Significant contribution

Activities contributing materially to social well-being account for **at least 50% of the company's turnover** or Capex (whichever is more relevant, depending on the type of investment underconsideration).

II. Compliance with the principle of "Do No Significant Harm" to any other environmental or social objective

A. Consideration of principal adverse impacts on sustainability factors

SWEN Capital Partners analyses the principal adverse impacts (PAIs) on sustainability factors of all its investments, whether or not they are classed as sustainable. For a detailed explanation of the stages involved and resources committed to this analysis, see "Statement on principal adverse impacts of investment decisions on sustainability factors", available in the Sustainable Finance section of our website (https://www.swen-cp.fr/en/).

Consideration of PAIs naturally falls within the scope of the work we conduct to ensure that our sustainable investments comply with the precautionary principle of "Do No Significant Harm" (DNSH) to any other environmental or social objective, commonly known as the DNSH principle. Assessing PAIs is a key component of this analysis, together with applying sector exclusion policies and identifying past incidents, litigation and controversies.

B. DNSH prerequisites for sustainable investments

For each ESG analysis performed at the time of investment or during the monitoring stage, SWEN Capital Partners assesses the investment's potential to harm any of the established environmental or social objectives. Whether or not the harm is significant is assessed either qualitatively or using specific quantitative metrics for each component of the analysis. To be considered sustainable, **an investment must meet all of the following conditions:**

- **Compliance with sector exclusion policies.** SWEN Capital Partners monitors compliance with its sector exclusion policies, which apply to coal, oil, fossil gas and weapons, as published on its website (https://www.swen-cp.fr/en).

> *Prerequisite: full compliance with the guidelines set out in our sector exclusion policies.*

and

- **Compliance with internal processes for reviewing past incidents, litigation and controversies.** SWEN Capital Partners conducts reputation surveys prior to any investment with the aim to flag, as early as possible, any past incident, litigation or non-financial controversy that could require more in-depth investigation or cast doubt on the investment, depending on the nature, frequency and severity of the identified controversies. This deep dive may include key suppliers and customers. We also monitor our direct investments and main fund underlyings on a daily basis.

> *Prerequisite: the investment under consideration must not exceed a maximum threshold of exposure to controversies (taking into account their nature, frequency and severity and the companies under consideration). This threshold is defined internally, in qualitative terms, by the analysts of SWEN Capital Partners. For each identified controversy we follow a specific methodology to assess its severity. Based on the level of severity, we take specific measures in terms of dialogue, engagement, communication and reporting.*

and

- **No reports of poor practices or performance on material ESG issues specific to the company.** During the due diligence process, SWEN Capital Partners rigorously examines all material ESG issues and the level of maturity attained by each company to address these challenges. Climate and biodiversity assessments are performed in the same way. All these aspects are monitored over time, for example, by conducting annual ESG data-collection campaigns.

> *Prerequisite: if a company's sustainability performance is unsatisfactory, there must be no doubt as to that company's ability to implement appropriate corrective measures. Otherwise, the investment is not made.*

and

- **Compliance with the conditions applying specifically to the mandatory PAI indicators defined by the SFDR.**

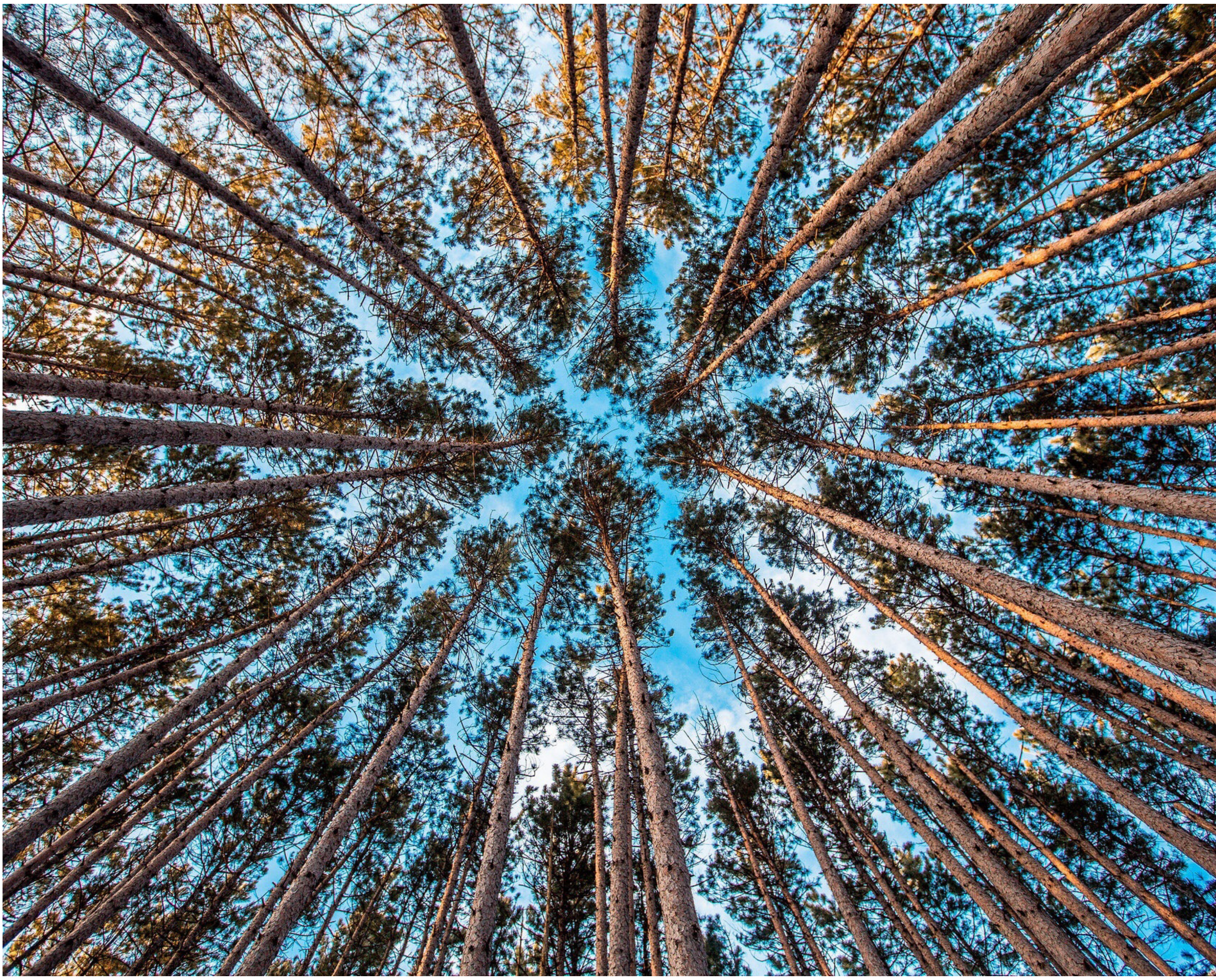
> *Prerequisite: compliance with the conditions set by SWEN Capital Partners and detailed in our "Statement on principal adverse impacts of investment decisions on sustainability factors", available in the Sustainable Finance section of our website* ***https://www.swen-cp.fr/en/.***

and

- **No significant increase in inequality.**

C. Assessing DNSH compliance for indirect investments

In the specific context of SWEN Capital Partners' investments in funds, we determine how and to what extent fund practices are aligned with our own. To do this, we analyse how deeply the fund has embedded ESG across all stages of the investment process. During our due diligence, we score the fund's ESG practices against a specially developed set of criteria, which are systematically used, among other tools. We sign side letters containing specific sustainability requirements to ensure continued ESG integration, which is monitored using a dedicated questionnaire sent to management companies.



III. Principles of good governance

A. For direct investments

SWEN Capital Partners examines each investment opportunity's good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Our analysis of good governance practices first aims to establish how ESG issues are incorporated into the potential target company's strategy and business model. We explore the organisational structure implemented to address ESG issues, the objectives set (possibly as part of a sustainability strategy) and the performance achieved.

We systematically include in our assessment an identification and thorough analysis of risks related to professional and business ethics. If the company's business sector or activities expose it to risks considered to be material, we conduct more targeted analyses of its policies, procedures, objectives and performance.

Lastly, we also look at the company's management and supervisory bodies, their composition and the way they operate.

We ensure that systems are in place at the organisation level to ensure compliance with the OECD Guidelines for Multinational Enterprises and the United Nations' Guiding Principles on Business and Human Rights and/or the absence of any identified problems in these areas.

B. For investments in funds or for indirect investments

SWEN Capital Partners systematically analyses the procedures and resources implemented by target funds to make sure that the investments considered by the funds to be sustainable meet our standards for good governance practices. For example, we check that the target funds' practices and methods in the area of governance align with our own. In side letters signed with target funds, we require the funds to commit to applying the good governance practices set out in article 2(17) of the SFDR.

In particular, we assess the extent to which, during due diligence as well as during the investment monitoring phase, the analysed funds examine their investments' ethical business practices, governance bodies (composition and organisation), ESG strategy (implementation, organisation, objectives, and performance) and compliance with the OECD Guidelines for Multinational Enterprises and the United Nations' Guiding Principles on Business and Human Rights.

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Our definition of a sustainable investment

ENVIRONMENTAL OBJECTIVES

CONTRIBUTE TO ONE OBJECTIVE

50% **EU Taxonomy Regulation**

50%
of Taxonomy-aligned revenue

NEC

-100% **+10%** +100%

Minimum score
for Net Environmental Contribution

Greenhouse gas emissions reduction target

(keeping global warming below the limit set by the Paris Agreement)

GREENFIN LABEL
FRANCE FINANCE VERTE

75%

of revenue supporting
the Energy and Ecological Transition (EET)

IMPACT

Compliance
with the impact methodology
for the relevant fund

DO NO SIGNIFICANT HARM

Sector exclusions	Review of incidents, litigation and controversies
Integration of ESG issues	PAI policy

APPLY GOOD GOVERNANCE PRINCIPLES

Systematic analysis of governance risks

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Our definition of a sustainable investment

SOCIAL OBJECTIVES

MATERIAL

Activity contributing to one or more of the UN's Sustainable Development Goals

Innovative activity improving social well-being

OR

Reduced inequality

SUSTAINABLE DEVELOPMENT GOALS

AND

SIGNIFICANT

More than 50% of revenue contributing materially to the social well-being

50% of revenue

DO NO SIGNIFICANT HARM

Sector exclusions

Review of incidents, litigation and controversies

Integration of ESG issues

PAI policy

APPLY GOOD GOVERNANCE PRINCIPLES

Systematic analysis of governance risks

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