FASANARA CAPITAL

2021 - 2022

SUSTAINABILITY REPORT

2021 - 2022

1. ABOUT THIS REPORT

This report highlights our efforts to integrate sustainability at Fasanara Capital Ltd ("Fasanara"). It outlines our vision and strategy as well as progress towards strengthening our responsible investment activities and improving our direct impact on the environment, our employees and our communities.

It aims to provide an overview of Fasanara's sustainability impact during the years 2021-2022 both at the firm and portfolio level and contains information on Fasanara's goals for the year 2023 including sustainability-related projects and other ESG-driven initiatives.

Whilst Fasanara's investment process has always taken into account ESG related risk factors in its decision-making process in order to satisfy its fiduciary duty towards its clients, since developing its first environmental, social and governance policy ("ESG Policy") in late 2019, Fasanara has endeavoured to *systematically* incorporate ESG criteria into its investment and operational due diligence processes with the aim to guard against material negative social and environmental impacts while at the same time targeting opportunities that generate social and environmental improvements.

We consider the integration of environmental, social and governance ("ESG") factors as critical for ensuring the long-term sustainability of our investments and our communities. We believe these considerations have never been more important today given the challenges societies are facing in addressing the legacies of the pandemic, deep-rooted racial and social inequality, climate change and a potential impending recession.

2. MESSAGE FROM THE CEO

FRANCESCO FILIA

Founder and Chief Executive Officer of Fasanara

"The pandemic has made it clear that the private sector has a critical role in addressing global challenges such as climate change, social justice, and economic equality".

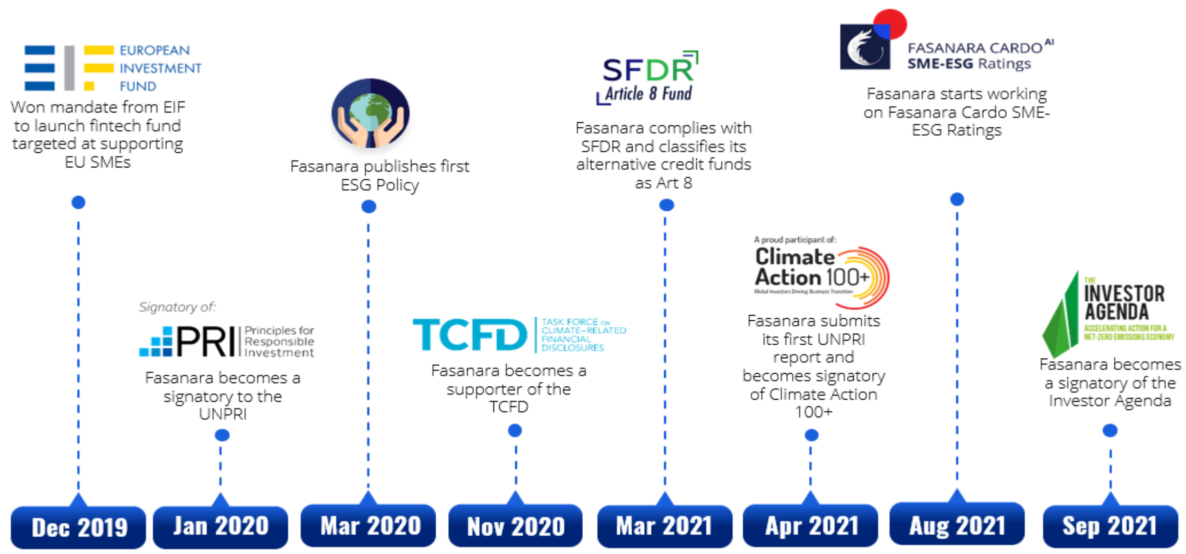
What does ESG mean for Fasanara?

Fasanara officially started its ESG journey in late 2019 when we made the decision to become a signatory to the United Nations Principles of Responsible Investing (the "UN PRI"). At the time, we were encouraged by the European Investment Fund (the "EIF") to join the UN PRI in light of the strong social impact that our alternative credit strategy was having on the real economy.

Through financing tools such as supplier-led invoice financing, small-and-medium enterprise ("SME") loans and revenue advances, our alternative credit strategy supports hundreds of thousands of liquidity-starved SMEs each year. These SMEs contribute to approximately 70% of total employment in Europe alone, yet market inefficiencies, regulatory requirements and the pandemic have led to a funding gap in the trillions. One of Fasanara's missions is to contribute towards closing this funding gap by channeling capital to those businesses that are most in need, in ways that are sustainable.

Our ESG Policy, which we have made publicly available on our website (www.fasanara.com/esg) sets out our philosophy on responsible investing and explains in some detail how we aim to integrate sustainability factors within our investment processes and business operations. Not only do we follow the six principles of the UN PRI, but we also apply the UN's 2030 Sustainable Development Goals ("SDGs"), the Task Force on Climate-Related Disclosures ("TCFD") and the European Union Sustainable Finance Disclosure Regulation ("SFDR") as frameworks for approaching ESG integration both at the firm and portfolio level.

Evolution of Fasanara ESG policy from December 2019 to September 2021



In effect, this has meant that we have taken the approach of not siloing the responsibility for integrating ESG factors to any one person or team. Rather, every team at Fasanara is responsible for incorporating ESG factors into their existing processes. For the investments and origination teams, this means collecting ESG information on originators and investments as part of the wider due diligence process and assessing their alignment with the SDGs and our ESG Policy as a whole when making a case to onboard them within our Fintech ecosystem. For the legal team, this means including ESG representations, covenants and information rights within our funding documents and, in some cases, agreeing specific ESG key performance indicators ("KPIs") that we link to the cost of funding as a way to incentivize our originators to improve and maintain their ESG credentials over a longer period of time. For the operations team, this means monitoring the portfolios to ensure that all the positions are compliant with our ESG exclusions list and eligibility criteria as well as working closely with Cardo - our AI analytics arm - to produce ESG ratings for the positions within the portfolio.

What ESG actions have Fasanara already taken and what's next?

In 2021, we created an ESG team which has been providing each of the other teams at Fasanara with information and assistance to help them incorporate ESG considerations into their distinct processes and practices such as sustainability risk management and responsible governance.

We also took steps to improve the ESG hygiene of our supply chains by engaging our 100+ partner originators within our wider fintech ecosystem to develop their ESG credentials. Throughout 2021 and 2022, we included ESG representations and covenants in our funding documents that contractually oblige our originators to comply, where relevant, with ESG international codes and standards as well as national corporate governance principles. In many cases, they also agreed to put in place their own ESG policy within 12 months that complies with the UNPRI and SDGs. In 2022, we followed up with many of the originators that entered into funding documents with us in 2021 to review their ESG polices and discuss how they have implemented them so far in practice and will continue to do this on an annual basis. We believe that by leveraging our influence over our 100+ partner originators to improve their management of ESG issues, we are contributing to a more resilient global economy and stable financial system, which will ultimately have a positive impact on our clients' long-term performance and risk profile.

We also got involved in public policy by becoming a signatory to the Investor Agenda. In September 2021 we signed the joint global investor statement calling on governments to urgently ramp up their efforts to address the climate crisis. This statement contained the collective views of 587 investors from around the world, managing a total of more than US$46 trillion in assets - which is around 40 per cent of all global assets under management. All 587 signatories (including Fasanara) have agreed to a set of policy recommendations that must be implemented swiftly to manage climate risk and channel trillions of dollars to address the climate crisis.

How has Fasanara been managing the way out of the global pandemic and what are its expectations for the upcoming years?

The unprecedented social and economic disruptions over the past two years have highlighted the importance of strong and purposeful leadership and the need for active involvement to tackle and overcome exposure to difficult situations. In the year ahead, we will prioritize an even higher level of engagement with our partner originators and regulators.

The pandemic has made it clear that the private sector has a critical role to play in addressing global challenges such as climate change, social justice, and economic inequality and we strongly believe that cooperation and coordinated action can increase the effectiveness of our response to these global challenges. This is why we always strive to maintain a direct and open dialogue with our partner originators, co-investors and regulators in order to influence them towards developing practical and effective policies and regulations in respect to sustainability.

3. CORE IMPACT: SUSTAINABLE FINANCE AT FASANARA

Our main mission is to support and provide working-capital financing solutions to SMEs globally through cutting-edge fintech. By optimizing and repurposing capital allocation, we ensure that small companies can make quicker, seamless, and sustainable funding decisions.

Now more than ever, banks are pulling up the bridge to SMEs further stifling economic growth. In addition, SMEs are negatively impacted by the increasing propensity of late invoice payments. Fasanara's alternative credit strategy aims to have a strong societal impact when it comes to the real economy by lending to those SMEs and thus putting at the heart of its investment strategy the support of small businesses.

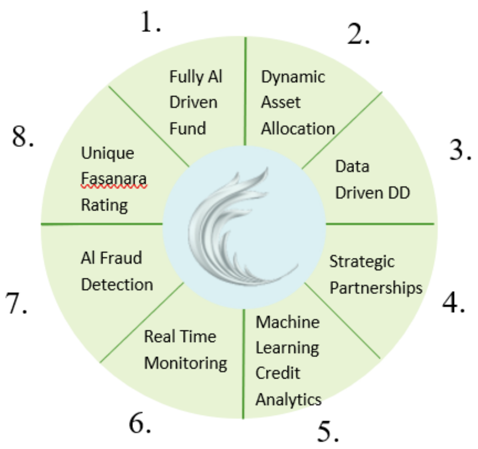
Our main financing tools are SMEs loans, revenue advances and supplier-led invoice financing. These are all liquid financing tools which we use to support our mission of helping to close the funding gap that SMEs are facing worldwide. We are also requiring more non-financial information from our partner originators in respect to their customers in order to be able to better cherry pick receivables whose suppliers promote ESG.

Introduction: Fasanara at a glance

Fasanara is an independent, owner-managed alternative asset management company authorized and regulated by the Financial Conduct Authority ("FCA") with approximately $3.7 billion in assets under management (as of November 2022).

We offer access to a range of inventive multi-asset capacity-constrained niche products through the implementation of an unconventional investment strategy based on multi-asset capacity-constrained niche products and extensive use of state-of-the-art financial technology. We believe that investing in the digital future is the best response to today's transformational markets.

Our SMEs are located in more than 70 different countries and our digital loans are mainly directed towards Germany, Spain, Italy, Finland, Singapore, Ireland, and the UK. We are also increasingly active in the US, Hong Kong, Eastern Europe, and the Middle East.



Through our proprietary platform infrastructure and our extensive use of big-data technology we are able to originate the best corporate receivables and create ultra-granular portfolios. We leverage machine learning credit analytics and artificial intelligence techniques, through both proprietary systems and powerful external partnerships, for rating assessments and AI-driven dynamic asset allocation.

The vision of Fasanara is to use technology and systems theory to help democratize financial services for SMEs in ways that are sustainable, equitable, transparent, and empowered with data.

In the last year, we have increased our exposure to global markets by adopting an integrated approach across regions and partnering with the best originators around the world.

Figure 1

Total Originators Portfolio Geographic Exposure (as of April 31, 2022)

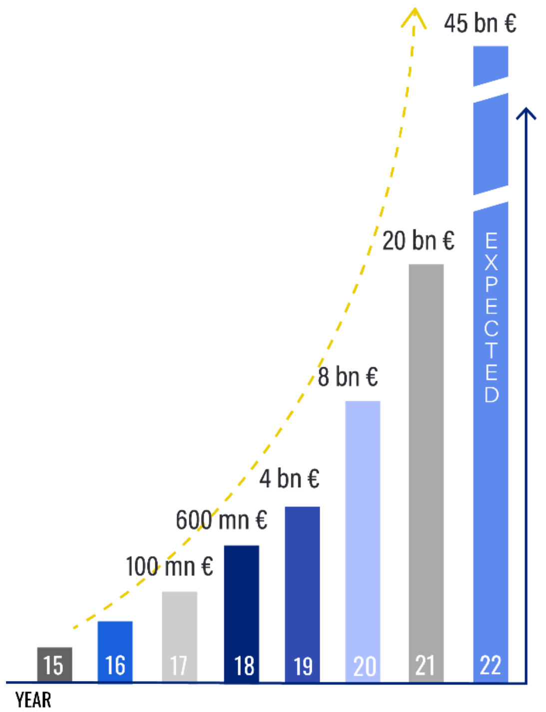
Leader in Digital Lending

We are one of the largest European investors in the market of digital invoices and trade receivables, dominating the asset class with a 60% market share and a track record of more than 8 years. Fasanara was one of the first European managers to actively trade in this asset class using commingled funds and SMAs since mid-2014.

We started with 25 million euros in volumes and over the past years, our data-driven transactions have exceeded to 20 billion euros in volumes. We expect to cross the 45 billion mark by the end of 2022. We harness a vast amount of data to train credit models effectively to achieve better pricing, ranking, and pooling of the assets, and ultimately better performance.

Figure 2

Traded Volumes Growth in Billions USD Gross (2015-2022)

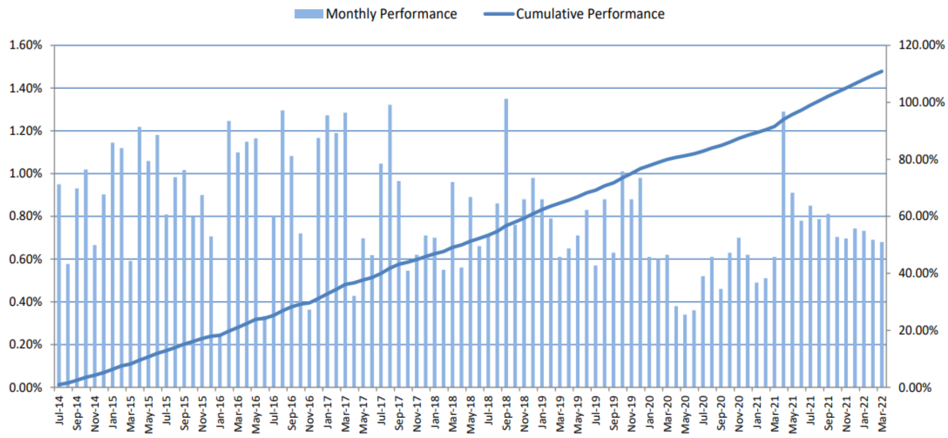


Delivering Optimal Performance

Over the past eight years, our alternative credit funds have delivered optimal returns meeting investors' financial needs whilst, in some cases, satisfying rigorous sustainability criteria.

Figure 3

Gross Monthly Returns from July 2014 to March 2022 of our flagship fund



To protect our market-leading position and best tackle the explosive market for digital lending, we are structured as a decentralized market-based organization, working in an open ecosystem with best-in-class partners across countries. In addition to our approximately 80 highly trained workforce of coders, developers, and experienced finance specialists, we leverage a captive ecosystem of more than 5000 people. Our firm believes in open ecosystems and collaborative organizations. We also link up with leading academic institutions and research groups to broaden our boundaries and establish superior understanding, better data, and processing power.

Annualised performance

9.57%

for our flagship alternative credit fund (2021)

Our 4 Investing Strategies

Fasanara Fintech

Alternative Credit
Digital Lending-
Trade and
Receivables Finance

Fasanara Quant

Liquid Asset
Trading

Fasanara Digital

Institutional
Investing in crypto
assets

Fasanara Venture

New Technologies
Co-investments

Our various strategies allow us to seize opportunities and meet the needs of our relatively heterogeneous investor base. Among our investors, 90% are institutional entities such as insurance companies, pension funds and banks. Other types of investors include supranationals (the European Investment Fund) and renowned family offices.

Main pillars of our investment strategy

***Investment expertise*:** The investment team's expertise spans across a wide array of asset classes. Fasanara's unique investment approach allows for greater independence and flexibility, promptly responding to opportunities as they arise.

***Prudent Risk Management*:** Fasanara has developed a tailor-made risk management framework adapted to its unique investment strategy. A dedicated team of people oversee this part of the investment process.

***Client Focus*:** Fasanara delivers a highly customized service to its investor base, striving to fulfill their needs with opportunistic vehicles and quantitative investment solutions, using state-of-the-art technology.

Scaling up through technology: We have invested in new algos to help us diversify our strategies and manage the portfolios through our ML infrastructure. By leveraging our technology, we can continuously improve our methodology to best access the most liquid asset classes.

ESG Corporate Strategy

Having experienced a worldwide health pandemic in these past two years, we have been striving to make a true impact by taking an active role in the fight against climate change and by supporting social justice initiatives in favour of women and minority groups whose lives have been severely disrupted by the ensuing social and economic crisis.

We want to be part of the transition to a greener, more sustainable, and more equitable world by directing capital in the right direction. Fasanara strongly believes that it has a moral obligation to play a role in making the world a better place through responsible investing and that incorporating ESG considerations in its business decisions is essential to creating value for its stakeholders.

To support this philosophy, Fasanara has established an internal operations group responsible for the review of ESG policies, assessment of investments, and reporting to stakeholders.

Our Values

Transparency

We make every effort to meet our stakeholders' expectations, facilitating their access to information and providing them with clear and transparent information based on regular and value-added reporting. We have made our ESG Policy publicly available and regularly organize calls to keep investors updated on our approach to ESG.

Selecting and Monitoring Investments

We endeavour to systematically incorporate ESG criteria into our investment and operational due diligence processes. The ESG findings of the investment and origination teams are formally documented within the due diligence reports produced for our investment and risk committees, with potential concerns flagged for consideration. All investments are subject to varying degrees of ongoing ESG monitoring.

Network Effect

We encourage greater ESG awareness across our network through relationships that are forged over years of working together. Where relevant, we contractually oblige our partner originators to put in place their own ESG policy.

Corporate Governance

When it comes to corporate governance, we conform to best practices. In addition, we believe that we should always behave ethically and should monitor the ESG consequences of our own business operations, paying particular concern to our role in the wider community.

We invest in opportunities that seek to generate both financial value and sustainable growth. As part of our approach, we take an active interest in how companies in our supply chain manage ESG issues and encourage adherence to best-practice standards for responsible business.

It is Fasanara's belief that a comprehensive integration of ESG considerations into its culture and investment processes will positively impact both its financial performance – through risk management and alpha generation- and its sustainability footprint which will ultimately contribute to the creation of a more sustainable economy.

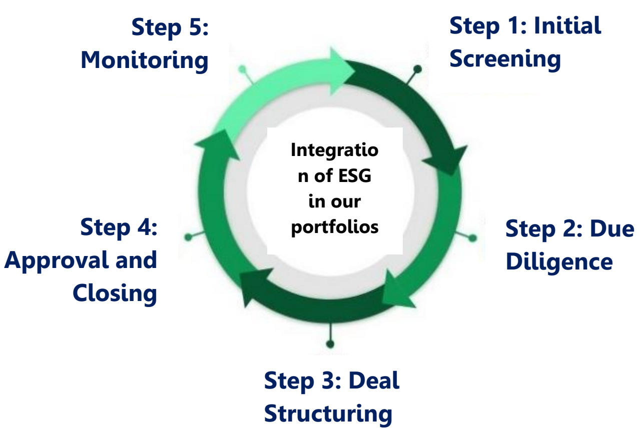
Fasanara's ESG policy takes into account relevant industry standards and guidelines and is set out around a number of principles, which include:

- *Incorporating ESG considerations into all investment analysis and decision-making processes where relevant;*
- *adopting a responsible and ethical approach to governance;*
- *seeking appropriate disclosure on ESG issues from the entities in which we invest; and*
- *informing investors of our ESG policy and providing them with information on our approach to ESG issues.*

Responsible Investing: Incorporation of ESG into Alternative Credit Investment Process

Responsible investment is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long-term returns. Fasanara believes that investable companies with strong management structures and the capability to manage and mitigate environmental and social risks are ultimately more likely to deliver long-term performance and thus ESG analysis and considerations, including corporate governance, are assessed and incorporated throughout our entire investment processes.

Integration of ESG in our portfolios: a step-by-step approach



We carefully evaluate ESG factors as part of our investment analysis and decision-making processes via negative screening (exclusions) to ensure investments are aligned with client values.

Fasanara has adopted a five-stage process for its alternative credit funds to ensure that every investment opportunity is rigorously screened *before, during, and after* investment:

1. Initial Screening

- Completion of Fasanara's due diligence questionnaire by originators
- Preliminary analysis of each transaction by the origination team

- origination team reviews fit with Fasanara's ESG Policy and investment strategy more widely

2. Due diligence

- Full review of all due diligence materials (including ESG data) by credit risk team
- Preliminary discussion with legal team on the suitable structure and potential terms and conditions of the transaction.

3. Deal structuring

- Negotiation of the final term sheet
- Production of a detailed due diligence report (with a section on ESG considerations)

4. Approval and closing

- Risk Committee reviews final term sheet and detailed due diligence report and approves the transaction taking ESG considerations into account where applicable
- Execution of legal documentation once negotiations finalized which include ESG representations, covenants and information undertakings

5. Monitoring

- Portfolio monitoring by the Investment Committee and maintenance of the internal ESG rating
- Annual monitoring and valuation reports on the originators (including ESG performance)

When considering new investments, Fasanara will screen them against Fasanara's ESG Exclusion List [(Appendix A)]() which identifies the sectors, businesses, and activities in which Fasanara will not invest on ethical grounds. Appendix A is complemented by sanctions lists from OFAC, UN, EU, HM Treasury, etc.

In addition to the exclusions applied as a first filter to any opportunity received, each opportunity presented to the Risk Committee is subject to comprehensive due diligence, including the identification of ESG risks and opportunities. This is an integral part of the analysis criteria and helps to clarify the credit analysis, which is carried out in parallel.

The due diligence exercise starts at the very first stage of the investment decision-making process. It is mainly done through:

- *meetings with the prospective originator;*
- *the gathering of relevant information including via ESG focused questionnaires and public information (including annual accounts and media reports); and*
- *the review of internal policies and any other action necessary to analyze on a comprehensive basis the business model of the originator and the potential portfolio.*

Once the due diligence process is finished, the main conclusions, including identifying the ESG-related opportunities and risks of the potential portfolio, are reached. This outcome allows Fasanara to qualify the potential investment to decide if it fits with its ESG Policy and is suitable for investment.

Each investment decision is discussed and needs to be approved by the Risk Committee before an investment is made. While Fasanara is more sensitive to certain ESG issues when making a credit decision, such as those on the ESG Exclusions List, the Risk Committee takes a case-by-case approach based on materiality when considering ESG factors.

The Risk Committee considers the sustainability impact of investments by assessing their relevance to the SDGs and other ESG considerations which are included in the due diligence reports presented to the Risk Committee for its approval. For each investment, the due diligence reports evaluate the ESG-related risks from a company, sector, and geographic perspective and identifies the steps the originator has taken to mitigate against these risks. Originators with a robust framework of controls and policies in respect of ESG principles are considered strategic partners and qualify as a priority versus other ones that do not consider ESG principles at all in their origination strategy.

This process helps Fasanara to better understand the potential sustainability impact at the individual deal and portfolio level, as well as communicate shared sustainability objectives with its partner originators and stakeholders.

(1) Case Study on EU Taxonomy Alignment

Classification of one of our funds as Article 8 SFDR (EU Reg. 2019/2088) *i.e., a fund that "promotes among other characteristics environmental or social characteristics or a combination of those characteristics provided that the companies in which the investments are made follow good governance practices*".

The study carried out showed that the fund pursues sustainable investment goals through the promotion of significant environmental characteristics as well as good governance and social practices. On the environmental side, the fund promotes climate change mitigation and the transition to a circular economy, both measured following strictly the EU Taxonomy criteria. Good social and governance activities, and in particular board gender diversity, are instead measured using widely adopted market indices and metrics.

18,1% of the fund is aligned with environmental and social characteristics. This share has been estimated through a third-party provider – RepRisk.

This has been broken down into **Sustainable Investments (*) - 6.1%** - and other **Environmental and Social Characteristics – 12%**; of the Sustainable Investments, 3.6% is classified as Climate Change Mitigation and 2.5% is in alignment with Circular Economy.

The product promotes an environmental objective, and in particular climate change mitigation "through the avoidance or reduction of greenhouse emissions (...)

including through process innovations or product innovations". In particular, the highest exposures are to the construction of buildings and the production and transmission of electricity.

Furthermore, the fund promotes the transition to circular economic business models mainly by investing in companies that provide electrical and electronic equipment through circular business models. We classified this investment as promoting an environmental objective thanks to the application of the technical screening criterion suggested by the TEG draft document i.e., using product use intensity as a monitoring metric.

The entire process was carried out together with our partner platform Cardo AI which has been providing us with the end results and the right methodology (that is partially disclosed here below).

When doing calculations and deciding which methodology to apply to get the most reliable results we carefully took into consideration the draft technical screening criteria (TSC) released by the Technical Expert Group (TEG) Platform for Sustainable Finance.

For instance, we followed the TEG recommendation of not estimating Taxonomy alignment for environmental objectives that do not yet have a finalized TSC, such as the circular economy one. We therefore took the cautious approach of classifying this investment as promoting an environmental objective, but not being Taxonomy-aligned. Nonetheless, we have applied the TSC suggested in the draft document, using product "lifespan times use intensity" as a monitoring metric. On the other hand, taxonomy alignment has been carried out for the Climate Change Mitigation objective.

The results were obtained through an assessment that considered the 4 following phases:

1. **Sector Eligibility Screening**:

Investee companies' NACE (4-digit) sector classification was screened against Taxonomy-eligible activities; we have assumed NACE sector classification is the main source of a company's revenue, as segment reporting was not available and unfeasible to request from 14,500+ entities

2. **Substantial Contribution screening**:

The EU Joint Research Centre has developed this tool which provides an estimate of Taxonomy-alignment (i.e., fulfilment of substantial contribution criteria) coefficients ("TACs") for a list of NACE sectors. This tool has also been employed by The European Securities and Markets Authority ("ESMA"). TACs are considered to be a prudential measurement from market participants, and this tool has been applied and used in this exercise, as a proxy for the substantial contribution criteria.

This is due to the fact that the fund's exposure was to 14,500+ unique investee companies with no sustainability reporting requirements (small-medium enterprises). Furthermore, the type of investment (trade finance) and the size of exposure makes it very difficult to request investee companies to produce such data. A very conservative approach has been used during this exercise, discarding all exposures where TACs were not available; other proxies (typically alternative market intelligence data) for sectoral alignment when TACs were signalled as impossible to estimate, have not been used at this stage.

3&4. Do No Significant Harm and Minimum Safeguards:

Controversy screening for ESG issues has been used as a way to assess an investee companies' impact on other environmental objectives when the requirement implied the existence of management practices and compliance procedures. An exception to this was climate change adaptation, for which an approach based on sector materiality and country vulnerability has been used. When the criterion required specific impact metrics to be fulfilled, country-sector level data have been used as a proxy (such as the Worldwide Governance Indicators as provided by the World Bank), using publicly acknowledged sources (Eurostat, International Energy Agency, etc.). The same process has been applied for the assessment of minimum social safeguards.

On the share of Taxonomy-aligned investments as well as on the share of investments promoting the transition to circular economy business models, we performed the "Do No Significant Harm" and the "Minimum Safeguards" through controversy screening as provided by RepRisk, a third-party data provider.

The remaining percentage of the fund **(81,9%)** represents investments with no environmental or social characteristics for which we have still not performed an assessment on their sustainable characteristics.

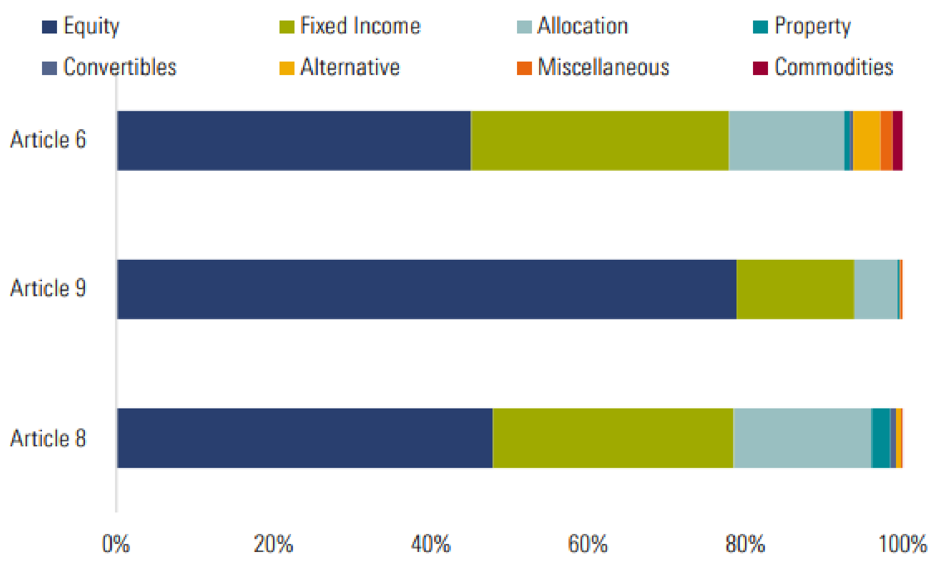
However, we performed a first assessment across ESG dimensions based on country exposure using Yale Environmental Performance Index (EPI, 2020) as a proxy for environmental safeguards, the International Trade Union Confederation (ITUC) Global Rights Index (ITUC GRI, 2021) as a proxy for social safeguards, and the World Bank Worldwide Governance Indicators as a proxy for governance safeguards (WGI, 2020).

Based on this assessment, we are able to say that our fund-weighted EPI score is in the 58,6 (signaling an above-average exposure to (positive) environmental impacts), that our weighted average ITUC GRI score is 2,5 (signally an average exposure to negative social impacts), and that our weighted average WGI is in the 78,6% percentile (signaling an above-average exposure to (positive) governance impacts).

As *Morningstar research* (28th of July 2022) shows, Art 6, Art 8 ("light-green") and Art 9 ("dark-green") funds vary significantly across asset-class exposures. The alternatives asset class is mainly composed of Art 6 funds, with an under-representation of alternative product funds being classified as Art 8 or Art 9.

However, it should be noted that classifying funds remains one of the most challenging aspects of SFDR compliance with asset managers taking different approaches in their interpretation of SFDR rules. Some have been cautious in classifying their funds as Art 8 or Art 9 out of fear of having to downgrade funds later; therefore, the number of funds being categorized as Art 8 or Art 9 may increase in the upcoming months as asset managers reclassify funds, improve existing strategies and launch new ones that comply with the requirements. At the same time, we believe universal categorization and clear thresholds are necessary to make it simpler for investors to evaluate the real level of ESG integration in the products they are invested in.

Exhibit 12 Article 8 and Article 9 Funds Per Broad Asset Class



Source: Morningstar Direct. Data as of 30 June 2022. Based on SFDR data collected from prospectuses on 97% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

(*) According to EU Reg.2019/2088 a "sustainable investment" is "an investment in an economic activity that contributes to an environmental objective, [...] or [...] to a social objective[...] 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".

(2) Case study on SDG Compliance

Our risk and reporting team produce SDG compliance data for the debtors of specific funds to understand Fasanara's overall exposure to ESG risks and to monitor the related fixed targets and objectives.

In a recent analysis of one of our sub-funds, the results showed that:

- 10.11% of the total debtors in the fund are exposed to SDG 12 (*Responsible Consumption & Production*)
- 4.72% of the debtors in the fund are exposed to SDG 5 (*Gender Equality*)
- 2.79% of the debtors in the fund are exposed to SDG 9 (*Industry Innovation Infrastructure*)
- 1.69% of the debtors in the fund are exposed to SDG 3 (*Good Health & Well-being*)
- 1.45% of the debtors in the fund are exposed to SDG 7 (Affordable & *Clean Energy*)
- 0.57% of the debtors in the fund are exposed to SDG 11 (*Sustainable Cities and Communities).*
- 0.39% of the debtors in the fund are exposed to SDG 2 (*Zero Hunger*)

The compliance of our debtors - mainly small (but also micro and medium) private enterprises - to the SDGs are calculated using an exclusionary method: each company "can" be compliant to only one SDG – the one to which it has the greatest exposure.

Company data is obtained through publicly disclosed data and sometimes through our originators which grant access to their data thanks to the relationship we enjoy with those originators.

Data may vary considerably from fund to fund and from month to month. Therefore, we are closely monitoring the progress of our investments to keep track of eventual improvements or deteriorations in our ESG exposure. This data is closely monitored also by the investments team who can take action to change the current positions.

Factoring in the Sustainable Development Goals

In line with international best practices, we aligned our ESG Policy with the SDGs, which focus on key development goals involving people, the planet, and a sustainable economy. We are focused on nine SDGs where we believe we can make the greatest impact. Fasanara's participation in this and other major international initiatives is displayed in greater detail in the last section of this report.

4. INVESTING IN THE NET-ZERO TRANSITION: ENVIRONMENTAL INITIATIVES

Reaching net-zero: our climate strategy

Fasanara is committed to pursuing a low-carbon, climate-resilient, and prosperous future. At the center of our climate strategy lies the importance of transitioning to a low-carbon economy and the urgent need to make the net-zero economy a reality.

A lesson that we have learned during the ongoing pandemic and one that has long concerned Fasanara is the consequences that systemic risks can have on society and on global financial markets. While few predicted the havoc COVID-19 would wreak, the same cannot be said about the growing threat of climate change, which has become increasingly important to our stakeholders and a strategic focus for us. We view the fulfillment of the Paris Agreement's goal to hold global average temperature rise to "well below 2°C above pre-industrial levels" and achieve a carbon-neutral economy by 2050 as a focal imperative.

Fasanara recognises that its activities have an impact on the environment and its policy is to limit this impact as much as possible. Fasanara is committed to running a business that is environmentally responsible, energy-efficient, carbon-neutral and makes its best effort to achieve continuous improvements.

Fasanara recognises that its key environmental impacts are:
• emission of greenhouse gases;
• waste generation; and
• use of energy, water, manufactured products, and natural resources.

To address key issues of environmental concern and to minimise its environmental impact, Fasanara is committed to implementing actions at different levels.

1.Firm-level actions

We believe that raising awareness on environmental protection, sustainability considerations, and climate change risks, needs to be at the roots of the fight against the climate change; this is why we consider the education of our employees on these topics very important and why we believe that the adoption of environmental and sustainability practices needs to start at the company level: only then, can we fiercely promote their spread across our wider network.

Examples of company-level actions:

- signing documents electronically using DocuSign whenever possible to reduce printing paper [SDG 12];
- foster use of conference call facilities to minimize traveling and enabling each meeting room with screens and monitors to avoid printing documents for meetings [SDG 12];
- promoting the use of shared folders and shared files across the various teams [SDG 12];
- encouraging employees to use their own reusable food containers and refillable water gallons to minimize plastic waste and use their own food bags when taking lunch out [SDG 12];
- encouraging employees to take advantage of Cycle to Work schemes [SDG 13];
- adopting energy-saving bulbs for all meeting rooms and offices, so that lights switch off automatically if no movement is detected [SDG 12 and 13];
- reducing reliance on air-conditioning at the workplace;
- recycling all recyclable waste-material produced while working; and
- presenting our ESG initiatives to all staff through knowledge sharing programs to keep them actively involved and informed of the transition process.

2. Stakeholders' and Collaborators' Actions

We believe in the importance of moving toward a carbon-neutral planet and mobilizing our stakeholders towards that objective. We are paying close attention to the decarbonization of the real economy and are increasing our efforts to engage our portfolio companies on reducing their carbon footprint. Our target is still tied to our goal of halving our carbon footprint by 2030 and reaching net zero by 2050.

In line with this vision, since 2019 we have intensified efforts to reduce our fossil fuel exposure through sector exclusions and we have significantly reduced our exposure to oil and gas production, in keeping with our goal to ultimately eliminate the most polluting forms of fossil fuel from our portfolios.

Fasanara considers its environmental policy in all relevant decisions including procurement of supplies and incorporating specific environmental requirements into its contracts with appropriate suppliers [SDG 13].

Fasanara, together with Cardo AI, has developed the Fasanara Cardo SME-ESG Ratings, a proprietary scoring tool allowing Fasanara to assign ESG ratings to private, unlisted SME companies. This tool is based on numerous statistical indicators provided by international organisations, universities and government bodies, and external data providers and is used to analyse our individual line items in the portfolios, numerically against inputs such as alignment with SDG criteria.

FASANARA CARDO AI
SME-ESG Ratings

Leveraging data-driven insights is key to this process. Fasanara's SME-ESG Ratings have the potential to be a significant step forward for ESG transparency in the SME space, where little data and information is usually available. While at present, most third-party ESG ratings are provided for public companies, Fasanara's SME-ESG Ratings tool assigns ESG ratings to mostly private, smaller companies, based on inputs such as the 12 ESG Factors set out below. To this end, Fasanara collects, processes, and stores both traditional/structured data and unstructured/alternative data, performing AI-driven data augmentation from multiple external sources.

Our 12 ESG Factors:

- Policy
- Supply Chain
- Products
- Production Processes
- Labour and Human Rights
- Engagement
- Human Resources
- Clients, Suppliers and Competitors,
- Structure
- Shareholder Relations
- Accounting Standards
- Business Ethics

3.International collaboration actions

By joining forces with other asset managers and asset owners across the globe and by mobilizing our portfolio companies, our business peers, and industry stakeholders, we believe we can more effectively help drive the net-zero transition.

Among other initiatives, we are a signatory to Climate Action 100+, (a global initiative led by investors to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change) and we are a supporter of the Taskforce on Climate-related Financial Disclosures Framework (TCFD) that promotes more informed investment, credit, and insurance underwriting decisions. By joining the 2021 Global Investor Statement, we have continued our efforts to manage climate risk and pursue the enormous investment opportunities in the global net-zero emissions transition. Fasanara is committed to aligning its investments with the goal of net-zero emissions by 2050 or sooner, transparent reporting on climate risk, and developing comprehensive Investor Climate Action Plans ("ICAPs").

What you will increasingly find in our fund

To make better choices in our climate budgets and manage our fossil fuel exposure, in 2020 our investment teams invested in companies that are more aligned with the SDGs and that support the transition to a greener and more sustainable environment. At the same time, Fasanara believes that rather than completely walking away from "ESG laggards" it is preferable to work with them to improve and influence change rather than avoid them entirely. In respect to this vision, Fasanara actively engages with specific investee companies which are considered to go against our ESG policy framework or our investors' RI criteria. Active engagement with these companies includes encouraging them to become members of one or more international initiatives (such as the PRI Principles and SDGs), providing feedback on what actions or activities they can improve on and steering them towards enhanced ESG practices (such as the development of an ESG scoring methodology to evaluate the assets sitting on their portfolios or balance sheet or the development of a due diligence process to help them better choose the most sustainable or best in class partners/clients/suppliers etc.). We regularly monitor the progress and outcomes of our engagement efforts and if after some period of active engagement with companies lagging in the integration of important ESG considerations we are not observing any improvements in this area we will then exclude those companies from our fintech ecosystem.

Main sub-goal: 7.2 Increase substantially the share of renewable energy in the global energy mix

SP POWER SYSTEMS LIMITED

Description

Scottish Power generates renewable electricity made by UK windfarms. From 100% green electricity tariffs to electric vehicle chargers, from Help Beat Cancer tariffs to air source heat pumps and solar panels development, they plan to reach net zero emissions by 2050 by working to provide everything one may need to make life greener.
Country: United Kingdom

NACE Code: 3511 - Production of electricity

Portfolio weight: 0.55%

SDI in portfolio: 3.79%

Company Focus:

Windfarms

Smart Solar

Green Hydrogen

Smart Heat

7 AFFORDABLE AND CLEAN ENERGY

Main sub-goal 9. 1 Sustainable

SACYR CONSTRUCCION SAU

Description

Sacyr is a global leader in infrastructure development, with operations in 14 countries and a diversified 72-asset portfolio. Sacyr specializes in transportation, sanitation, water, and waste treatment infrastructures. They carry out a comprehensive project management, bringing experience and value to the table in every phase: design, construction, financing, operation, and maintenance.
Country: Spain

NACE Code: 4211 - Construction of motorways, roads, airfields and sports facilities.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Portfolio weight: 0.48%

SDI in Portfolio: 3.23%

Sacyr is currently building a more sustainable future through:

31 new highways, the majority in Emerging Countries

8 new hospitals, of which 3 in Emerging Countries

10 other transportation facilities, of which 3 in Emerging Countries

26 new water facilities, of which 1 third in Emerging Countries

Measuring and Monitoring our Investments

All investments by Fasanara are subject to varying degrees of ongoing ESG monitoring and may include sending out questionnaires to originators or reviews of ESG ratings on positions (both proprietary and third party).

Fasanara's close relationship with its vast network of more than 100 origination partners has enabled it to tap a wide range of data sources to gather more information on its SME customers. This close cooperation additionally allows Fasanara to influence its partner originators and by extension the SMEs that transact through the marketplaces of its partner originator to better promote societal values and best-practice standards.

Any ESG concerns regarding an ongoing investment will be raised to the Investment Committee.

In the event of a deterioration of an ESG aspect (e.g., emergence of a controversy), that is contrary to Fasanara's ESG policy or that is likely to have an adverse impact on a fund's investment, the Investment Committee may validate, at its discretion, corrective measures. The regular dialogue established with originators can generally allow the investment team to anticipate issues and react quickly.

In the event of any improvement or deterioration in an originator's ESG performance, the investment team brings this to the attention of the Risk Committee in order to inform the assessment of the originator's overall performance.

5. CORPORATE GOVERNANCE & STEWARDSHIP

Our Governance Objectives

Among Fasanara's governance objectives, we consider the following as our highest priority:

- *promoting a stimulating, rewarding and inclusive workplace environment where everyone's contribution is recognized and respected;*
- *taking corrective action where needed to improve the gender balance amongst employees and executive management; and*
- *making every effort to meet stakeholders' expectations and providing them with clear accessible and transparent information based on regular and value-added reporting.*

As specified in the Governance Policy, Fasanara is fully committed to:

• comply with all applicable laws and promote international best practice, including those laws and international best practices standards intended to prevent extortion, bribery and financial crime [SDG 16];

• exhibit honesty, integrity, fairness and respect in all its business dealings [SDG 10];

• deal with regulators in an open and co-operative manner [SDG 16];

• prohibit all employees from making or receiving gifts of substance in the course of business [SDG 16];

• prohibit contributions to political parties or political candidates, where these could constitute conflicts of interest [SDG 16];

• use information received from its principals in the best interests of the

business relationship and not for personal financial gain by any employee [SDG 16 and 10];

• clearly define responsibilities, procedures and controls [SDG 10];

• promote transparency and accountability grounded in sound business ethics [SDG 16];

• identify conflicts of interest and avoid or report them in line with its agreements with stakeholders and industry best practices [SDG 16];

• properly record, report and review financial and tax information [SDG 8 and 10];

• use effective systems of internal control and risk management covering all significant issues, including environmental, social and ethical issues [SDG 10];

• make every effort to meet stakeholders' expectations, facilitate their access to information and provide them with clear and transparent information based on regular and value-added reporting [SDG 12]; and

• implement a robust sustainability approach which enables effective identification, management and monitoring of any risks and opportunities and provides a framework for action [SDG 12].

Stewardship

The UK Stewardship Code 2020 of the Financial Reporting Council defines stewardship as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment, and society".

Fasanara is committed to stewardship and has embedded stewardship principles into its investment process.

Engagement

Being an active investor, Fasanara considers engagement as a fundamental component of its investment process. Moreover, Fasanara sees engagement as a tool for a long-term and active ownership assuming that changes in business drive positive changes in corporate value.

As part of its approach, it takes an active interest in how its partner originators manage ESG issues and, on behalf of its investors, encourages and supports companies in its supply chain to adhere to best-practice standards for responsible business. In certain cases, Fasanara will work with its partner originator to create bespoke ESG Key Performance Indicators ("KPIs") and will link these to the cost of funding through mechanisms such as ESG ratchets. Example ESG KPIs that may be applied to partner originators include the following:

Social

Job Creation

Availability of training opportunities

Environmental

Existence of an environmental policy

Estimation of CO_2 footprint

Water or energy consumption

Governance

Independent members on the Board

Board meetings per year

Existence of other specific committees

Organizational resilience through responsible governance practices

Fasanara's Board of Directors has entrusted the Senior Managers Committee with overseeing the enforcement of Fasanara's ESG Policy. At the company level, each team is responsible for integrating ESG practices and considerations into their existing processes. In particular, the Senior Managers Committee is supported in its responsibilities by the Investment Committee and the Risk Committee, as appropriate, when considering the approval of an investment and/or originator.

The Fasanara Risk Committee is responsible for ensuring that ESG risks and factors are considered when onboarding originators.

Fasanara's investment teams are responsible for the day-to-day implementation of the ESG Policy, as well as for integrating ESG considerations into their investment processes. Investment analysts are overseen by the Investment Committee and are closely monitored by senior management. Each sub-team can develop its own sustainability approach, which best fits its specific asset class, ranging from research to portfolio construction or direct engagement.

Fasanara's investment and origination teams assess both macro and micro ESG factors as part of their analyses and selection processes. They evaluate prospective counterparties in every opportunity set in terms of the ESG impact and its alignment with our ESG Policy. They consider both positive and negative screenings as part of the investment analysis and decision-making process. Hence, their decisions and recommendations are channeled towards an overall positive impact, while avoiding entities whose goals and aspirations conflict with the SDGs and the core values of our investors.

When considering new investments, the investment and origination teams:

- screen them against Fasanara's ESG Exclusion List which identifies the sectors, businesses and activities in which Fasanara will not invest. The ESG Exclusion List is complemented by sanctions lists from OFAC, UN, EU, HM Treasury, etc; and
- assess investments to identify material ESG risks and opportunities, and potential consequent actions, prior to any commitment of capital.

The **ESG team** supports each of the other teams at Fasanara with information and relevant tools to help them integrate ESG into their existing practices and processes.

The ESG data team (a sub-set of the ESG team) in particular provides ESG data and detailed explanations on their sources and methodology to make sure that the other teams have reliable ESG data.

Starting with the front office teams, the investment, origination and credit teams have been successfully integrating and enforcing ESG practices into their existing processes through detailed ESG analysis and the application of due diligence checklists.

Relevant information is gathered via questionnaires, internal policies and public information (including annual accounts and media reports) and it is later used to understand an originator's approach to ESG issues. ESG considerations are included in the due diligence reports that is presented to the Risk Committee. All investments and originators are subject to varying degrees of ongoing ESG monitoring and may include sending out questionnaires to originators or reviews of ESG ratings on positions. The identification of potentially material ESG risks will be raised to the Investment Committee.

The legal team ensures that all debt funding documents contain representations, covenants and information rights pertaining to ESG. Most recently, we have found a way to introduce ESG "ratchets". This is closely dependent on the originators and the possibility to measure and report their performance and has the ultimate objective to keep them engaged and hold them accountable. The cost of funding will be linked to an originator's ability to reach specific ESG KPIs (sustainability-linked financing). If the originator hits the pre-agreed ESG targets, they will benefit from enhanced funding terms.

Staying on top of the applicable **ESG regulations** is one of our highest priorities.

Among these, there is the SFDR, the EU Taxonomy, and other relevant sustainable investing regulations that affect us and our funds.

To identify areas in which there are governance concerns, we use a range of resources including external legal counsel and ESG specialists.

The operations, reporting and analytics teams monitor our originators' compliance with their reporting obligations including reporting in respect to all the necessary non-financial metrics that Cardo require to produce the Fasanara-Cardo ESG Ratings. They also work with the ESG Team and the Senior Managers Committee to prepare ESG investor reporting in accordance with regulatory disclosure requirements and investor demands.

6. DIVERSITY & INCLUSION

We believe that companies with higher diversity levels prosper over the long term. As a result, we actively encourage greater corporate-level diversity at all levels.

At the portfolio level, we pay close attention to board gender diversity. On each fund exposure, senior management gender diversity is monitored using data obtained directly from investee companies.

At the originator level, we look at the adoption of policies, diversity and inclusion reporting, and data disclosures in respect to gender equality, particularly at the senior management and board level and we monitor their efforts and progress in this area.

We are also eager to discuss with our partners any diversity and inclusion issues and propose possible solutions.

At the company level, we strive to create a diverse and inclusive work environment that values respect, trust and listening.

At Fasanara, people with different backgrounds are all treated fairly and offered equal opportunities. Fostering diversity of culture, origins and genetic characteristics allows us to collect a variety of perspectives and visions which are crucial for enhancing decision making, problem-solving and excellent solutions proposals which are what is ultimately permitting us to excel and achieve outstanding results in every aspect of our work. We also believe in benefiting from diverse and inclusive teams in terms of a cultivating a higher degree of innovation and creativity, stronger employee engagement, and the creation of a more comfortable work environment for everyone.

The **high retention rate** confirms our conviction of having created a valuable and hard-to-replicate workplace environment where people are given the opportunity to grow and contribute in their preferred way to our business objectives.

We support diversity by:

• identifying and selecting diverse employees according to objective, job-related criteria and unique skill sets;

• providing a sound and fair working environment where staff can grow and develop;

• regularly reviewing and improving our HR practices and procedures;

• leveraging diversity as a source for innovation and inspiration;

• identifying barriers or restrictions to diversity and taking action to remove them; and

• communicating the spirit of our diversity policies and agenda to everyone within the company.

Working in an industry that has been traditionally dominated by white men, makes our commitment to reach a gender and ethnic balance in investment and financial roles even more valuable; when talking about gender balance and minority inclusion we are taking into account some factors which enable us to move away from poor practices which are usually disguised by good ones.

In particular, we take into account the following elements:

1. Gender balance has to be achieved at all company levels and not only at the overall company level in order for it to be a reliable impact figure.

2. The position assumed by women within each firm level has a role in determining the degree of equality and inclusion e.g., among the senior levels we want women to take roles promoting gender diversity e.g., the Human Resource Manager is stereotypically associated with female characters; this represents an example of a senior role which does not really account for higher gender inclusion in our opinion.

3. Decompositions of gender and ethnic ratios are carried out at the team level in order to account for eventual gender discrimination in the recruitment process e.g., gender balance inside the tech team, which is traditionally thought of as a male-dominated career.

Data on gender and minorities balance are to be collected and monitored on a regular – quarterly - basis to account for any improvements or deteriorations.

Our other challenge is to increase the presence of ethnic minorities and improve the ratios between ethnic minorities and Caucasians at different organizational levels.

Our plan to achieve this objective includes broadening the profiles of our candidate pool mainly by leveraging our international networks and being more proactive in our talent search in addition to reviewing our selection and appointments criteria.

In 2018, Fasanara had a 95% male, white-Caucasian workforce. The senior managers at the time decided to put in place targets to increase diversity across the whole organization. Today, the male/female ratio is 70%-30% with female representation at all levels of the firm and all teams. Our new target is to reach a 60%-40% split by 2025 both in respect to female and ethnic minority representation.

On top of that, Fasanara adopts a systematic approach to determining pay that is free from bias. The firm documents the rationale for pay decisions in writing and retains a record on file. It also conducts remuneration audits to review pay across all employee groups and takes corrective action whenever pay disparity based on bias is identified.

Please refer to our Diversity & Inclusion policy for more information.

WEPs Signatory

To deliver on the gender equality dimensions of the 2030 Agenda on Sustainable Development and the 17 UN Sustainable Development Goals, Fasanara has signed and adopted the Women Empowerment Principles ("WEPs") joining a network of five thousand business leaders in July 2022.

The WEPs are a set of principles jointly established by the UN Global Impact and UN Women that are underpinned by international labour standards and human rights with the aim of encouraging businesses to advance the progress of gender equality and women's empowerment in the workplace, marketplace and the whole community and with the objective to deepen and strengthen private sector engagement to help shift behaviours for gender-responsive business conduct by setting a global norm for the private sector.

Proud to support

WOMEN'S EMPOWERMENT PRINCIPLES

A joint initiative of the UN Global Compact and UN Women
Learn how to join: **www.weps.org**

Transparency, accountability and the tracking of progress and results are at the centre of the seven principles.

The seven principles are:

1. Establish high-level corporate leadership for gender equality.
2. Treat all women and men fairly at work – respect and support human rights and non-discrimination.
3. Ensure the health, safety and well-being of all women and men workers.
4. Promote education, training and professional development for women.

5. Implement enterprise development, supply chain and marketing practices that empower women.
6. Promote equality through community initiatives and advocacy.
7. Measure and publicly report on progress to achieve gender equality

By joining the WEPs community, Fasanara has signalled its commitment to the WEP agenda at the company level as well as its active engagement with internal and external multistakeholder networks to develop and foster business practices that empower women. These include equal pay for work of equal value, gender-responsive supply chain practices and zero tolerance against sexual harassment in the workplace. We recognize that gender equality is not only a matter of fairness, but it is also critical to job creation, innovation, productivity and sustainable economic growth and that only through collective action, we can lead and shape the path to a gender equitable world.

Case study: data at the portfolio level

5 GENDER EQUALITY

In 2021, we took a snapshot of the current situation of our portfolios from a diversity and inclusion perspective, and this allowed us to improve our understanding of investee companies and their governance structure.

Main sub-goal: Gender Equality

STOCKMANN OYI ABP

Description

Stockmann, established in 1862, is a Finnish listed company engaging in the retail trade. The group’s operating structure is divided into two divisions: Stockmann and Lindex. The group has 8 department stores, and its head office and joint support functions are located in Helsinki, Finland. The company also has six purchasing offices in the main supplier countries of its own brand garments.

NACE Code: 4719 - Other retail sale in non-specialised stores

Portfolio weight: 0.20%

Results:

Number of senior managers **66**

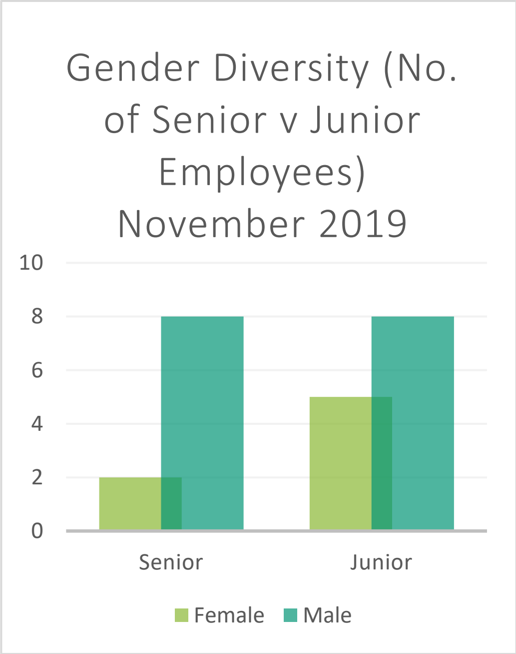
Number of Female Managers **32**

Ratio: **48%-** Confidence Interval (39%-58%)

Diversity and Inclusion Data at the Company level

Figure 4

Number of Senior vs Junior Employees by gender (as of November 2019 and March 2021)



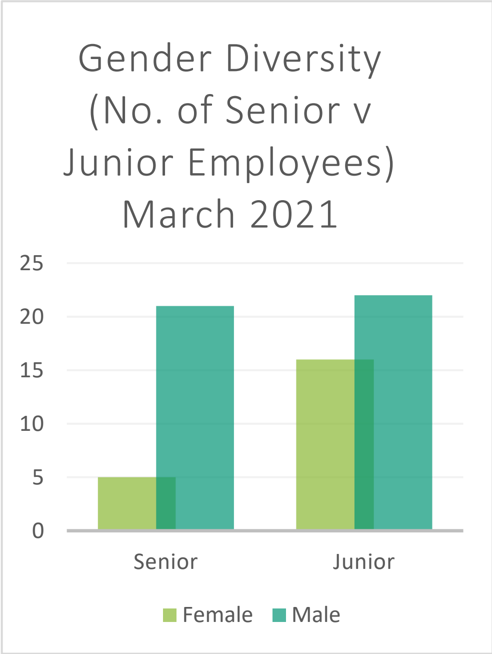
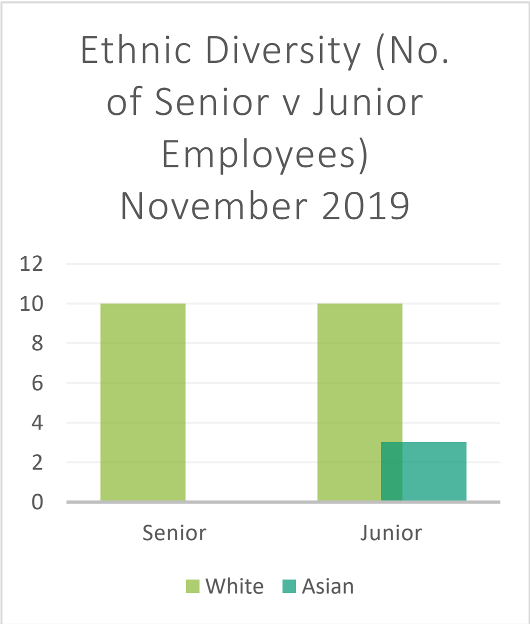
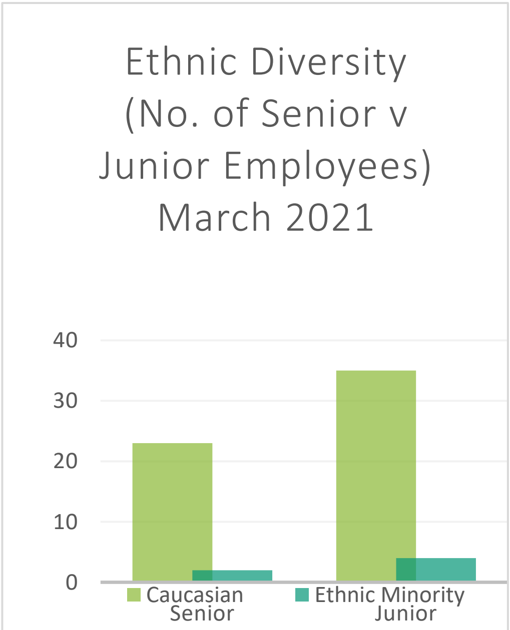


Figure 5

Number of Senior vs Junior Employees by Ethnic Minority (as of November 2019 and March 2021)





7. SOCIAL COMMITMENTS

Employees' wellbeing

In today's competitive market for talent, office culture and workplace initiatives are extremely important to ensure workers' mental health and physical wellbeing.

With employees spending most of their time in the office, human resources should consider the development and nurturing of corporate culture and employee engagement as one of their main priorities.

Since the initial expansion of the Fasanara team, the company has always strived to promote a positive and engaging office culture through various inclusion initiatives and recreational activities. Different leisure activities are proposed on a monthly basis, such as football and puppy yoga, which contribute to the creation of Fasanara's corporate culture.

Fasanara aims to create a harmonious working environment and to maintain the highest standards of integrity with everyone with whom it deals. Fasanara continues to encourage a culture that values meritocracy, openness, fairness, and transparency. All the managers and employees are responsible for the promotion and advancement of Fasanara's social policy and any behaviour that transgresses this policy is not tolerated. These values apply to all Fasanara processes relating to employment, training, development, performance management and rewards [SDG 8 and 10].

Fasanara aims to ensure proper labour and working conditions, to safeguard the health and safety of its employees and to promote the social development of the communities in which it operates. In particular, Fasanara:

• is fully committed to equal opportunities and diversity and values its people for their skills, experience and potential regardless of gender, sexual, orientation, age, race, colour, ethnic origin, religion or disability [SDG 5 and 10];

• believes in recruiting, developing and retaining the best talent from the widest pool in order to promote a stimulating, rewarding and inclusive environment where everyone's contribution is recognised, valued and respected [SDG 5 and 10];

• regularly reviews in-company gender equality and takes corrective action where needed to improve the gender balance amongst employees and executive management. This applies to benefits as well as equal access to all company supported education and training programs [SDG 5];

• provides the elimination of discrimination in respect of employment and occupation [SDG 1];

• allows consultative work-place structure and associations which provide employees with an opportunity to present their view to management [SDG 8];

• for operations involving the relocation of employees for extended period of time, ensures that such employees have access to adequate housing and basic services [SDG 1];

• assesses the health and safety risks arising from work activities and take appropriate actions to eliminate or reduce related risks [SDG 3]; and

• is committed to consider requests from any employee for non-standard working arrangement within reason (e.g. maternity/paternity/ parental leave) [SDG

1, 5 and 10].

Image of our employees at the puppy yoga event organized by Fasanara's HR Team

8. INTERNATIONAL INITIATIVES

Signatory and Global Collaboration Strategy

Fasanara believes that by joining forces with other asset managers and asset owners across the globe and by combining their influence over the systemically most important players, mainly governments and big corporations, it can more effectively help drive the desired changes, foremost a low-carbon transition and combatting social and economic injustices.

This is why Fasanara, in addition to national corporate governance principles and codes of best practice, adheres to many broadly accepted codes of conduct, statements, and best practices and is a signatory to many of them.

Currently, Fasanara supports the following international codes, principles and initiatives:

- **United Nations Principles of Responsible Investment (UN PRI)**

Fasanara is a signatory to the UN PRI. These principles offer a broad framework of actions for incorporating environmental, social, and governance issues into investment practices across different asset classes. The underlying reasoning behind this Kofi Annan initiative was that the inclusion of ESG issues into investment decisions can affect the performance of investment portfolios through time and should therefore be considered alongside more traditional financial factors. Furthermore, applying these principles better aligns investors with societal objectives. The principles are “voluntary and aspirational” and they do not have minimum entry requirements or absolute performance standards for responsible investing.

By joining the PRI, we commit to the following Principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4. We will promote acceptance and implementation of the Principles within the investment industry.

5. We will work together to enhance our effectiveness in implementing the Principles.

6. We will report on our activities and progress towards implementing the Principles.

As a signatory, we have an obligation to report on the extent to which we implement the Principles through the annual Reporting and Assessment process.

Fasanara reports to the UNPRI on the activities undertaken in each assessment year. This annual reporting, along with guidance given by the UNPRI, has provided a framework and timeline to progressively develop our responsible investing capabilities.

The UN PRI Transparency Report of Fasanara is available on the UNPRI website following each assessment.

The primary goal of the report is to understand the implementation of RI across the overall investment process instead of only looking at the investment in ESG products.

Fasanara has achieved positive scores in the PRI Assessment Report for 2021, our first PRI reporting year.

The PRI Assessment Report does not rate signatories at an organizational level. This means that Fasanara did not receive a single general assessment score but module/ asset class/ sub-strategy-level scores for each assessed module it completed.

Fasanara received a 4 Stars score in the “Investment and Stewardship Policy” Module and a 5 Stars Score - the highest possible rating - in the “Direct-Fixed Income - Private Debt” Module, reflecting management of AUM in line with Sustainable criteria. The assessment took into account Fasanara’s policies, objectives, and actions. The criteria are based on the PRI, which inter alia includes the voluntary commitment to integrate ESG criteria into the investment process.

We believe that this report, and the following ones, will continue to facilitate our learning and development in

Responsible Investment activities, enable greater transparency and facilitate dialogue between us and our investors, clients, beneficiaries and other external stakeholders and finally, it will enhance our ability to compare our improvements year-on-year not only with ourselves but also with peers at the local and global level.

- **United Nations Sustainable Development Goals (SDGs)**

Fasanara is among the 600+ signatories of the SDGs, a collection of 17 interlinked global goals intended to be achieved by 2030 and designed to be a *"blueprint to achieve a better and more sustainable future for all"*. Since their launch in 2015, these goals have now been made more "actionable" through the identification of specific targets for every single goal along with indicators that are being used to track and visualize progress toward each target.

In particular, Fasanara focuses on the following goals:

- Goal 1: No poverty,
- Goal 3: Good health and well-being,
- Goal 5: Gender equality,
- Goal 7: Affordable and clean energy,
- Goal 8: Decent work and economic growth,
- Goal 10: Reduced inequality,
- Goal 11: Sustainable cities and communities,
- Goal 12: Responsible consumption and production,
- Goal 13: Climate action,
- Goal 16: Peace, justice and strong institutions, and
- Goal 17: Partnership for the goal.

- **The Taskforce on Climate-related Financial Disclosures Framework (TCFD)**

Fasanara believes in incorporating climate-related risks and opportunities into its risk management and strategic planning processes. Increasing the amount of reliable information on financial institutions' exposure to climate-related risks and opportunities will strengthen the stability of the financial system, contribute to a greater understanding of climate risks and facilitate financing the transition to a more stable and sustainable economy.

This is why in November 2020 Fasanara decided to join the Taskforce on Climate-related Financial Disclosure Network.

The TCFD was set up by the Financial Stability Board in December 2015. It aims to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to better understand the financial system's exposures to climate-related risks.

Climate risks are often grouped into two categories: physical and transition risks. Physical risks are the risks associated with the physical effects of climate change as extreme weather events intensify. This can affect the value of investments both directly (e.g. direct damage to assets) and indirectly (e.g. through changes in insurance premiums).

Transition risks are the risks associated with the transition to a low-carbon economy. According to the TCFD, this "may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change."

The TCFD framework aligns with Fasanara's belief that climate change is an important business issue that can impact long-term financial performance. As a multi-strategy asset manager entrusted with investing on our clients' behalf, Fasanara aims to assess, monitor, and manage the potential effects of climate change on our investment processes and portfolios, as well as on our business operations.

The TCFD's recommended disclosures can be grouped into four core elements:

• Governance – disclosure of an entity's governance around climate-related risks and opportunities.

• Strategy – disclosure of the actual and potential impacts of climate-related risks and opportunities on an entity's businesses, strategy, and financial planning.

• Risk management – disclosure of how the entity identifies, assesses and manages climate-related risks.

• Metrics and targets - disclosure of the metrics used to assess and manage climate-related risks and opportunities.

Below is a description of Fasanara's actions in each of these aforementioned areas.

Governance

As an FCA-regulated firm, Fasanara operates under the direction of its senior managers. The senior managers are responsible for the governance of the firm, while day-to-day oversight of the investment side of the business is the responsibility of the Head of Investments and Head of Origination respectively, under the direction of the Risk Committee. The Risk Committee discusses climate-related investment and business risks and opportunities, as appropriate, when considering the approval of an investment.

Responsibility for analysing and managing investment risks and opportunities in individual client portfolios, including those associated with climate change, rests with the investments, origination and credit risk teams, in coordination with Fasanara's AI analytics arm who are developing tools to assess risks associated with a changing climate. The ESG team keep the firm updated on the latest ESG standards.

Strategy

In assessing the potential impacts of climate change on our funds' portfolios, we identify short and long-term risks and opportunities across sectors, geographies, and asset classes. We foresee transition risks stemming from regulatory uncertainties, changing market dynamics, and improving technology, and that these will become increasingly evident amid the shift to a lower-carbon economy.

We are continuously monitoring our clients' evolving investment objectives related to the physical and transition risks of climate change and we are doing this in conjunction with our aim to exceed the investment objectives and service expectations of our clients.

We view climate change as causing higher market volatility and less-predictable analysis to become the standard for evaluating the climate mitigation or adaptation strategies of companies in which we could potentially invest.

Risk Management

Cardo AI facilitates Fasanara's ESG integration process by supporting the analytics team to apply ESG ratings to the positions in the portfolio. These ratings reflect an assessment of ESG risks — including climate-related risks – and help evaluate the ESG strengths and weaknesses of an investment. Additionally, the analytics team works closely with our investments and origination teams to analyse sector-specific risks — particularly for more carbon-intensive industries.

The investments and origination teams continuously engage with the management teams of onboarded and prospective originators because we believe engagement plays a critical role in helping to identify, understand, and appropriately consider ESG risks, including climate change. The teams aim to gauge an originator's exposure to climate-related risks, evaluate their risk management approach, and encourage the adoption of best practices. We are encouraging our originators to adopt the TCFD recommendations and improve disclosures so that we can make more informed investment decisions on behalf of our clients.

Metrics and Targets

Monitoring a combination of metrics gives us a comprehensive picture of an investment's exposure to climate-related risks. While we are mostly focused on direct emissions, we also, where available, consider indirect emissions to evaluate the long-term sustainability of business models.

As extreme weather events intensify and increase in frequency, we aim to assess the resilience planning and adaptive capacity of the companies we invest in.

By working with global providers of company-level ESG metrics, we are able to improve our ability to measure several carbon emissions metrics and conduct carbon-pricing sensitivity analysis at the portfolio level.

Climate change is central to our ESG integration process across all fund portfolios. We believe that understanding and managing the risks and opportunities related to climate change leads to better investment decisions, better outcomes for our clients, and a more sustainable world.

- **Climate Action 100+ Signatory**

In April 2021, Fasanara became a signatory to Climate Action 100+, a global investor-led voluntary initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. It is made up of over 540 global investors with more than $52 trillion in assets under management across 33 countries. Investors are responsible for engaging with companies that have a major role to play in the transition to a low carbon economy and for contributing to developing company-specific strategies aimed at improving climate change governance, cutting emissions, and strengthening climate-related financial disclosures. They are supported in the process by five investor networks (including the UN PRI) who co-founded the initiative and numerous technical experts.

By signing up to Climate Action 100+, Fasanara is committed to engaging with focus companies that are strategically important to the net-zero emissions transition and influencing them on the initiative's three key aspects:

• *Governance*: Implement a strong governance framework that clearly articulates the board's accountability and oversight of climate change risks and opportunities.
• *Emissions management*: Take action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement's goal of limiting the global average temperature increase to well below 2-degrees Celsius.
• *Disclosure*: Provide enhanced corporate disclosure in line with the final recommendations of the TCFD and, where applicable, sector-specific guidance.

As a participating investor, Fasanara collaborates with other investors, the UN PRI Climate Engagement Group and climate experts to directly engage American Airlines Group to develop a strategy to transition towards net-zero and implement specific priorities. As a long-time debt provider to many airlines and other businesses in the European aerospace sector, Fasanara wanted to engage with the world's largest airline in order to make a meaningful impact on the aviation sector which is ripe for environmental and technological disruption.

Engagement with the American Airlines Group is spearheaded by a lead investor, who works cooperatively with us and several other collaborating investors. Our collective engagement strategy takes into consideration American Airline's profile, the airline sector in general, the company's approach to climate change, its responsiveness to engagement, the lead investor's active ownership approach, and the regional context.

Examples of the ways we may collectively choose to engage include:
• holding meetings with the company's executives and board members;
• asking questions at a company earnings call or Annual General Meeting (AGM);
• supporting shareholder resolutions on climate change risks and opportunities;
• voting for the removal of directors who have failed in their accountability of climate change risk;
• making a statement at a company AGM;
• writing a public letter to the company;
• voting against reports, accounts and company lead resolutions; and
• making joint statements with the company.

Aviation is one of the most carbon-intensive industries with climate change-related risks that include:

1)Transition Risks:

- *Regulatory:* current company, government, and voluntary industrywide emissions targets will not align the sector with the net-zero world although envisioned by the Paris Agreement. As a result, governments are likely to impose stronger emissions reduction measures on airlines and aerospace companies as the gap between the level of action needed to keep global warming to safe levels becomes more apparent.

- *Reputational:* Airlines and aerospace companies may face a backlash from their consumers, investors, or other stakeholders if they, or the organizations they support, are perceived to be making insufficient efforts to reduce their emissions. The recent growth of the no-fly movements in Europe demonstrates that this is a risk that aviation companies are already confronting.

- *Legal:* Airlines and aerospace companies could face growing legal risks as legal notions of company responsibility for climate change evolve. As just one example, some oil and gas majors have already faced lawsuits alleging that they misled investors and the public on climate change, despite knowing the risks.

2) Physical Risks:

- Airline and aerospace companies that are unprepared for the projected physical impacts of climate change - including everything from airport flooding to increases in clear-air turbulence - could face severe consequences to assets, services, and overall viability.

Our recommendations build on the UN PRI's Investor Expectations Statement on Climate Change for Airlines and Aerospace Companies published in February 2020 and are also aligned with the Climate Action100+ Net Zero Company Benchmark to ensure we are implementing robust decarbonization plans. These would include:

- implementing a strong governance framework that clearly articulates the board's accountability and oversight of climate change risks and opportunities;
- establishing and disclosing robust transition plans consistent with the goals of the Paris Agreement; and
- establishing and disclosing robust strategies, resources, and programs for:

- ✓ guaranteeing absolute emission reductions in the future.
- ✓ the development, use, scaling, and commercialization of sustainable alternative aviation fuels and technologies with substantially lower carbon emissions relative to conventional aviation fuels; and
- ✓ operational and technical efficiency improvements (recognizing that efficiency improvements alone will not provide strong corporate disclosure in line with the final

recommendations of the TCFD); and
- lobbying transparently and consistently with the Paris Agreement.

- **The Investor Agenda**

Fasanara is proud to be among a record number of investors who have signed the joint Global Investor Statement to Governments which calls on governments to urgently ramp up their efforts to address the climate crisis. The Investor Agenda's 2021 Global Investor Statement to Governments on the Climate Crisis contains the collective views of 587 investors from around the world, managing a total of more than US$46 trillion in assets - which is around 40 percent of global assets under management. All 587 signatories have agreed to a set of policy recommendations that must be implemented swiftly to manage climate risk and channel trillions of dollars to address the climate crisis.

Joining the 2021 Global Investor Statement continues Fasanara's efforts to manage climate risk and pursue the enormous investment opportunities in the global net-zero emissions transition. Furthermore, Fasanara is committed to aligning its investments with the goal of net-zero emissions by 2050 or sooner, reporting on climate risk, and developing comprehensive ICAPs.

- **SFDR Article 8 Fund**

Fasanara complies with the requirements under the EU Sustainable Finance Disclosure Regulation (SFDR) to disclose its approach to integrating ESG, and therefore Sustainability Risks into its investment decision-making. Fasanara integrates Sustainability Risks into the investment decision-making process for its alternative credit funds. 'Sustainability Risks' mean an ESG event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment and 'Sustainability Factors' mean environmental, social, and/or governance matters such as employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Fasanara is also a strong supporter of the following international initiatives:

1) **United Nations Global Compact**, a non-binding United Nations pact to drive business awareness and encourage companies and stakeholders worldwide to adopt sustainable and socially responsible policies across four core areas: human rights, labour, the environment, and anti-corruption. Apart from best practice guidance, by joining the UN Global Impact Fasanara has benefitted from vast networking access with UN Global Compact participants who share different sustainability strategies.

2) **United Nations Guiding Principles (UNGP) on Business and Human Rights**, an instrument consisting of 31 guiding principles focusing on preventing the risk of adverse impacts on Human Rights linked to business activities and underlining the state and corporate duty to respectively protect and respect human rights in addition to providing access to remedy for victims of business-related abuses.

3) **Responsible Business Conduct for Institutional Investors (OECD) in the Financial Sector**, a project that supports financial sector enterprises in implementing the OECD Guidelines for multinational enterprises.

4) **The Paris Agreement,** a legally binding international treaty to reduce greenhouse gas emissions and prevent human induced interference with the climate system. By being a signatory to the Agreement, 196 governments undertake to work to keep the global average temperature well below rising 2°C and preferably to keep it below 1.5°C, compared to pre-industrial levels, by setting out their own goals and plans for the reduction of their emissions.

9. A PHILANTHROPIC APPROACH: SUPPORTING COMMUNITIES

Addressing societal challenges through charitable donations

Fasanara, in addition to complying with ESG filters and parameters in its everyday investment decision-making and monitoring processes, pursues philanthropic endeavours by seeking to provide long-term support to the most vulnerable strata of society.

Fasanara Charity Share Class

In this context, Fasanara's Charity Share Class – a recent initiative of Fasanara - aims to deliver rewards that go beyond financial returns by giving investors an opportunity to make a true social impact. Both Fasanara and investors in this innovative share class donate a percentage, up to 100%, of their performance from this share class to charities that have been carefully selected by Fasanara.

The establishment of the "Fasanara Foundation: Second Chances" ensures that all investor contributions and donated fees will be channeled to our approved charities thanks to ring-fenced bank accounts that hold the funds in trust for charitable endeavours.

Our current priority areas are health, climate change transition, fighting poverty, and improving school perseverance and access to culture among young people. At present, our onboarded charities, i.e., the ones that have passed our due diligence, are:

- Synchronicity Earth, which strives to reverse ecological crises such as biodiversity loss and climate breakdown by identifying species, regions, and ecosystems whose protection and restoration are overlooked and underfunded.

- Stand By Me, working in developing and underdeveloped countries to rescue children and provide them with the necessary tools to thrive in the future.

- United Hatzalah Foundation, offering rapid medical treatment for emergencies thanks to the use of specially equipped motorcycle ambulances and their unique GPS technology throughout Israel.

In addition, in 2022, Fasanara leveraged its large network of counterparties to help The International Federation of Red Cross and Red Crescent Societies raise money for the Ukraine Emergency Appeal. Fasanara's "Fintech4RedCross" campaign aimed to create a chain-effect by encouraging our counterparties to reach out to their respective networks to maximise our fundraising potential.

Our Commitment

Fasanara will play an active and direct oversight role in monitoring the charitable donations. For example, senior employees of Fasanara, as well as those investors wishing to directly participate in the process, will meet with our onboarded charities on a quarterly basis to hear updates on how they have spent the charitable contributions to date and any future projects.

Charities Selection

Our philanthropic philosophy lies at the heart of our social commitment and drives us to select the most effective charities. For this purpose, the ESG team carefully analyses charities to make sure that donations are put to good use. This is done through several in-person meetings with the charity's members and/or volunteers during which our ESG team evaluates the charity's trustworthiness and fidelity. Afterward, if the charities respected our validity and soundness checks, we ask them to fulfil a due diligence questionnaire ("DDQ"), an exhaustive checklist whose topics range from fundraising ethics to regulatory compliance. The ESG team has the task of reviewing the information provided by charities in the DDQ and where relevant will ask for any missing data. After having completed these two first steps, we will continue to monitor the charities by visiting their sites and asking for regular updates on the evolution of the projects financed by our donations.

In this time of great economic and social uncertainty, we are very aware of the challenges that many charitable organizations that provide services to the most vulnerable strata of our society are currently facing. Our donations will not allow these charities to maintain these services but also broaden their offerings and expand their impact.

Appendix

ESG Exclusion List

E – Environmental and Energy Related Issues

• No cross-border trade of waste except those that are allowed under the Basel Convention
• No landfills
• No oil drilling or fracking
• No petroleum and natural gas extraction
• No nuclear energy
• No operations that involve or require the destruction of a critical habitat or a forest unless they have a bona fide sustainability plan in place
• No transaction that endangers or irreversibly changes or significantly displaces property of cultural or historical importance
• Animal and other natural products must comply with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

S - Social / Societal Issues and Concerns
• No manufacturing of weapons and ammunition
• No use or sale of illegal weapons such as anti-personnel mines, cluster munitions, biological, chemicals and nuclear weapons
• No tobacco production, manufacturing of machinery for tobacco processing or wholesale of unmanufactured tobacco or tobacco products
• No manufacturing or sale of illegal products or services under any applicable laws
• No casinos or equivalent businesses
• No sales connected to pornography or prostitution
• No exploitation of diamond mines or the sale of blood diamonds. Any sale of diamonds must comply with the Kimberley Process Certification Scheme
• No manufacturing, use or sale of pharmaceutical products, pesticides and herbicides and all other dangerous products that are banned or controlled internationally

G – Corporate Governance
• No modern slavery anywhere in the supply chain (e.g., child labour and forced labour)
• No human rights abuse of employees (direct or indirect)

** This ESG exclusion list is for information purposes only, is non-exhaustive and does not apply in its entirety to all of Fasanara's funds. The specific ESG exclusions for each fund are described in the relevant Information Memorandum.*