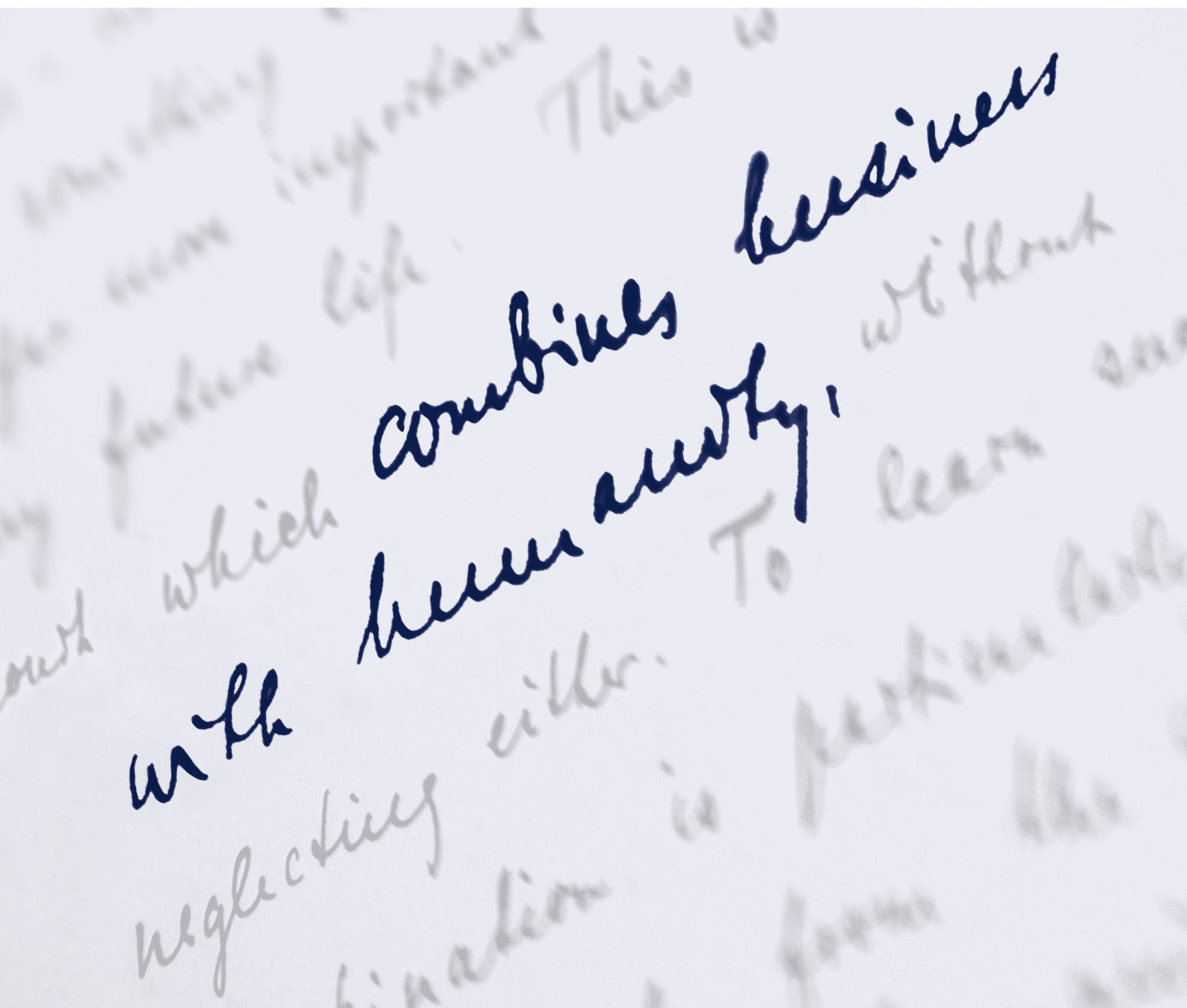


Merchant Banking



Environmental, Social and Governance (ESG) Policy

December 2020



Foreword



Merchant Banking has built a reputation for providing the highest levels of excellence; we have always believed that our success is defined by more than just financial returns.

Integrating ESG factors into our investment processes and decision-making is amongst our top priorities as an investor today.

Our ESG story started in 2012, when we decided to formalise our commitment by adhering to the United Nations Principles for Responsible Investment. We began by establishing the 7 pillars of our ESG policy which were implemented by each of our investment teams. This was followed by the disclosure of relevant ESG information to our investors. Today, our ESG programme continuously evolves with new initiatives and deeper commitments – at both the Management Company level and within our investment processes – driven by our internal ESG Board that I chair.

Today, our Responsible Investment policy is focused on three main objectives

- i. Integrate ESG criteria into our investment decisions to create long term value for investors and support the development of a sustainable economy as a responsible investor;**
- ii. Pursue an ESG engagement policy to create constructive dialogue with our companies, fund managers or sponsors to help them improve; and**
- iii. Offer innovative sustainable investment products.**

All our strategies have a long-term approach and we strongly believe in the benefits of responsible investing for long-term value protection and creation. We aim to promote the principles of responsible investing within our investments and encourage our partners to consider ESG criteria in their activities.

This document sets out our ESG guiding principles and how we contribute to society through our CR engagements.

Mireille Klitting

Managing Partner
Chairwoman of the ESG Board



Merchant Banking is the investment arm of Rothschild & Co

Merchant Banking deploys the firm's capital, alongside a select group of leading institutional and private investors.

With global commitments in excess of €15 billion, Merchant Banking manages a series of funds dedicated to corporate and secondary private equity, multi-manager funds and co-investments, as well as senior and junior credits.

>€15bn¹
of assets under
management

4
strategies

Private Equity

Corporate Private Equity

- Buyouts
- Mid-caps
- Small-caps



Multi Strategies (FAMS)

- Secondaries
- Co-investments
- Primary funds



Private Debt

Direct Lending

- Unitranche
- Junior credit



Credit Management

- Senior secured credit
- Subordinated credit
- Structured credit



We are committed to integrating tailored ESG initiatives into all our investment activities taking into consideration the specifics of our investment strategies and our level of ownership and control.

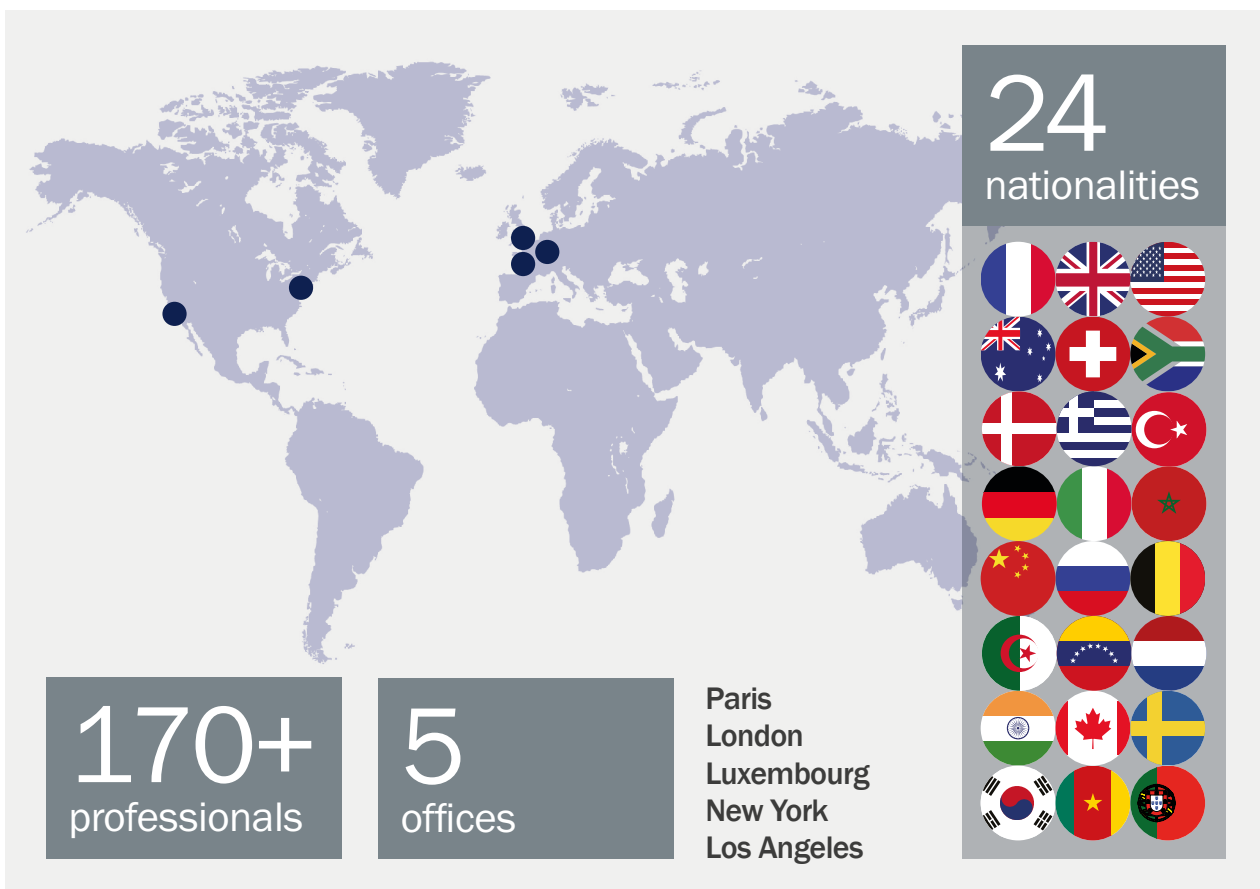
The Responsible Investing Policy is implemented across our four investment strategies.

¹ As of Sept 2020



People are our key strength

Our multi-national, multi-lingual team bring a wide range of expertise and a strong depth of experience across Private Equity and Private Debt. We encourage deep engagement between all our people so that collaboration and teamwork is their first instinct.



Diversity and inclusion

Signatory to the France Invest Charter for Gender Equality since 2020

Employee training and development

Employee wellbeing

Contents

Introduction to the Rothschild & Co CR journey 5

The Merchant Banking ESG approach 9

ESG in the Merchant Banking investment processes 14

Merchant Banking CR engagement 20





Introduction to the Rothschild & Co CR journey



Corporate Responsibility at Rothschild & Co

Our Corporate Responsibility (CR) strategy defines a clear commitment to the way we do business and sets out our ambitions and activities across five pillars:



Our impact

3,500+
employees,
representing a
diverse workforce

61%
reduction in scope 1
GHG emissions
in 2019

>30%
of employees engaged
in Community
Investment activities

56%
of electricity from
renewable sources

900,000+
disadvantaged children
and young people
supported

The impact we have as a business on our people, our industry, the communities and our planet through the responsible management of our operations and resources plays a fundamental part in our approach to business and towards reaching our long-term strategic objectives.



Our responsible investing roadmap

Build a common responsible investment framework embracing all of our investment expertise.

Three key objectives for 2022

100% ESG Integration

- Comply with a group-wide “Exclusion Policy”
- Monitor and report on comprehensive ESG data among all asset classes
- Ensure a strong ESG governance across the Group

Be an active and engaged investor

- Join international initiatives at Group level
- Improve our engagement policy
- Promote and support sustainable investing practices

Offer innovative sustainable investment products

- Create flagship sustainable products

Signatory of:



Group signatories


- 2011: Asset Management Europe
- 2012: Merchant Banking
- 2018: Wealth Management UK
- 2020: All relevant business divisions to become UNPRI signatories



Our CR governance

CR starts at the highest level of the group.





The Merchant Banking ESG approach



The 7 Pillars of our ESG policy

In our investment processes:

Principle 1

Take ESG criteria into account during the analysis and decision-making processes for all investments.

- Exclude certain sectors and consider whether an investment is ethical
- Identify and assess ESG issues during due diligence
- Review as part of the investment decision-making process

Principle 2

Disseminate the UN PRI and ensure the application of these principles to our investments.

- Annual monitoring programme of key ESG indicators
- Provide support to management teams to help them improve and learn from best practices

With our investors:

Principle 3

Share our ESG policy with investors and provide them with regular information and updates. This includes adequate, transparent and objective information in:

- The funds' annual reports and ad-hoc updates
- During our annual Investor Days
- UN PRI Transparency Report (publicly available)
- The Merchant Banking Responsible Investment Policy (available on our website)
- Our ESG commitment (available on our website)



The 7 Pillars of our ESG policy

Within our Management Companies

Principle 4

Adopt a responsible and ethical approach to governance.

- Rigorous compliance systems and risk controls
- Consider ethical obligations in all business conduct
- Remuneration of senior management and a policy on bonuses that is compliant with international standards

Principle 5

Encourage a human resources policy which values and respects all employees.

- Diversity and inclusion
- Employee development and wellbeing
- Signatory of the France Invest Charter for Gender Equality

Principle 6

Reduce our environmental impact.

- Aim to be carbon neutral and reduce our carbon footprint
- Reforestation programme in Colombia, beekeeping, recreating biodiversity
- Member of Initiative Climat International since 2018

Principle 7

Promote our employees' commitment to society.

- Partnership with Epic foundation since 2016
- Support 8 social projects focused on disadvantaged youth globally
- Rothschild & Co's community investment programme combines long term partnerships and employee volunteering with strategic charitable giving

Our commitments

Signatory of:



Dedicated ESG resources and processes

A collaborative approach with strong backing and oversight from senior sponsors.

Merchant Banking ESG Board

composed of Managing Partners from each of our strategies, MB Head of Compliance and professionals from Investor Relations. This committee defines and oversees the ESG strategy.



Mireille Klitting

- Managing Partner
- Chairwoman of the ESG Board
- Member of Rothschild & Co RI Committee

Trained ESG Champions

from each of our investment teams to lead the day-to-day implementation of the ESG Programme.

- Corporate Private Equity
- Multi-Strategies
- Direct Lending
- Credit Management



Support from an experienced Responsible Investing team at Rothschild & Co level

Géraldine Gouges

- Group Head of Sustainable Investing, Rothschild & Co

Processes to train and support our team as well as our portfolio investments



Training



Proprietary toolkits



Compliance & policies



Risk management



Portfolio support



Reporting



Sharing best practices



Our ESG journey

2020

- Became signatory to the France Invest Charter for Gender Equality
- Became member of the Global Impact Investing Network
- Joined the ESG Committee of the European Leveraged Finance Association



Achieved a score of "A" for UN PRI Strategy & Governance and Private Equity modules

2019

- Joined Rothschild & Co's Responsible Investment Committee
- Offset our carbon footprint through a partnership with Up2Green



2018

- Became member of the Initiative Climat International France



2017

- Integrated ESG criteria into our pre-investment processes

2016

- Appointed ESG Champions in each of our funds' investment teams
- Partnership with Epic Foundation



2015

- Created the Merchant Banking ESG Board
- Formalised our engagement with portfolio companies through our ESG Monitoring Programme
- PRI reporting completed for the first time

2014

- Became signatory to the France Invest ESG Charter and member of their ESG Commission



2013

- Appointed dedicated ESG resources in our Management Company
- Disclosed ESG relevant information to investors on our website and annual reports

2012

- Defined the 7 pillars of our ESG Policy
- Became a signatory of UN PRI

Signatory of:





ESG in the Merchant Banking investment processes



Our responsible investment framework

An investment approach that allows for bespoke ESG application.

Our Responsible Investing policy is reinforced by Rothschild & Co's responsible investing and business conduct policies, procedures and guidelines. It is based on the following framework:

- A collaborative approach with strong backing and oversight from senior sponsors
- Proprietary ESG tools tailored to each of our investment strategies
- Transparency for our investors
- ESG incorporation throughout the investment lifecycle

1 Pre-investment

Ethical screening & sector exclusions

2 Due diligence & investment decision-making

Identify ESG issues & materiality assessment

3 Monitoring & reporting

Monitor and improve ESG KPIs

We are committed to integrating tailored ESG initiatives into all our investment activities taking into consideration the specifics of our investment strategies and our level of ownership and control.

Our Responsible Investing Policy is implemented across our four investment strategies.



ESG within our investment processes

We strongly believe in the benefits of responsible investing for long-term value creation. Our ESG initiatives are implemented by dedicated ESG Champions within each of our Investment Teams.

We have developed proprietary ESG tools tailored to each of our investment strategies.

We try to promote the principles of responsible investment within our investments and strongly encourage portfolio companies and fund managers to consider ESG criteria in their activities.

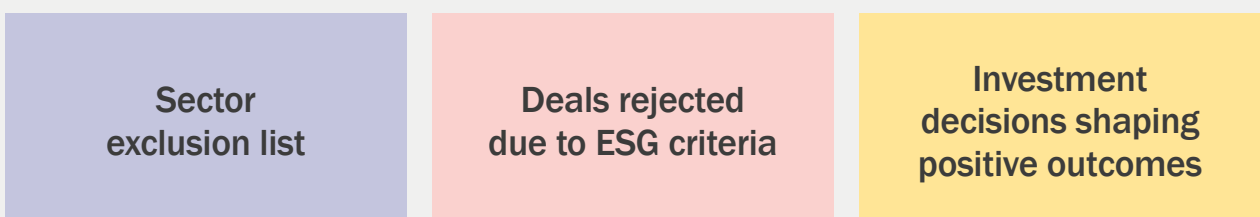


Consider ethical obligations in all business conduct

In line with each investment strategy, we invest across a set of carefully chosen sectors. We ensure that we do not invest in sectors we consider unethical and which are explicitly listed as banned by our **Investment Exclusion Policy**.

We will not invest in companies (or portfolio companies) that:

- Are engaged in activities that severely **breach international conventions**
- Engage in **material or systematic corruption** evidenced by an official source such as local or international courts, the UN, OECD, governments, etc.
- **Deliberately and repeatedly violate the law** in the markets in which they operate
- Export **certain goods and services targeted by trade embargoes** imposed by the UN or the EU
- Are involved or derive the majority of their revenue from production, trade and/or distribution of **controversial weapons and munitions, tobacco, prostitution, pornography or thermal coal-based activity**



ESG within our investment processes



We base our asset selection on stringent criteria centred on risk-adjusted returns. Our investment strategy is naturally oriented towards sectors that have limited ESG risks such as Healthcare & Education, Data & Software and Tech-Enabled Business Services for our Coporate Private Equity and Direct Lending strategies.

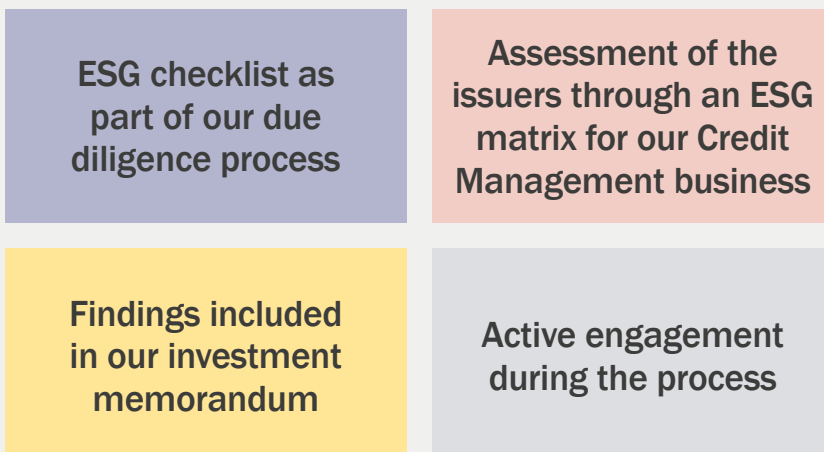
Identify and assess ESG issues during due diligence

Our due diligence is based on dialogue with the management team (of companies, sponsors or fund managers) and, when relevant, site visits to identify and assess the management of key ESG issues.

Due to the nature of the syndicated loans asset class, Credit Management’s ability to impact the ESG policy of issuers is limited. Instead, we assess the ESG compliance of the issuer, its sponsor, and its lead shareholder(s). We score and rank companies across 15 objective criteria on governance and policies as part of our investment analysis.

Review as part of the investment decision-making process

Our ESG review focuses on the availability of ESG related information and is used to identify whether there would be any significant issues that require either a more detailed technical assessment or needs to be managed post-investment.



ESG within our investment processes



We not only promote the principles of responsible investment within our investments, we strongly encourage our portfolio companies, fund managers and sponsors to improve over time.

Rigorous monitoring process

Our investment teams maintain an ongoing dialogue with the portfolio companies' management teams (or fund managers) and encourage them to identify, raise and resolve material ESG issues.

Annual monitoring program and collection of key ESG indicators

Portfolio investments report annually on defined key ESG indicators through the Annual ESG Monitoring Questionnaires for our Corporate Private Equity, Multi Strategies and Direct Lending funds. For our Credit Management business, we are formally incorporating ESG considerations into the monitoring process of our portfolios and reassess each issuer annually to track any changes.

We also use the support of external consultants to conduct an ESG review of our portfolio companies (for direct private equity funds). This review helps us identify the ESG criteria which are the most material to the company's business and industry.



Collaborating for sustainable finance: initiative Climat International

The initiative Climat International was launched in 2015 by a group of French GPs.



iC International is a collective commitment to understand and reduce carbon emissions of private equity backed companies and secure sustainable investment performance.

iC International's call to action is clear: the global private equity industry needs to do its part by leveraging tried-and-tested methodologies to analyse and mitigate carbon emissions and exposure to climate-related financial risks in their portfolios.

Our commitments

Recognise that climate change will have effects on the global economy, which presents both risks and opportunities for investments

Join forces to contribute to the objective of the COP21 to limit global warming to well-below two degrees Celsius

Actively engage with portfolio companies to reduce their greenhouse gas emissions, contributing to an overall improvement in sustainability performance

iC International partners

Signatory of:





Merchant Banking CR engagement



Our environmental engagement

We are committed to actively reducing the carbon footprint of our operations.

Our environmental pledge: becoming “carbon neutral”



Individual behaviours



Reporting transparency



Employee engagement



Supplier reviews



Facilities management



Portfolio companies

No action is too small

All unavoidable operational emissions are compensated by the use of carbon offsetting.



Group-level certification recognising Rothschild & Co’s commitment to reduce and responsibly manage operational GHG emissions

The Merchant Banking team has additionally committed to:



Fund 50,000 trees to be planted over five years in Colombia

1 tree offsets 150kg of carbon in 12 years¹



Work side-by-side with l’Agence Française de Développement and Up2Green



Target a region where the need for trees is critical: the Nariño area of Colombia



Biodiversity as a core pillar of our action, working with local communities

¹ Based on Ecocert



Our community investment

Across the group, we support non-governmental organisations and social enterprises that focus on enhancing the prospects of economically disadvantaged young people globally.

The Merchant Banking team have developed a partnership with the Epic Foundation.

This partnership is based on individual commitments from our employees combined with a matching scheme.

Founded in 2014, Epic is a global non-profit organisation which provides solutions to make “giving the norm”.

Epic leverages volunteering and giving solutions for individuals and corporations to support high-impact social organisations tackling youth and child issues globally. Epic strictly partners on a pro bono basis so 100% of the money received is sent to the Epic portfolio organisations.

Our impact

8

projects supported since 2017

100%

directly to organisations



Simplon.co (France)

- Empowers young people from low-income communities through training in programming



Gastromotiva (Brazil)

- Prepares youth for a career in the culinary industry



Agir pour l'école (France)

- Implements a research backed literacy program to develop children's reading skills and build a stronger foundation for success in school



Prerana (India)

- Seeks to end the cycle of intergenerational trafficking by supporting education and offering accommodation to mothers and children



Duo for a Job (Belgium)

- Matches immigrant job seekers with experienced professional



Educate (Uganda)

- Supports education program to develop young leaders and entrepreneurs in Africa



The Brilliant Club (UK)

- Expands access to highly selective universities for students from underrepresented group



Sport dans la ville (France)

- Promotes social and professional integration of disadvantaged young people through sports



Important information

This document has been prepared by the Merchant Banking division of Rothschild & Co SCA (together with its subsidiaries, “Rothschild & Co”; “we”; “us”; “our”). This document is for informational purposes only and does not constitute an offer to sell, or the solicitation of an offer to buy, any security, product or service of Rothschild & Co Merchant Banking or of any Rothschild & Co Merchant Banking fund, whether an existing or contemplated fund, for which an offer can be made only by such fund’s confidential Private Placement Memorandum and in compliance with applicable legislation. The information contained herein is not intended to provide, and should not be relied upon for, accounting, legal or tax advice or investment recommendations.

Although the information and data herein are obtained from sources believed to be reliable, no representation or warranty, expressed or implied, is or will be made and, save in the case of fraud, no responsibility or liability is or will be accepted by Rothschild & Co as to or in relation to the fairness, accuracy or completeness of this document or the information forming the basis of this document or for any reliance placed on this document by any person whatsoever. In particular, no representation or warranty is given as to the achievement or reasonableness of any future projections, targets, estimates or forecasts contained in this document. Furthermore, all information contained in this document is subject to change without prior notice.

Five Arrows Managers LLP (“FAM LLP”) is authorised and regulated by the UK Financial Conduct Authority. FAM LLP also carries on business under the name of Rothschild & Co Credit Management. Five Arrows Managers S.A.S. is authorised and regulated by the French Financial Markets Authority (Autorité des Marchés Financiers). Rothschild & Co Investment Managers SA is authorised and regulated by the Luxembourg Financial Markets Authority (Commission de Surveillance du Secteur Financier). Five Arrows Managers North America LLC and Five Arrows Managers USA LLC are authorised and regulated by the US Securities and Exchange Commission. None of the above mentioned entities act for you and are not responsible for providing you with the protections afforded to its clients.

There is no guarantee that any fund will be able to implement its investment strategy or achieve its investment objectives. Past performance is not indicative nor a guarantee of future returns. Losses may occur.

Additional information may be available upon request.



