

MORAVIA CAPITAL PRIVATE EQUITY FUND OF FUNDS S.C.A., SICAV-SIF

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Environment, Social and Governance Policy

Our objective is to generate sustainable, long-term investment returns. In this fiduciary role, we believe that environmental, social and corporate governance (ESG) issues can have a positive effect on the performance of investment portfolios (to varying degrees across companies, sectors, regions, and through time / vintage). Therefore, we incorporate ESG factors for responsible and sustainable investing in our investment decisions. Our consideration of ESG issues applies to both the business activities of the firms we interact with as well as our own internal practices. The different professional background of our diverse and international team helps us to mitigate bias while at the same time ensuring a balance approached to investing.

Given that we only invest in private equity funds, secondary funds and co-investment funds, Moravia has limited scope to influence the behaviors of portfolio companies as regards ESG matters. We therefore aim to influence the behaviors of our investee fund managers with whom we invest, and regarding co-investment funds, we seek to ensure that ESG is a formal component of the GP-portfolio company relationship throughout the investment lifecycle.

We view ESG as an important tool that can be used to protect and create value, mitigate risk, and enhance the overall investment management process. To the extent possible, we screen funds in our investment universe on the basis of criteria relating to their investment areas, activities, policies or performance and include sector-based screening (where entire sectors may be excluded) and norm-based screening (where funds are excluded if they are considered to have violated internationally accepted norms in areas such as human rights and labour standards).

We avoid investing in funds operating in sectors that could lead to reputational risk and scrutinize funds operating in sectors with elevated ESG risk factors.

We carefully maintain ESG risk monitoring post-investment, formally assigning ESG risk ratings to underlying companies and GPs and report results to our Limited Partners annually.

Our evaluation process is subdivided in two phases. Phase One contains an assessment of ESG factors applied by General Partners whose funds we are considering for a potential commitment. The second phase describes our monitoring process post-investment:

Phase 1: ESG assessment in the pre-investment / due diligence phase

We review the manager's ESG policy in its fundraising documents and during due diligence interviews with the General Partner's team.

- > We review the manager's annual ESG report, PRI report, or any other relevant ESG-related report.
- > If additional information is required, Moravia's ESG questionnaire is sent to the manager to understand and address ESG issues.

In the assessment, we ask managers about **four key areas** of ESG practice and apply a score accordingly:

- 1) **Manager commitment** – the extent to which they have demonstrated their commitment to ESG through actions such as defining a policy, committing to an industry initiative like the Principles for Responsible Investment (PRI) and engaging with their portfolio companies.
- 2) **Investment process** – the extent to which they have formally integrated ESG into their investment processes, using it as a framework for evaluating investments and identifying areas for improvement.
- 3) **Ownership** – the extent to which they have exhibited active ownership through activities like defining ESG guidelines, establishing key performance indicators (KPIs) or assigning ESG responsibilities for portfolio companies.
- 4) **Reporting** – the extent to which they have provided regular and relevant reporting on ESG on a portfolio company level and on the aggregate fund level.

We evaluate the answers / materials (legal docs etc.) and give them a **rating** according to our internal rating scale:



- 1** – the Fund manager is genuinely committed to ESG, with institutional processes in place. Applies ESG criteria in investment decision making, is an active owner and reports on ESG;
- 2** – the Fund manager has taken steps to integrate ESG into his approach and investment process. Process is institutionalized, but manager may not follow through on all levels (e.g. reporting);
- 3** – the Fund manager demonstrates some commitment to ESG or has begun some initiatives, but lacks institutionalized processes;
- 4** – the Fund manager demonstrates little or no commitment to ESG.

As a result, we determine further actions:

If satisfactory: no further action is required.

If not satisfactory:

- a.) detect deficiency by comparing to Moravia’s minimum standards;
- b.) discuss with GP, get an understanding on Status Quo, what is planned and
- c.) agree on timeline for implementation;
- d.) reflect in sideletter: get confirmation from the GP that they will adhere to the UN Global Compact Standards (or any other comparable standard) but also that the fund will not invest in certain areas, like:

- The production and sale of weapons as an end product or in the production and sale of equipment or
- Software that is directly related to the production of weapons as an end product;
- Projects which result in limiting people's individual rights and freedom, or violation of human rights;
- The development and/or implementation of projects unacceptable in environmental and social terms;
- Development or distribution or contributing the business of pornography;
- Supporting racism in any manner;
- Increasing or supporting drug abuse;
- Gambling or related industries;
- Ethically or morally controversial project.

Once we have completed our assessment process, the results will be reflected in our investment memo which is presented to and discussed with our Investment Committee.

Phase 2: Post-Investment / Monitoring Phase

We send an ESG questionnaire to our private equity fund managers every year or analyze their reports in line of our requirements. All the questionnaires filled out provide us with the relevant data to monitor and review the application of ESG principles across our private equity fund of funds portfolio.

We aggregate this data and if there are ESG issues that need to be addressed, we reach out to the managers to get a clear action plan to fix them. Based on the collected data, we then produce an annual ESG report for our investors.

Luxembourg, 08 March 2021

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