Sustainability-related disclosures

Patrimonium Middle Market Debt Fund

a. **Summary:** Patrimonium Middle Market Debt Fund ("Fund") has been set-up in order to invest primarily in debt instruments issued by middle market companies in Europe with a focus on the German-speaking countries and its "Mittelstand" companies. Thereby the Fund seeks to achieve protection against loss trying to taking assets as security. The Fund promotes environmental and/or social characteristics within the meaning of article 8 of the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial sector. The Fund strives for economic results, while at the same time taking into account environmental, social and governance characteristics as part of an ESG process.

b. **No sustainable investment objective:** The Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

c. **Environmental Characteristics of the Fund:** The Fund's investment process is governed by the belief that a company's positive ESG-performance positively influences its respective risk/return profile from an investment perspective. Therefore, it particularly values companies that offer services or products having a real and direct impact on the environment and/or society. The internal categorisation of actionable impact themes and related sustainable development goals are:

Basic Needs	Empowerment	Climate Change	Natural Capital	Governance
• No Poverty • Zero Hunger • Good Health & Well-Being • Clean Water & Sanitation • Sustainable Cities & Communities	• Quality Education • Gender Equality • Decent Work & Economic Growth • Reduced Inequalities • Industry, Innovation & Infrastructure	• Affordable & Clean Energy • Climate Action	• Responsible Consumption & Production • Life on Land • Life Below Water	• Peace, Justice & Strong Institutions • Partnerships

d. **Investment Strategy:** The Fund seeks investments with a focus on senior secured debt instruments, in companies or hard assets, in all kinds of situations including special or stressed situations and predominantly in debt instruments. These instruments include but are not limited to corporate bonds ("Schuldverschreibungen"), secondary loans at discount, DIP ("Debtor In Possession") loans, profit participating instruments (i.e. warrant, PECS, etc.) and any kind of equity instruments issued by the portfolio companies predominantly located in Germany, but also in Austria and Switzerland and in their bordering countries (Belgium, Czech Republic, Denmark, France, Hungary, Italy, Luxembourg, The Netherlands, Poland, Slovakia and Slovenia (the "Bordering Countries ")).
The Fund is offering short and long-term debt solutions in situations where traditional sources of capital are unable to provide a satisfactory solution for stake and shareholders.

The binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by the Fund are:
Screening:

- Each Investment is subject to a screening analysis. Within this approach, potential portfolio companies are filtered out in case they are active in any industry that is believed to be unethical, unsustainable or that goes against Patrimonium's company values. Through a screening approach, such companies are excluded from the investment universe at an early stage of the investment process in a very efficient way.

- Both a positive screening and a negative screening are conducted.

Negative screening:

In the context of negative screening, the dedicated investment team must verify whether the to-be-financed company generates revenue from any industry or conducts any business which is believed to be unsocial, unethical, or unsustainable. This list generally includes, but is not limited to the following sectors:

- Armaments (NOGA code 254, 8422, 3042)
- Tobacco (NOGA code 120)
- Prostitution
- Pornography
- Cloning of human beings
- Gambling (NOGA code 92)
- Coal, Oil, Fracking (NOGA code 05, 06, 07, 08, 09)
- Atomic energy
- Palm oil
- Animal testing

It is distinguished between a value-based and a norm-based screening approach. For all exclusion categories, the applicable criteria may evolve over time.

- Positive screening:In the context of positive screening, potential borrowers are analyzed on their ESG performance relative to industry peers. Companies generating social or environmental benefits of their products, services and/or processes and those being best-in-class or leading in best practice against the peer group are endorsed and respective aspects considered within the investment decision process.
- Furthermore, positive screening is conducted to potentially neutralize any exclusions due to negative screening. In that sense, each excluded investment opportunity is checked whether an exception can be made as part of the positive screening. Exceptions are potentially made if the potential borrower is affiliated with an excluded industry, however, offers products or services with a direct social or environmental target. In the course of the analysis, any exclusions need to be justified sufficiently.
- Following that, each investment opportunity must fulfil certain ESG standards in order to become eligible for a potential investment. This requirement is evaluated throughout an internally conducted ESG scoring.

ESG integration:

- The sustainability performance of each potential borrower is assessed according to its capacity to sufficiently address all relevant Environmental, Social and Governance topics. As a result, the individual ESG scoring of each company is a crucial element on which the appropriate investment committee evaluates the feasibility and attractiveness of a potential financing.
- In a consolidated overview, the performance is tracked on investment level as well as on company level amongst all portfolio investments. Based on this approach, underlying trends and deficiencies can be identified and countervailing measures taken.

- As part of the ESG-analysis, companies are approached regarding potential ESG certificates, labels and CSR standards. Such documents are considered to complementary support and evidence the actual ESG performance analysis as described above. The assessment of such labels is to the discretion of the Investment Manager.

Company with Impact:

- Patrimonium strongly believes that a positive ESG-impact also positively influences the respective risk/return profile for each transaction. Therefore, Patrimonium particularly values companies that offer services or products having a real and direct impact on the environment and/or society. Respective impacts are covered by the UN Sustainable Development Goals ("SDGs").
- In general, Patrimonium does not actively intervene with a borrower's management decision or strategy. However, in situations where we see the necessity, we engage in and foster management decisions that have a positive impact on ESG. This exemplary includes minimum wage standards, employee participation, diversity, or improved transparency (amongst others)

In the context of positive screening, potential borrowers are analyzed on their good governance practices relative to industry peers. Companies generating social or environmental benefits of their products, services and/or processes and those being best-in-class or leading in best practice against the peer group are endorsed and respective aspects considered within the investment decision process.
For listed companies, good governance is assed by analizing: board structure, diversity, skills and independence; executive pay; shareholder rights; stakeholder interaction; disclosure of information; business ethics; bribery and corruption; internal controls, tax compliance and risk management; and, in general, issues dealing with the relationship between a company's management, its board, its shareholders and its other stakeholders. This may also include matters of business strategy, encompassing both the implications of business strategy for environmental and social issues and how the strategy is to be implemented.

e. **Proportion of investments**: The Fund promotes environmental and/or social characteristics within the meaning of article 8 of the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial sector. The Fund strives for economic results, while at the same time taking into account environmental, social and governance characteristics as part of an ESG process.

There is no minimum share of investments in transitional and enabling activities. The Fund does not measure this dimension actively in its screening and monitoring processes at the moment. Nonetheless, throughout its lifetime the Fund financed transitional and enabling activities on multiple occasions.

f. **Monitoring of environmental or social characteristics:** Each investment must fulfil certain ESG standards in order to become eligible for a potential investment. This requirement is evaluated throughout an internally conducted ESG scoring. The ESG scoring quantifies and summarizes the results obtained from a red-flag analysis, in which the investment opportunities are qualitatively screened on various factors concerning each ESG dimension. This includes indicators such as:

Environmental issues:

- Company's negative impact on climate (during the whole production process)

- Company's waste (non-degradable waste, waste management)
- Company's negative impact on water
- Company's negative impact on land
- Company's emissions of methane

Social issues:

- Any social issue identified based on the available documentation
- Likelihood that the worker conditions are insufficient (unhealthy, unsafe work environment, no job satisfaction, no diversity, unequal opportunities, no development opportunities)
- Likelihood that the human rights are not honored by the company (country listed under https://www.hrw.org/world-report/2019, slavery, child labor, racism)
- Likelihood that the community is negatively impacted by the company's activities (public health endangered, force to relocate populations, activity linked with nuisance
- Likelihood that the product or service provided by the company harms by anyway its consumers (unhealthy, unsafe product, integrity, data privacy of consumers not considered)
- Compared to peers, has the focal company proven to stand out exceptionally in social issues / does the focal company have positive social impacts that are not addressed in the statements above?

Governance issues:

- Any governance issue identified based on the available documentation (From the management, who received how much when the deal was closed and who stayed/left after closing the deal; any potential conflict of interest between shareholders, the management, the deal sponsor, the loan provider)
- Likelihood that the company is fiscally not clean / involved with money laundering (e.g. see if any affiliates are on the OFAC list)
- Likelihood that the executives receive inadequate pays
- Likelihood that corruption interferes within the company business (country where corruption is common practice)
- Compared to peers, has the focal company proven to stand out exceptionally in social issues / does the focal company have positive social impacts that are not addressed in the statements above?

This scoring approach identifies any ESG concerns at an early stage and may lead to an additional ESG analysis to assess such risks in detail. The screening process results in an immediate rejection of an investment opportunity if ESG requirements are not fulfilled. As soon as any investment is made, ESG-risk is regularly evaluated on both company- and portfolio level. In this context, each borrower has to submit every year an ESG-questionnaire, which allows to monitor the appropriate risk respectively.

g. **Methodologies for environmental characteristics:** The first aspect assessed is the proportion of invested capital in companies active in industries which are preliminarily categorized as underperformers on the environmental and social levels. The second aspect is the number of environmental or social incidents which occurred during the years. Such incidents are environment, discrimination, violence, harassment, supply chain, health, safety, and customer related lawsuits or offenses investigated by a judicial/regulatory process. Annually an internal ESG rating on each individual investment is performed. The environmental criteria are described above. At fund level, an overall ESG rating as well as the sub-ratings E S and G respectively can be reported.

h. Data sources and processing: The data used to assess the environmental and/or social characteristics' performances is provided by the borrowers and obtained from publicly available information. Note that in the Fund's investment universe, borrowers are usually not obliged to provide quantitative data related to their environmental or social characteristics. Additionally, the coverage of external ESG data providers is limited in this investment universe. Therefore, we opt to qualitatively assess the borrowers and interact with them as soon as more details become necessary to realize the relevant qualitative assessment.

i. Limitations to methodologies and data: The limitations regarding ESG data sources are related to the nature of the investment universe of the Fund. External ESG data providers only collect a limited amount of data regarding private markets, which obliges to source data points from borrowers directly. Mandatory ESG reporting requirements are usually not foreseen by law in the Fund's investment space, which does not allow for a systematic and continuous quantitative assessment of environmental and social characteristics. Therefore, a qualitative assessment is conducted at the company level, with a best-in-class methodology.

j. Due diligence: As described also in the section "Investment Strategy" and "Methodologies", the ESG performance of each potential borrower is assessed according to its capacity to sufficiently address all relevant ESG topics. An ESG red flag analysis is conducted on an exhaustive list of ESG risks. When a potential issue is detected, a more specific analysis is conducted, and the borrower is required to answer more specific due diligence questions and questionnaires until the matter is clarified. ESG risks are then categorized in line with an internal methodology in order to quantify respective risks to a final ESG-score. The latter is calculated for each ESG-dimension as well as for respectively two sub-categories. The performance is quantified with a score between 1 (underperforming) and 6 (outperforming) for each aspect. In order to being eligible for a potential investment, each company has to obtain a combined scoring of at least 3.5. As a result, the individual ESG scoring of each company is a crucial element on which the Investment Manager's investment committee evaluates the feasibility and attractiveness of a potential financing.
In a first step, the business model and ownership structure are analysed internally. The depth of the ESG analysis depends on the respective industry. If problem areas emerge, these are addressed to the management of the respective company or to external due diligence providers. The analysis is supported by numerous external due diligence providers, who examine the areas of commercial, legal, tax, finance and insurance in particular. Any problem areas in the ESG area are flagged accordingly and included in the investment analysis, which is evaluated by the Investment Committee.

k. Engagement policies:
Engagement is not a part of the environmental or social investment strategy

l. Index / Benchmark: There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.