# KARTESIA IMPACT INVESTMENT POLICY

**Version – Feb 2026**

## Contents

# 1. Introduction

## 1.1. Scope

This policy applies to the Kartesia Impact Fund I (KIF I) and all future subsequent impact funds. It is designed to provide an overview of our impact investment activities, ensuring they contribute to our broader mission of promoting a better society on a healthier planet.

## 1.2. Mission & Objectives

At Kartesia, we see impact investing as a way to address social and environmental challenges while also achieving financial gains. Our strategy focuses on supporting companies' financial and impact goals. We are committed to driving positive change across environmental and social dimensions. Our efforts focus on reducing carbon emissions, promoting circular economy practices, and preserving biodiversity to protect ecosystems. We also prioritize responsible resource management, waste reduction, and water conservation, all contributing to a healthier planet. Socially, we work to create opportunities for everyone by enhancing skills and employability, fostering safe and healthy lifestyles, and advancing diversity, equity, and inclusion. We are dedicated to ensuring human rights, promoting fair labor practices, and supporting community development.

The Kartesia Impact Fund invests in companies that directly contribute to the Sustainable Development Goals through the majority of their economic activities. We also support companies in their transition toward more impactful and sustainable practices, fostering a 'better society' on a 'healthier planet.' By aligning with these goals, we aim to drive long-term positive outcomes for both people and the environment. In addition to these objectives, Kartesia invests in companies that (i) do not materially harm any environmental or social objectives and (ii) follow good governance practices and (iii) are aligned with SFDR article 9 requirements.

The Fund is intentionally contributing to environmental and social solutions while seeking to generate strong risk-adjusted Returns.

This Impact Investment Policy outlines the principles, objectives, and guidelines for our organization's investments aimed at generating positive social and environmental impact alongside financial returns through the Kartesia Impact Fund.

## 2. Guiding Principles

### 2.1. Our definition of Impact Investing

Kartesia adheres to the Global Impact Investing Network (GIIN) definition of impact investing: “Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return”. This commitment ensures that our investments are purpose-driven, balancing financial performance with meaningful contributions to society and the environment.

### 2.2. Commitment to profitability, intentionality, measurability, additionality

Our impact investments are guided by the following principles:

- **Intentionality:** Investments are made with the deliberate intention to create positive social and/or environmental impact. Intentionality ensures that the pursuit of positive change is embedded in the investment decision-making process, aligning financial returns with the achievement of specific social or environmental goals.

  *Through KIF, we invest with a goal to create positive change through targeted social and/or environmental outcomes. Additionally, we strive to reduce any potential negative impact of our investments by evaluating every investment opportunity against our minimum standards and the Do No Significant Harm (DNSH) principle of the Delegated Regulation.*

- **Measurability:** It refers to the capacity to assess and quantify the social or environmental outcomes of an investment. This involves using both qualitative and quantitative indicators to evaluate the effectiveness and extent of the impact generated. Measurability ensures that the impact can be tracked, reported, and compared over time, providing transparency and accountability in how investments contribute to desired outcomes.

  *We measure and oversee impact using both qualitative and quantitative indicators aligned with the fund's objectives.*

  *The presence of KPIs linked to the margin reduction ratchet underscores a strong commitment to achieving measurable positive outcomes.*

- **Additionality:** This principle refers to the concept that an investment should result in positive social or environmental outcomes that would not have occurred without the investor's involvement. Additionality ensures that the investment brings about an improvement in impact levels, either in terms of quantity or quality, beyond what would have happened in the absence of that investment.

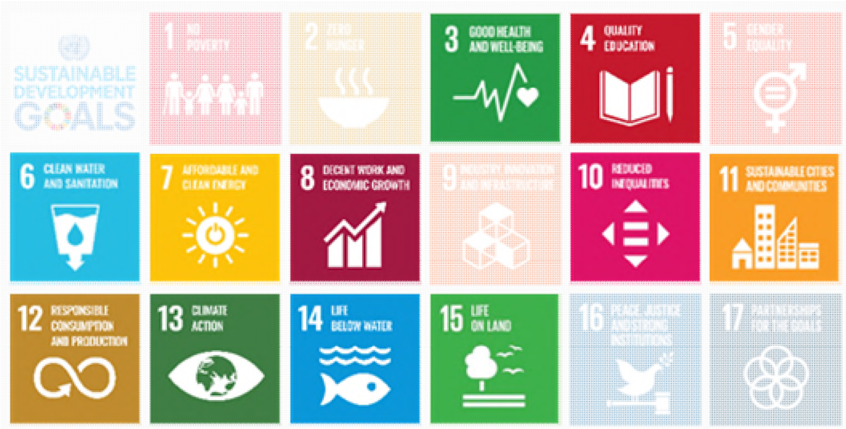
  *Kartesia aims to use its influence as an investor by providing continued support to help portfolio companies achieve their ESG action plan. Under the impact strategy, companies can leverage both the Kartesia platform and its third-party resources to put in place a credible roadmap to drive further impactful processes which may de-risk operations and drive increased shareholder value in the future.*

- **Financial Sustainability:** Investments are expected to generate a financial return commensurate with the level of risk, ensuring the sustainability of our investment activities.

  *We believe that pursuing environmental and/or social objectives simultaneously with financial returns yields a more efficient outcome than treating these goals separately*

### 2.3. Sustainable Development Goals

Kartesia Impact Fund solely includes investments that positively contribute, in particular and in a non-exclusive way, to 11 out of 17 Sustainable Development Goals (or 'SDGs') set by the UN. At the very early stage of the deal process, we ensure that business activities have a direct impact on the SDGs and identify which specific targets they contribute to/support.




### 2.4. DNSH SFDR

Concerning the Do No Significant Harm (DNSH) principle, KIF is committed to ensuring that none of its portfolio investments cause material harm to environmental or social objectives. Additionally, it ensures that investee companies adhere to robust governance practices. This commitment is achieved through a combination of norms-based screening analysis and comprehensive ESG due diligence. DNSH principle is covered during the holding phase by a clause in the legal documents limiting the new acquisitions that would not be similar or complementary to the core business.

#### 2.4.1. Principle Adverse Impacts (PAIs)

Considering Principal Adverse Impacts (PAIs) is central to our sustainable investment approach. We evaluate PAIs at various stages of our ESG research and analysis process using multiple methods, including ESG ratings, negative screening, and engagement activities.

Candriam's ESG Investments & Research Team (*see Section 5 for more details on our collaboration with Candriam*) has developed a comprehensive ESG research methodology. These issuers are assessed from environmental, social, and governance perspectives, resulting in an ESG due diligence for the Kartesia Impact Fund that directly or indirectly considers the PAIs of these companies.

The integration of PAIs into the ESG analysis is guided by the materiality, or likely materiality, of each indicator, based on the specific industry or sector of the issuer. Materiality is influenced by several factors, such as the type of information, data quality and breadth, applicability, relevance, and geographical coverage (considering both EU and non-EU investee companies that are not subject to mandatory sustainability disclosure obligations like those outlined in the Non-Financial Reporting Directive)

Candriam considers Principal Adverse Impacts (PAIs) in its ESG research and analysis through three complementary steps:

**1. Negative Screening** (including a Controversial Activities Analysis and a Norms-based Analysis). Our negative screening process includes both a Controversial Activities Analysis and a Norms-based Analysis:

**Controversial Activities Analysis**: Candriam's Exclusion Policy strengthens the assessment of the "Do Not Significantly Harm" (DNSH) principle by excluding activities deemed to have a detrimental impact from both sustainability and financial standpoints. The risks associated with these investments—such as systemic and reputational risks—cannot be justified by potential financial returns. As a result, Kartesia/Candriam excludes these activities from all directly managed portfolios.

The exclusions encompass involvement in the development, production, testing, maintenance, and sale of controversial weapons, as well as activities such as thermal coal, oil and gas extraction, high-energy-intensity operations, and mining. This policy ensures that only companies with a strong commitment to environmental responsibility and proactive mitigation efforts qualify for KIF. By implementing sector-specific exclusions and stringent revenue thresholds, we establish minimum standards to mitigate exposure to activities that are harmful to both the environment and society.

For a detailed description of Candriam's SRI exclusion policy, please refer to the following link: https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/exclusion-policy/candriam-exclusion-policy-en.pdf

**Candriam's Norms-based Analysis** evaluates a company's adherence to the 10 principles of the United Nations Global Compact, focusing on Human Rights, Labor Rights, Environment, and Governance, regardless of the investment strategy's objectives. In alignment with our commitment to preventing significant harm, this analysis and screening process enable us to define robust environmental and social indicators along with tolerance levels. If a company fails to meet these standards, it will be subject to exclusion.

For more information, please refer to Candriam's SFDR Sustainable Investment Definition, available via: https://www.candriam.com/en-fr/professional/sfdr/#definitions-and-methodologies

**2. Proprietary ESG analysis (resulting in ESG Due Diligence)**

Our analysis enables a comprehensive evaluation of the sustainability of issuers by integrating Environmental, Social, and Governance (ESG) data into investment decisions. This process includes a detailed review of business activities and stakeholder management, culminating in an overall ESG assessment as part of the due diligence for each deal.

For more information on the ESG due diligence process and methodology, please see Section 5.2.2.

**3. Engagement : ESG Improvement plan and dialogue**

Our engagement activities contribute to avoiding or reducing the extent of PAIs via continuous dialogue with the management of the company and the monitoring of ESG improvement plan that was defined at the Due Diligence stage.

For more information on Engagement and ESG Improvement Plan, see Section 5.2.3.

#### 2.4.2. Assessment of Minimum safeguards

The principle of ‘Do Not Significantly Harm’ (DNSH) is linked to the alignment of investments with minimum safeguards under the Sustainable Finance Disclosure Regulation (SFDR).

To ensure that investments meet these minimum safeguards, Candriam’s comprehensive negative screening process evaluates whether these safeguards, particularly those related to international norms and conventions, are in place. This process also enables us to exclude activities that are harmful to environmental and/or social sustainability.

### 2.5. Our Exclusion Standards

An exclusion policy applies and aims to exclude companies that are significantly exposed to controversial activities such as, but not limited to, tobacco, thermal coal, weapons and unconventional oil & gas production. Moreover, KIF does not invest in companies that manufacture, use or possess anti-personnel landmines, cluster bombs, chemical, biological, white phosphorus, depleted uranium and nuclear weapons.

Furthermore, companies being financed through KIF:

- Should not materially harm any environmental or social objectives and;
- Follow good governance practices, including compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises.

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| | Exclusion Thresholds / Criteria[1] |
|---|---|
| | **Exclusion of controversial corporate activities:** |
| **Controversial Armaments** | - Any involvement in: Anti-personnel landmines; Cluster bombs; Depleted uranium; Chemical weapons; Biological weapons, white phosphorus, blinding lasers and non-detectable fragments[1]<br>- Any involvement in nuclear weapons |
| **Thermal Coal** | - Companies directly involved in coal extraction (>0% revenues)[2]<br>- Companies with > 1% revenues from the value chain of thermal coal (including extraction and supporting products and services)[3]<br>- Companies with >5% revenues threshold from the value chain including coal power generation[4]<br>- Companies with expansion plans (new projects) in coal mining or coal-based power generation<br>- Companies with a coal power generation capacity above 5 GW |
| **Tobacco** | - Production: any involvement[5]<br>- Distribution: 5% revenue threshold |
| **Conventional Armaments** | - 3% revenue threshold |
| **Electricity Generation** | - Companies with new coal or nuclear-based projects<br>- Carbon Intensity above 279g$CO_2$/kWh<br>- Companies deriving 50% or more of their revenues from electricity generation sources with a carbon intensity above 100 gCO2e/kWh3[6] |
| **Oil & Gas** | **Unconventional O&G:**<br>- Companies involved in unconventional oil & gas extraction (>0% revenues)<br>- Companies with >10 % revenues from exploration, extraction, distribution, or refining of oil fuels) [7]<br>- Companies providing services and equipment dedicated to unconventional oil & gas extraction (>25% revenues) |
| | **Conventional O&G:**<br>- Companies involved in conventional oil & gas extraction (>0% revenues)<br><br>Unless (the two conditions have to be met):<br>- The company dedicates over 20% of its capex to renewable energy AND,<br>- The company does not explore or develop new oil & gas projects<br>- Companies with expansion or exploration plans for new oil and gas projects |

[1] The threshold aligns with the Climate Transition Benchmark (CTB) as per Article 12(1)(a)-(c) of Commission Delegated Regulation (EU) 2020/1818, as outlined below
[2] The threshold aligns with the Paris-Aligned Benchmark (PAB) as per Article 12 of the Commission Delegated Regulation (EU) 2020/1818
[3] The threshold aligns with the Paris-Aligned Benchmark (PAB) as per Article 12 of the Commission Delegated Regulation (EU) 2020/1818
[4] Certain exceptions may apply, as further described below
[5] The threshold aligns with the Climate Transition Benchmark (CTB) as per Article 12(1)(a)-(c) of Commission Delegated Regulation (EU) 2020/1818, as outlined below
[6] The threshold aligns with the Paris-Aligned Benchmark (PAB) as per Article 12 of the Commission Delegated Regulation (EU) 2020/1818
[7] The threshold aligns with the Climate Transition Benchmark (CTB) as per Article 12(1)(a)-(c) of Commission Delegated Regulation (EU) 2020/1818, as outlined below

| | |
|---|---|
| **Corporate Activities in Oppressive Regimes** | - 10% revenue threshold (unless a suspension of activities or plans to exit the country have been announced[8]<br>- Engagement triggered for certain selected companies with 5 and 10% revenue exposure |
| **Adult Content** | - 5% revenue threshold |
| **Alcohol** | - 10% revenue threshold |
| **Animal testing** | - No responsible policy and no legal requirement to test |
| **Gambling** | - 5% revenue threshold |
| **GMO** | - 1% Revenue threshold |
| **Pesticides** | - 1% revenue threshold derived from pesticide production for the Agriculture sector |
| **Nuclear Power** | - 30% revenue threshold[9] |
| **Palm Oil** | Producers/Distributors that:<br>• Derive >1% of their revenues from palm oil unless:<br>o They are RSPO6 member; OR<br>o Have 50% of palm oil being RSPO-certified AND have a deforestation policy<br>Buyers that:<br>• Derive >10% of their revenues from palm oil unless:<br>o They are RSPO member; OR<br>- o Have 50% of palm oil being RSPO-certified AND have a deforestation policy |
| **Exclusion of Sovereign Issuers:** | |
| **Oppressive regimes** | Debt of sovereign or quasi-sovereign entities on Candriam's Oppressive Regimes List |
| **Norms-Based Exclusions:** | |
| **Norms** | Red Flag Companies: Companies with "Red" ratings in any of the four UNGC pillars and the OECD Guidelines for Multinational Enterprises |

[1] Candriam's exclusion policies are subject to the constraints inherent to the availability of ESG data and to the underlying data methodologies. Therefore, thresholds are analysed and implemented on a best-effort basis.

[2] Certain exceptions may apply, as further described below

[3] Threshold applies if carbon intensity not available.

### 2.6. International Impact Standards

The Impact Fund has been designed to adopt the best international standards on impact investing, by aligning its strategy to the various international standards/frameworks, listed below:

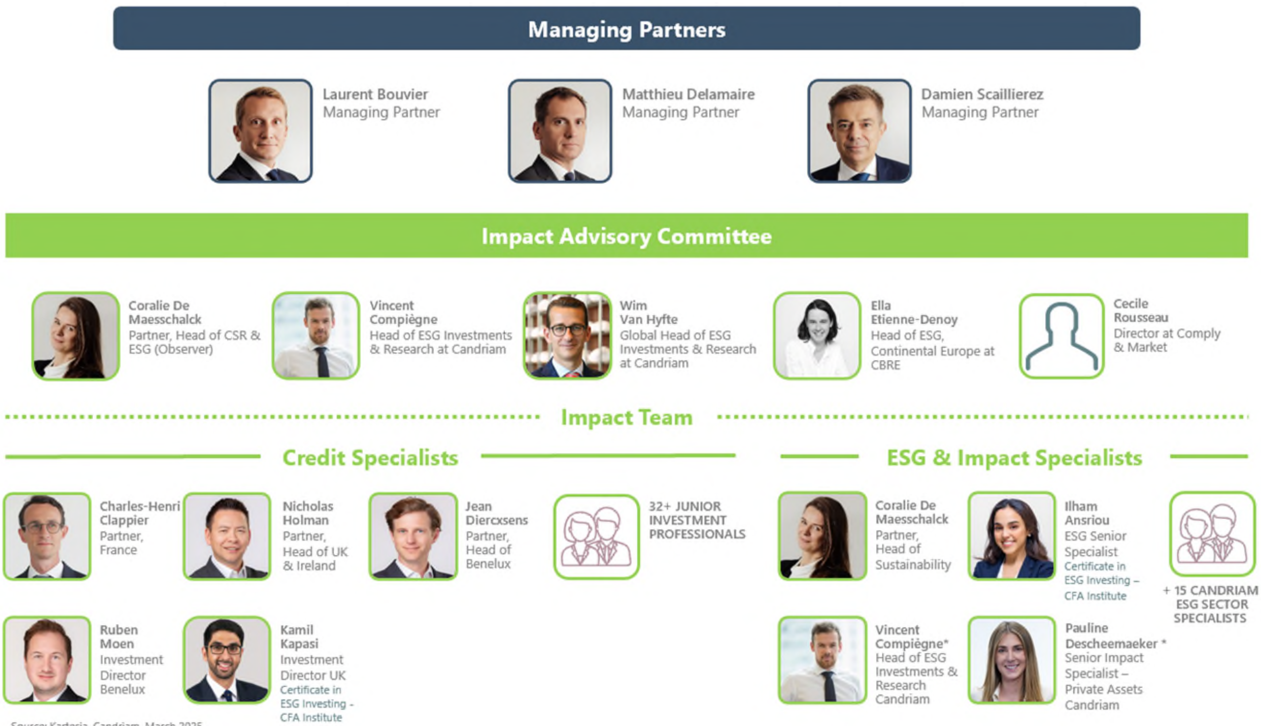
[8] Certain exceptions may apply, as further described below

[9] Threshold applies regardless of carbon intensity

- **Global Impact Investing Network** (GIIN): the GIIN builds critical market infrastructure and supports activities, education, and research that help accelerate the development of the impact investing field. Kartesia is a member of the Global Impact Investing Network, reflecting its commitment to advancing best practices in impact investing.
- **Impact Management Norms (Formally Impact Management Project)**: the Impact Management Norms Framework provides a forum for building global consensus on measuring, managing and reporting impacts on sustainability.
- **EU Sustainable Finance Disclosure Regulation** (SFDR): provides a pre-contractual template to disclose the sustainable investment objectives of impact funds.

## 3. Impact Governance

See below the established Impact Governance Structure:



Source: Kartesia, Candriam, March 2025
* Main contact persons at CANDRIAM

More on the Impact Advisory Committee:

The Kartesia's independent Impact Advisory Committee has been created in 2022. The Committee adds further rigour to the asset and KPI selection process on each new investment opportunity of key sustainability and sectoral considerations. Members meet on a regular basis to review the pipeline, as well as on an ad-hoc basis, when new deals are in the final phase of the due diligence.

The Committee is composed of four members and one observer. The four members are two senior managers at CANDRIAM and two independent external experts with expertise from decarbonising real estate and chemical engineers focused on supply chains and recyclability of materials. The Senior managers at CANDRIAM that sit on the Committee are Wim Van Hyfte and Vincent

Compiègne. Wim has been Global Head of ESG Investments and Research at CANDRIAM since 2016, while Vincent is Head of ESG Investments & Research, Deputy Global Head since 2020. The observer is Coralie De Maesschalck, Kartesia's Partner & Head of Sustainability.

Cécile Rousseau and Ella Etienne-Denoy are the two independent members. Cécile is a Director at Comply & Market, providing EU regulatory affairs and strategy advice. She was previously a Partner at the consulting firm ERM, focusing on Product Stewardship. Ella founded Green Soluce, a consulting firm dedicated to sustainable real estate. She is now the Head of ESG & Sustainability Services at CBRE France after the merger of Green Soluce and CBRE's sustainability team.

All members of the Impact Advisory Committee are sustainability experts, with sectoral expertise. 50% of the Committee's members are women, achieving gender equality.

## 4. Investment Strategy

### 4.1. Investment Proposition

The Impact Fund offers senior debt financing to European companies focusing on small and medium-sized companies. The Fund seeks to generate impact from sourcing and deal structuring, incentivizing borrowers for full impact alignment.

This means that KIF I prioritizes both environmental and social objectives, with a core focus on advancing the UN Sustainable Development Goals (SDGs). We finance companies whose products or services directly contribute to the SDGs, deliver positive outcomes for the environment or society, and demonstrate a commitment to continuously improving their ESG practices.

KIF I will grant financial incentives to borrowers through interest rate discounts where KPI targets are met and will provide ongoing support to companies to achieve specified sustainability objectives. The KPIs will be measured and monitored throughout the holding period.

### 4.2. Impact Themes

KIF invests in companies directly contributing to Sustainable Development Goals and supports companies in their transition to more impactful practices by promoting a "better society" on a "healthier planet".

The promotion of a "better society" refers to the KIF's endeavour to contribute to a social objective of "providing or enabling access to opportunities for all through the development of skills and employability, promoting and enabling safe and healthy lifestyles, and through encouraging and achieving diversity and inclusion.

The promotion of a "healthier planet" represents furthering an environmental objective of "making efficient and sustainable use of environmental capital". In concrete terms, this means leading the way to a low-carbon economy, contributing to a more circular economy, and improving the quality of air and water.

KIF seeks to make a broad impact by promoting a "better society" on a "healthier planet" by financing companies whose products and / or services directly contribute to at least one of the pre-selected 11 of 17 United Nations Sustainable Development Goals ("UN SDGs") shown below:

➢ 4 "Social SDGs"

- SDG 3: **Good Health and Well-being** - Ensure healthy lives and promote well-being for all at all ages.
- SDG 4: **Quality Education** - Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- SDG 8: **Decent Work and Economic Growth** - Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all.
- SDG 10: **Reduced Inequalities** - Reduce inequality within and among countries.

➢ 7 "Environmental SDGs"

- SDG 6: **Clean Water and Sanitation** - Ensure availability and sustainable management of water and sanitation for all.
- SDG 7: **Affordable and Clean Energy** - Ensure access to affordable, reliable, sustainable, and modern energy for all.
- SDG 11: **Sustainable Cities and Communities** - Make cities and human settlements inclusive, safe, resilient, and sustainable.
- SDG 12: **Responsible Consumption and Production** - Ensure sustainable consumption and production patterns.
- SDG 13: **Climate Action** - Take urgent action to combat climate change and its impacts.
- SDG 14: **Life Below Water** - Conserve and sustainably use the oceans, seas, and marine resources for sustainable development.
- SDG 15: **Life on Land** - Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.


## 5. Impact throughout the Investment Process

To ensure that a company financed by KIF meets the fund's investment thesis, Kartesia works with CANDRIAM throughout the deal process (from screening to exit phase) via their ESG Investments & Research Team who independently conducts an assessment of business activities, norms-based analysis (including review of SFDR PAIs ) and controversial activities analysis to ensure compliance.

From sourcing impact opportunities all the way to their execution, the strategy has been defined in such way that KIF invests only in companies directly contributing to Sustainable Development Goals and supports companies in their transition to more impactful practices by promoting a "better society" on a "healthier planet".

**About Candriam:**

Candriam is a global multi-specialist asset manager and a recognized pioneer and leader in sustainable investment. For more than 25 years, Candriam has offered innovative and diversified investment solutions across many asset classes including fixed income, equities, absolute return, asset allocation and illiquid assets.

Candriam's mandate in its partnership with Kartesia is to conduct the ESG due diligence for the Impact Fund investment opportunities, using Candriam's proprietary ESG methodology.

Through Candriam, we ensure the following advantages:

1) Complete independence of the ESG teams
2) Strong Sectoral expertise

Candriam is also supporting Kartesia in setting up the ESG improvement plan of each Impact Fund investment.

### 5.1. Preliminary Analysis (preliminary document screening)

At this early stage of the deal process, an Impact/ESG preliminary analysis of the target company is conducted. The objective is to identify and assess the potential environmental, social, and governance (ESG) risks and opportunities associated with a prospective investment and provide a first "go/no go" decision before getting into the in-depth ESG due diligence.

The following elements are analysed based on available documentation and public information:

- Business activity description
- Direct Impact on defined SDGs (pre)confirmation
- Verification that business activities do not cause significant harm to any of the UN SDGs (DNSH principle)
- Impact strengths of the opportunity
- Potential Impact weaknesses of the opportunity
- Initial Impact KPIs proposition
- Further due diligence points identified

Following this analysis, Kartesia and Candriam provide their decision on the deal's eligibility to proceed to the in-depth due diligence phase.

### 5.2. Due diligence / Impact assessment

The purpose of impact/ESG due diligence is to conduct a thorough and detailed assessment of the environmental, social, and governance factors associated with an investment opportunity.

At this stage, there are four main elements that are being prepared: (1) an SDG mapping, (2) an ESG due diligence, (3) an ESG Improvement Plan and Impact Targets and (4) a Carbon Footprint assessment.

### 5.2.1. Impact Analysis – Alignment with the Impact Management Norms Framework

To ensure a robust, consistent and decision-useful assessment of impact, Kartesia Impact Fund bases its impact analysis on the Impact Management Norms Framework (formerly developed by the Impact Management Project – IMP).
This framework provides a structured approach to understand, assess and manage impact by examining what impact is occurring, who experiences it, how much impact is generated, the contribution of the investment, and the associated risks.

The framework is applied throughout the investment lifecycle, from pre-investment screening to monitoring during the holding period.

The conclusions of the Impact Analysis:

- Inform the investment decision alongside financial and ESG considerations;
- Guide the selection of impact KPIs and targets;
- Feed into ongoing monitoring, reporting and engagement with portfolio companies

#### 5.2.1.1. What – Nature of the impact

This pillar assesses what kind of outcomes the company's activities generate.

For each investment, Candriam analyses:

- The positive social and/or environmental outcomes linked to the company's products and services;
- The potential negative impacts that may arise from the business activities, in line with the Do No Significant Harm (DNSH) principle.

This analysis ensures that impact is clearly defined, intentional, and linked to real-world outcomes, beyond generic ESG improvements.

#### 5.2.1.2. Who – Stakeholders affected

This pillar examines who experiences the impact.

Candriam identifies:

- The primary beneficiaries or affected stakeholders (e.g. employees, end-users, local communities, vulnerable populations, ecosystems);
- Whether the impact targets underserved, vulnerable or high-need populations, where relevant;
- The geographic and contextual dimensions of the impact.

This analysis allows Kartesia to assess the relevance and materiality of the impact in relation to societal or environmental needs.

#### 5.2.1.3. How much – Scale, depth and duration

This pillar assesses the magnitude of the impact generated.

Candriam evaluates:

- Scale: how many stakeholders or ecosystems are affected;
- Depth: the degree of positive (or negative) change experienced;
- Duration: how long the impact is expected to last.

This assessment is translated into quantitative and qualitative KPIs, which are monitored throughout the holding period and, where relevant, embedded into the margin ratchet mechanism.

#### 5.2.1.4. **Contribution – Additionality of the investment**

This pillar assesses whether the company's activities generate positive social and/or environmental outcomes beyond standard market practices and contribute meaningfully to addressing identified sustainability challenges.

Candriam evaluates:

- The extent to which the company's products, services or operating model deliver solutions that would not occur, or would occur to a lesser extent, in the absence of the company's activities;
- The degree of differentiation compared to peers and business-as-usual practices within the sector;
- The company's ambition and capacity to strengthen and scale impact over time, supported by clearly defined impact objectives and KPIs.

This assessment ensures that KIF invests in companies demonstrating credible and intentional impact additionality, aligned with the Fund's impact objectives.

#### 5.2.1.5. **Risk – Risks to achieving impact**

This pillar identifies risks that could prevent the intended impact from being achieved, including:

- Execution risk (failure to implement the ESG Improvement Plan);
- Stakeholder risk (unintended negative effects on certain groups);
- External risk (regulatory, market or technological changes);
- Impact trade-offs between different environmental or social objectives.

These risks are assessed during due diligence and actively monitored during the holding period, with mitigation measures embedded in the ESG Improvement Plan

### 5.2.2. SDGs mapping

Candriam makes a first mapping in a dedicated Preliminary Screening Memorandum, detailing the products and / or services offered by the company as well as to which Sustainable Development Goal(s) and target(s) those contribute. Candriam confirms or invalidate the Sustainable Development Goal(s) and target(s) and document their conclusion in the same document.

### 5.2.3. ESG due diligence

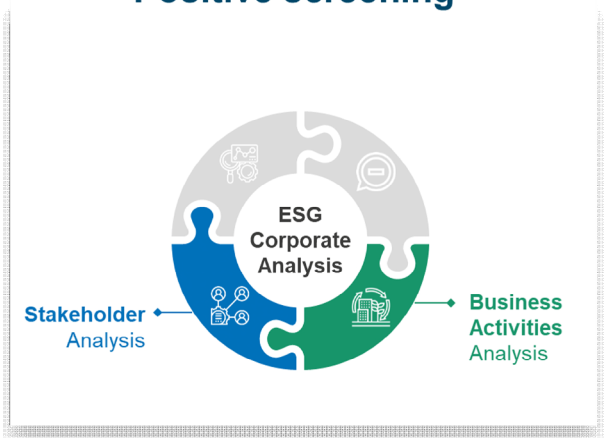
Impact Analysis focuses on understanding and managing the positive social and environmental outcomes generated by the investment, while ESG due diligence focuses on identifying and mitigating sustainability risks. Both analyses are complementary and jointly inform the investment decision

At this stage, Candriam conducts an in-depth ESG due diligence based on its in-house ESG methodology. This phase allows CANDRIAM to identify the different ESG risks and opportunities of the deal, and to define environmental and social targets in line with the company's activities and its development goals in the short, medium and long term.

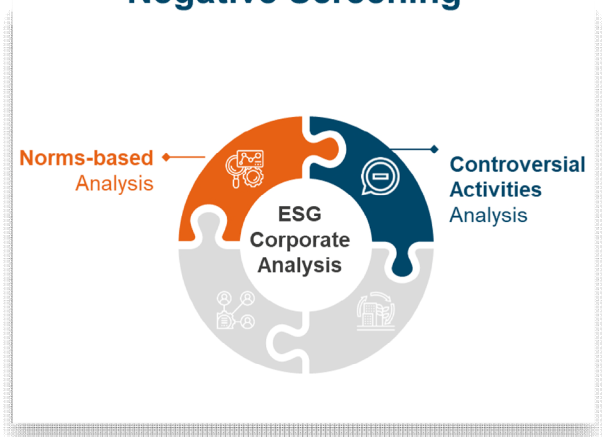
This ESG due diligence is based mainly on (1) a dedicated ESG questionnaire filled in by the Company, and (2) follow-up calls with Company's management.

CANDRIAM has developed a unique three-step analysis to ensure that an investment contributes to the sustainable challenges and goals the world is facing. It integrates ESG information and analysis into its investment decisions through (1) Business Activity analysis, (2) Stakeholder Management analysis and (3) Norms-based analysis and review the risks and opportunities that stem from the economic activities and operations of companies.

Positive screening




Negative Screening




**CANDRIAM's ESG Corporate Analysis aims both at identifying and reducing sustainability risks and at uncovering and capturing opportunities related to sustainability**

Key areas of focus include:

- **Business activity analysis**: A strategic assessment of how companies' activities address, are exposed to and impact the key sustainable challenges of climate change, resource depletion, health & wellness, digitalization and demographic evolution.
- **Stakeholder Management analysis**: An in-depth evaluation of how sustainably companies manage internal and external stakeholder issues including those involving the environment, society, employees, suppliers, customers and investors.
- **Norms-based analysis**: An assessment of whether a company complies with the 10 principles of the United Nations Global Compact for each of the main categories: (1) Human Rights, (2) Labor Rights, (3) Environment and (4) Governance, regardless of the investment objective of the strategy. In line with the aim to invest in a way that does not do any significant harm, the norms-

based analysis and screening enable CANDRIAM to set robust environmental and social indicators and tolerance levels, against which exclusions or divestment would occur should they not be respected.

- **Controversial activities analysis**: It is also during this negative screening step that CANDRIAM investigates if the company is linked to any violations of the UN Global Compact principles or exposed to activities that are deemed controversial.

Prior to fully approving / Rejecting the deal, the ESG due diligence report is presented to Kartesia, the management of the target company and the Impact Advisory Committee.

### 5.2.4. Improvement plan and impact targets definition

Once the due diligence conclusions have been reviewed and approved, Candriam establishes, in partnership with the company's Management Team, (1) an ESG Improvement Plan and (2) two ESG KPIs that will be linked to the interest rate of the target company.

- **The Improvement Plan**: Kartesia and Candriam define an ESG Action Plan for each investee company based on the company's activities and level of maturity on specific ESG issues. This action plan will be closely monitored throughout the deal's life to ensure that the defined initiatives are correctly implemented. As part of this Improvement Plan, 8 quantifiable targets/KPIs are defined and tracked (starting value of KPIs defined during due diligence phase).
- **The two Margin Rachet KPIs**: In addition to the Improvement Plan, two impact targets, deemed most relevant, will be included in the term sheet as part of the financial impact incentive mechanism ("margin ratchet down mechanism"). In other words, the company gets an interest rate discount if the impact targets linked to the loan margin are met (applied annually).

### 5.2.5. Carbon Assessment

The foundation for any climate action starts with calculation: a company that knows its carbon footprint also knows which parts of its business cause emissions and how high the emissions are. A carbon footprint helps companies to understand which areas have the greatest potential for avoidance and reduction, to set reduction targets, and to develop and implement appropriate reduction measures.

In parallel with ESG due diligence, a carbon assessment is carried out for all portfolio companies of the Impact Fund. Depending on the type of business, this may be conducted at a corporate level (corporate carbon footprint, CCF) and/or at the product or site level (product carbon footprint, PCF). This lays the foundation for a comprehensive decarbonization plan, giving the portfolio company clear insights into their greenhouse gas emissions, where carbon hotspots lie within the business, and what strategies can be applied to reduce climate impact.

Beyond establishing a baseline, the assessment also enables the development of a tailored decarbonization trajectory and action plan, aligned with net-zero or SBTi commitments. Portfolio companies are supported with personalized strategies and expert input to identify relevant levers for emission reductions across scopes 1, 2 and 3.

The assessment is conducted at entry of the investment and then reviewed on an annual basis, in line with recognized international standards such as the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

## 5.3. Holding Period

### 5.3.1. Impact Monitoring

Kartesia diligently monitors its investments throughout the holding period to ensure that the investee companies are implementing the recommendations and initiatives outlined in the ESG Improvement Plan.

Kartesia meets the companies on a quarterly basis to discuss the progress of the ESG improvement plan and ensure initiatives go in the right direction.

Annually Kartesia collects the following data from the portfolio company, and shares them with Candriam at the anniversary date of the loan:

- Kartesia ESG questionnaire
- Details on margin ratchet's targets achievement level and calculation
- Wider roadmap compliance certificate / Update on ESG strategy (Improvement Plan evolution/achievements check item by item)
- Carbon footprint assessment annual update

The margin ratchet is confirmed by Candriam and then shared by the Kartesia ESG team with the Impact Advisory Committee for external approval.

Kartesia's goal through the impact monitoring procedures in place is to provide support to investee companies in implementing ESG best practices through a collaborative approach. By encouraging companies to leverage both the Kartesia platform and its third-party resources, Kartesia fosters partnerships aimed at creating a credible roadmap for improving their overall ESG profile. This collaboration helps investee companies not only enhance their sustainability efforts but also drives further impactful processes that may de-risk operations, improve long-term resilience, and increase shareholder value. Through this support, Kartesia aims to help companies continuously evolve their ESG strategies and align more closely with best practices, ultimately contributing to positive financial and societal outcomes.

#### 5.3.2. Reporting and Disclosures

Throughout the holding period, Kartesia produces several reporting and disclosures for its investors:

- Quarterly LP Reporting that includes quarterly updated SFDR indicators at fund level, as well as a detailed review of the progress made by the portfolio companies on their ESG improvement plan
- Annual SFDR/PAI Reporting
- Annual reporting to the UN PRI, as Kartesia is a signatory since 2014, detailing progresses done by the management company on sustainability and ESG
- Annual Sustainability Report that publicly details the CSR initiatives taken over the last year, as well as ESG progress and engagement initiatives. It also comprises a climate section that includes a TCFD reporting and a EU taxonomy eligibility analysis. The Sustainability Report covers all the various strategies of Kartesia, with a section focusing on the Impact Fund.

### 5.4. Exit Phase

At the end of the fund, part of the carried is allocated to Kartesia Philanthropy, pro-rata the % of margin ratchet KPIs achieved through the life of the fund.