



SFDR ADVERSE SUSTAINABILITY IMPACT STATEMENT

SUMMARY

Fasanara Capital Ltd (“Fasanara” or “we”) believe in the importance of taking a responsible approach to investment to support long-term returns and increase the resilience of the economy and stability of the financial system. Part of this approach includes considering how the investment decisions we make for the funds we manage might have material negative effects on environmental, social and governance factors (“Sustainability Factors” or just “ESG”). We refer to these negative effects as the “principle adverse impacts” resulting from our investment decisions on these Sustainability Factors. This document describes how we evaluate these negative effects as part of our investment processes in accordance with the Sustainable Risk Finance Disclosure Regulation (2019/2088) (“SFDR”).¹

Financial market participants are required to publicly disclose on an annual basis whether they consider principal adverse impacts of their investment decisions on sustainability factors and if this is the case, to disclose a statement on their due diligence policies regarding those impacts. This SFDR Adverse Sustainability Impact Statement covers the period from 1 January 2021 to 31 December 2021.

Fasanara is fully committed to integrating the consideration of Sustainability Factors into its overall investment processes. This includes reviewing how investment decisions will or are likely to have a material adverse impact on these factors. Depending on the type of investment strategy followed, we will also consider how an investment decision might have a positive impact on them.

We take Sustainability Factors seriously, both as part of our fiduciary responsibility to our clients and as a participant in the global financial system. We tailor our approach to reviewing how our investment decisions might be impacted by Sustainability Factors by investment strategy and asset class to ensure that the analysis is relevant and meaningful to each team’s investment process. We also tailor our approach to consider the investment guidelines and any legal or regulatory restrictions on ESG integration that apply to particular investment portfolios.

Fasanara’s Investment analysts and portfolio managers follow an investment process that considers (1) the potential impact of ESG risks on the value of investments alongside the other factors that determine the prospects for a company such as financial data, and (2) how decisions to purchase particular assets might have an adverse impact on Sustainability Factors. They have access to a range of ESG data and research, including research and analysis from third party ESG data providers. This includes:

¹ Please note that, because of the draft status of the Regulatory Technical Standards of the SFDR and the missing guidelines, this statement reflects Fasanara’s best efforts based on the SFDR and draft Regulatory Technical Standards (RTS) text of 23 April 2020. As such, the information provided by Fasanara is provided on an ‘as-is’ and best effort basis with no guarantees of completeness, accuracy and correct compliance in view of the SFDR and RTS.

- environmental, social and governance rankings within sectors and regions;
- sustainability rankings within sectors and regions;
- relative CO2 intensity (weighted average carbon intensity);
- involvement with controversies including fraud, corruption, product safety, access to healthcare; and
- labour management, data security, biodiversity and land use and toxic emissions.

We expect to significantly increase the range and granularity of the data considered during the course of 2021 to meet upcoming regulatory requirements.

I. DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE ADVERSE SUSTAINABILITY IMPACTS

This document describes the policies and assessment processes we use to identify and prioritise principal adverse impacts on sustainability factors. This document was reviewed by Fasanara’s Senior Managers Committee prior to its publication and will be updated annually.

Fasanara’s approach to assessing principal adverse impacts is based on identifying the underlying borrowers, counterparties or investee companies (as applicable) with poor ESG practices and performance, such as large scale and persistent human rights violations, labour rights violations, environmental pollution or corruption.

We use external ESG-data, company disclosures, public information and our in-house AI analytics to assess the likelihood of occurrence, scope, and severity of principal adverse impacts as well as whether and how principal adverse impacts can be alleviated. The analysis, carried out by our Analytics Team and Investments Team, is a combination of an absolute assessment of the severity of a principal adverse impact and a relative assessment of quality of mitigation management, informed by sector and regional best practice. For companies and other investments not covered by any of the external data providers, as is often the case for many of the unlisted private small-and-medium enterprises (“SMEs”) underlying Fasanara’s credit portfolios, our Analytics Team have developed their own proprietary ESG ratings based on the Sustainable Development Goals (SDG) targets providing transparent, quantitative data on the potential adverse impacts of a position.

II. DESCRIPTION OF ACTIONS TO ADDRESS ADVERSE SUSTAINABILITY IMPACTS

When prioritizing our efforts to remediate principal adverse impacts through engagement, we assess among other things the materiality of the issue and the likelihood of success, which is based on our engagement history. For high risk or severe cases of a principal adverse impact identified, a mitigation strategy is defined and executed through active engagement with our counterparties to exert leverage. Our engagement activities include meetings with our partner originators at operational, senior management and/or board level and joining initiatives that seek to prevent and mitigate the principal adverse impacts.

III. ENGAGEMENT POLICIES

We are committed to supporting good stewardship through our engagement activities to support long-term value creation and to mitigate risk.

An engagement activity naturally occurs as part of our ongoing partner originator due diligence and interaction process. We believe that by encouraging better management of ESG issues by our 70+

partner originators, we contribute 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.

Having identified the ESG issues we consider material to the creation and protection of long-term financial, social and environmental value, we use ongoing dialogue to encourage our partner originators to improve performance and move towards best practice in managing those issues. Our engagement encompasses a spectrum of ESG issues.

In encouraging our partner originators to move towards best practice in managing ESG issues, we refer to international codes and standards where relevant (see below), and national corporate governance principles and codes of best practice.

Fasanara is also involved in sectoral or thematic ESG engagement, which may take more of a public policy dimension (e.g. engaging on policies or initiatives, which promote ESG disclosure generally) or engaging in efforts that advance ESG investment practice at the industry level.

IV. ADHERENCE TO INTERNATIONAL STANDARDS

In addition to national corporate governance principles and codes of best practice, Fasanara adheres to many broadly accepted codes of conduct, statements and best practices and is a signatory to many of them. Currently the most important codes and principles are:

- United Nations Principles of Responsible Investment
- United Nations Global Compact
- United Nations Sustainable Development Goals
- United Nations Guiding Principles on Business and Human Rights
- The Taskforce on Climate-related Financial Disclosures Framework
- Responsible Business Conduct for Institutional Investors (OECD)
- International Labour Organization Core Conventions
- The Paris Agreement

CONTACT DETAILS

For more information about ESG investment management at Fasanara, please visit our website www.fasanara.com/esg or contact: investors@fasanara.com

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