



Xenon AIFM S.A.

Environmental, Social, Governance Policy

March 2021

Introduction

Xenon believes the management of environmental, social and governance (ESG) issues is a critical part of ensuring the long-term success of any business today. Building better businesses through effective ownership and management benefits to all stakeholders and rewards a careful steward of capital, Xenon is committed to operating with the utmost integrity and working hard to manage ESG factors from our due diligence processes, during the management of our investments and in ongoing support. It's an investment that always delivers a return in financial terms, too.

Scope

The below policy describes what is expected from Xenon as an investment manager as well as from its portfolio companies.

Xenon ESG policy details our commitment to support ethical behaviours in all of our activities together with investing in and working with the local communities in which we operate.

Roles and Responsibilities

Danilo Mangano (Managing Director of the AIFM) and Alberto Cavadini (Conducting Officer) are responsible for the monitoring of Xenon's ESG policy and performance.

Xenon will commit to:

- Complying with relevant regulations and appropriate best practices governing the protection of human rights, public health and safety, the environment, the labour and business practices of the jurisdictions in which we conduct business
- Adhering to the highest standards of conduct intended to avoid even the appearance of negligent, unfair or corrupt business practices or practices involving conflicts of interest
- Establishing appropriate ESG policies and practices for portfolio companies, including human rights, sanctions, anti-corruption, health and safety, environment and climate change, labour practices and, where appropriate, consider similar issues in relation to each portfolio company's supply chain
- Monitoring the implementation of such policies and practices in portfolio companies, recognising that an appropriate compliance culture is an essential part of effective implementation
- Requiring the establishment of systems to measure ESG performance and encouraging the disclosure of ESG matters for public review and engagement with relevant stakeholders
- Recognising that ESG activities are of an ongoing nature and encouraging continual improvement in ESG performance also at portfolio companies level
- Distributing this policy to all the appropriate employees of portfolio companies
- Ensuring appropriate disclosure and encouraging dialogue on ESG with Limited Partners

Environmental Policy

Xenon acknowledges that its activities have an impact on the environment and aims at achieving continuous improvements in limiting this impact as far as possible.

To address key issues of environmental concern and to promote greater environmental responsibility, Xenon is committed to:

- Reducing waste, increasing re-use and recycling, encouraging circular economy principles including the efficient use of natural resources and environmental protection eliminating, where possible, the use of unsustainable products (e.g. plastic bottles)
- Providing for the assignment of and accountability for ESG responsibilities to senior managers at companies Xenon control, promoting environmental awareness to all employees of portfolio companies

Social Policy

Xenon aims at ensuring fair labour and working conditions to all employees both at management company and portfolio companies level. Xenon will:

- Support the elimination of discrimination in respect of employment and occupation by respecting all employees regardless of gender, sexual orientation, age, race, colour, ethnic origin, religion or disability
- Comply with relevant regulations and appropriate best practices governing the protection of human rights, public health, safety, labour and business practices of the jurisdictions in which we conduct business
- Support the elimination of all forms of forced and compulsory labour
- Support the effective abolition of child labour
- Assure safe and secure working conditions for employees and third parties
- Take an active role in developing career paths and guiding personnel in their careers

Governance Policy

Xenon is fully committed, in alignment with its internal Code of Conduct, to:

- Comply with all applicable laws and promote international best practice standards
- Guarantee honesty, integrity, fairness, diligence and respect in all commercial transactions
- Promote international best practices in corporate governance
- Work against all forms of corruption, including extortion and bribery
- Exhibit honesty, integrity, fairness and respect in all its business dealings
- Deal with regulators in an open and co-operative manner
- Prohibit all employees from making or receiving gifts of substance in the course of business
- Prohibit contributions to political parties or political candidates, where these could constitute conflicts of interest

Responsible Investment Strategy

We believe our medium-term ownership model, our operational capabilities and our commitment to building better businesses enable us to be a responsible sponsor of the businesses in which we invest. Our approach towards ESG is embedded in all aspects of our investment process from the original selection, to the subsequent value creation and ultimately the exit with a focus on ensuring a sustainable long-term ownership structure.

Xenon will continue to improve and evolve its sustainability programme by actively participating in the global discourse on sustainability matters, investing in the education and training of its employees, supporting the implementation of sustainable policies.

Pre-Investment

- During screening phase, according to its funds' exclusion criteria, Xenon doesn't take into consideration companies that have: (i) contributed to systematic denial of basic human rights; (ii) demonstrate a pattern of non-compliance with environmental regulations; (iii) show a pattern of engaging in child labour or forced labour; (iv) produce weapons and ammunition; (v) are directly related to adult entertainment, tobacco, and gambling, (vi) are engaged in human cloning
- Xenon commitment is to integrate a more comprehensive ESG clause in legal documentation and to conduct a formal Due Diligence on Social and Governance matters on top of the usual Due Diligence on Environmental and work place safety matters. Incorporating ESG into pre-investment Due Diligence helps Xenon to have a better view on the value creation opportunities related to target companies from a sustainability point of view and to identify strengths and weaknesses of the target company that will be monitored by Xenon. ESG Due Diligence findings will be included in the Investment Memo

Investment and Post-Investment

- During deal structuring Xenon works to ensure it operates from a strong sustainable platform to help maximise the success of an investment. Xenon has identified a set of standards that all portfolio companies are expected to consistently meet. These standards range from reporting and financial controls to environmental matters, health, safety, discrimination and cyber security
- In cases where material ESG issues are considered during the due diligence process, Xenon will seek to document, for internal use, the issues considered, findings, and next steps, if any, and subject to Xenon's determination of what is reasonable and appropriate for each investment, Xenon will work with portfolio company management to support the roll-out of a corrective action plan
- The vast majority of Xenon investments implies controlling ownership; in case of a minority stake Xenon will try not to change this approach
- Xenon commitment is to implement, together with external ESG consultants, an action plan for the CSR management in portfolio companies
- Post investment each portfolio company is required to identify an ESG representative, who collaborates with Xenon to implement Xenon ESG guidelines. There is a yearly evaluation of portfolio companies ESG performance

Exit process

- In close proximity to exit phase Xenon, together with external advisors, starts preparing due diligence documentation and possibly a report to demonstrate the ESG achievements of the relevant portfolio company

Reporting and Transparency

In addition to being a signatory of the UN's Principles for Responsible Investment and publicly sharing its ESG policy, Xenon reports on ESG during its annual investor meeting and Investor Committee meetings, which ensures that Investors remain fully informed on relevant ESG matters. In addition, in each fund's quarterly reports, Xenon outlines any significant ESG related issue in portfolio companies (and quantifies its potential economic impact).

Review

This Policy was last updated in March 2021 and will be revised annually.