

XENON PRIVATE EQUITY AIFM S.A.

Transparency on the integration of sustainability risks [Disclosure under the Commission Delegated Regulation (EU) 2019/2088, Art.3]

‘Sustainability risk’ means an environmental, social or governance event or condition that, if it occurs, could cause actual or potential material negative impact on the value of the investment.

Xenon AIFM S.A. (“Xenon”) details its approach to responsible investment, including the management of sustainability risks and opportunities, within its ESG Policy, available [here](#).

Information on how sustainability risks and opportunities are considered within the investment process can also be found below.

Screening: During the screening phase, in line with its exclusion criteria, Xenon doesn’t take into consideration companies that:

- i. contribute 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.

Prior to making any investment, Xenon assesses the sustainability of each company and documents any material findings in its investment papers. During the due diligence process, Xenon reviews potential investments for both ESG related risks and opportunities. Xenon will review any issues and potential remedies in detail during team meetings and will always involve external specialists where necessary.

Investment: Xenon incorporates ESG consideration in the valuation of a potential acquisition. Prior to making any investment, Xenon assesses the sustainability of each company and documents any material findings in its investment papers. During the due diligence process, Xenon reviews potential investments for both ESG related risks and opportunities. Xenon will review any issues and potential remedies in detail during team meetings and will always involve external specialists where necessary.

Deal Structuring: During deal structuring Xenon works to ensure it operates from a strong sustainable platform to help maximise the success of the 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, work-place safety, employee welfare, and governance. 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 the portfolio company management team to support the development of a corrective action plan. The vast majority of Xenon deals implies controlling ownership; in case of a minority stake Xenon will try not to change this approach.

Last revision: December 2023

Revision made: Annual review process and alignment to Xenon’s ESG Policy