

XENON 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/ESG risks and opportunities, within its ESG Policy (“the Policy”), available [here](#). As detailed within the Policy, Xenon aims to integrate ESG considerations across the full investment life cycle, during origination, pre-investment, post-investment and ultimately at exit.

Information on how sustainability risks and opportunities are considered within the investment process in line with the Policy can also be found below:

- **Negative Screening:** During screening, 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.

- **Pre-Investment:** Xenon integrates ESG considerations in the valuation of a potential acquisition. Prior to making an investment, Xenon assesses the ESG profile, including risks and opportunities, of the target company and documents any material findings in its investment papers. Xenon will review any risks, issues and potential remedies in detail with oversight from the Investment Committee and will always involve external specialists when deemed necessary and / or value adding.

- **Post-Investment:** 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 and objectives that all portfolio companies are expected to 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, 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 to be integrated within or supporting a value-adding ESG plan.

- **Monitoring and Engagement:** Xenon will work and engage with portfolio companies to implement the ESG / corrective action plans and will monitor progress against the pre-determined actions and a suite of ESG Key Performance Indicators (KPIs).

Date of publication	Date of last update
2023 [Version 001]	30 June 2024 [Version 002] Minor changes to the wording and inclusion of the Monitoring and Engagement section to better illustrate the full ESG integration process adopted by Xenon