

## **Fund VI – Sustainability-Related Disclosures**

### **Summary**

Fund VI (the “Fund”) promotes environmental and/or social characteristics but does not have sustainable investments as part of its objective.

With respect to its investments, the Fund applies an exclusion and as such will not invest in portfolio companies which are principally involved in a variety of prohibited activities. Furthermore, the Fund promotes environmental and/or social characteristics by encouraging a variety of activities with respect to its portfolio companies. With respect to Fund’s portfolio companies environmental and social indicators will be used to assess the attainment of these characteristics.

The Fund will typically target equity investments of €50 million to €200 million in control buyouts of companies with typical enterprise values of €100 million to €500 million, in businesses which are primarily active in Central Europe.

The planned proportion of investments used to meet the environmental and/or social characteristics is 90% of the Fund’s total assets. The Fund may invest up to 10% of its total assets in other investments, which include cash and cash-equivalents and may also include hedging tools (which do not include environmental or social safeguards).

MidEuropa conducts an annual assessment of sustainability which includes aspects of good governance. MidEuropa will also ask investee companies to have the following policies in place within 12 months of acquisition: DEI policy; Code of Business Ethics; Health & Safety Policy; Environmental Policy; Human Rights Policy; Supplier Code of Conduct; and Gender-based Violence and Harassment (GBVH) Policy.

The annual sustainability survey will act as the primary data source used to attain each of the environmental and social characteristics of the Fund. MidEuropa will undertake an annual training webinar for all portfolio companies to ensure that any personnel responsible for data collection have been upskilled on the process for sourcing the data, to ensure data quality and to reduce the proportion of data that is estimated.

MidEuropa will take a number of steps during its due diligence of portfolio companies, including using MidEuropa’s in-house sustainability screening tool.

MidEuropa will undertake a series of steps during the Fund’s hold period of portfolio companies, which form part of MidEuropa’s Responsible Investment approach as outlined in its Sustainability Report and Responsible Investment Policy.

A reference benchmark has not been designated for the purpose of attaining the environmental and/or social characteristics promoted by the Fund.

### **No sustainable investment objective of the financial product**

This financial product promotes environmental or social characteristics, but does not have sustainable investments as part of its objective.

The Fund does not commit to make any sustainable investment within the meaning of Article 2(17) of the Regulation (EU) 2019/2088. The investments underlying this Fund do not take into account the EU criteria for environmentally sustainable economic activities, including with regards to environmentally sustainable fossil gas and nuclear energy activities. As a result, the Regulation (EU) 2020/852 “do no significant harm” principle does not apply.

### **Environmental or social characteristics of the financial product**

With respect to its investments, the Fund applies an exclusion list (the “**Exclusion List**”). The Fund will not invest in portfolio companies which are principally involved in:

- The manufacturing, distribution or selling of arms or ammunitions
- The manufacturing or selling of pornography
- The manufacturing or trading of hard spirits or tobacco
- The operation of casinos or other gambling activities
- Business activities that consist of an illegal economic activity
- The production of or trade of coal, or principal engagement in mining
- Activities that involve harmful or exploitative forms of forced or child labour
- The production and selling or trading of illegal drugs
- The production and selling or trading of nuclear weapons or armaments, or cluster munitions/ mines
- Operations related to thermal coal and oil sand
- The extraction or processing of coal or crude oil

Additionally, the Fund promotes environmental and/or social characteristics by encouraging the following with respect to its portfolio companies:

- Portfolio companies must assess and reduce their carbon footprint during the Fund’s hold period
- Portfolio companies must not be active in the fossil fuel sector during the Fund’s hold period
- Where decarbonisation activities are viable in the industry sector, MidEuropa will encourage the portfolio company to set a Science Based Target within 2 years of acquisition
- MidEuropa will encourage the portfolio company to publish a DEI policy within 12 months of acquisition
- MidEuropa will encourage the portfolio company to conduct an employee survey within 12 months of acquisition.

With respect to Fund's portfolio companies, the following indicators will be used to assess the progress of the promotion of the environmental and social characteristics of the Fund:

***Environmental:***

- Carbon footprint of portfolio companies within the Fund
- Number of portfolio companies with a Science-Based Target
- Exposure to companies active in the fossil fuel sector

***Social:***

- Proportion of women on the Board
- Diversity, Equity & Inclusion policy in place
- Employee survey in place
- Exposure to controversial weapons

**Investment strategy**

The Fund will typically target equity investments of €50 million to €200 million in control buyouts of companies with typical enterprise values of €100 million to €500 million, in businesses which are primarily active in Central Europe. As the number of companies in the Region<sup>1</sup> with revenues above €500 million continues to grow, MidEuropa believes that its focus on the Region's middle market will provide the Fund with access to strong deal flow and an increasing number of attractive targets. These assets typically offer attractive scope for growth and value creation through organisational changes and operational improvements, and potentially offer multiple exit opportunities.

MidEuropa will continue to target companies operating in sectors that benefit from the growth of the Region's consumers' income, including Healthcare, Consumer, Services, and Technology. MidEuropa will target market-leading companies with high barriers to entry and highly-skilled management teams.

The binding elements of the investment strategy are:

- the Exclusion List which prevents the Fund from investing in portfolio companies which are principally involved in prohibited activities; and
- the actions taken by MidEuropa with respect to the Fund's portfolio companies as detailed above.

Policy to assess good governance practices of the investee companies

MidEuropa conducts an annual assessment of sustainability which includes aspects of good governance. MidEuropa will also ask investee companies to have the following policies in place within 12 months of acquisition: DEI policy; Code of Business Ethics; Health & Safety Policy; Environmental Policy; Human Rights Policy; Supplier Code of Conduct; and Gender-based Violence and Harassment (GBVH) Policy.

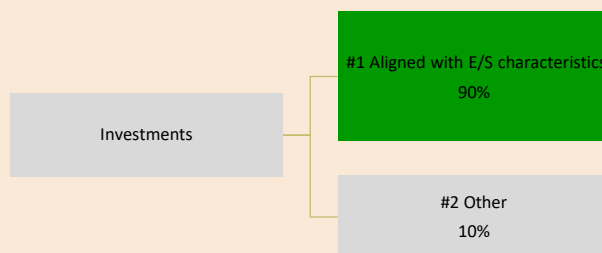
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<sup>1</sup> The "Region" means Bosnia, Bulgaria, Croatia, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, and Slovenia.

## Proportion of investments

MidEuropa will attain the environmental or social characteristics promoted by the Fund by applying the binding elements of the Fund's investment strategy to all of the Fund's investments.

Accordingly at least 90% of investments will be aligned with the environmental and social characteristics promoted by the financial product (1 Aligned with E/S characteristics) in accordance with the binding elements of the investment strategy and as such, all the Fund's investments in portfolio companies will be aligned with the environmental and social characteristics that the Fund is promoting. Up to 10% of the Fund's invested capital may be in cash, cash-equivalents and hedging tools (if any) (#2 Other). Such investments do not include environmental or social safeguards.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

## Monitoring of environmental or social characteristics

With respect to Fund's portfolio companies, the following indicators will be used to assess the progress of the promotion of the environmental and social characteristics of the Fund:

### ***Environmental:***

- Carbon footprint of portfolio companies within the Fund
- Number of portfolio companies with a Science-Based Target
- Exposure to companies active in the fossil fuel sector

### ***Social:***

- Proportion of women on the Board
- Diversity, Equity & Inclusion policy in place
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## **Methodologies**

MidEuropa's methodology for measuring how the environmental or social characteristics promoted by the Fund are met is based on its binding investment strategy. Please see *Monitoring of environmental or social characteristics* above.

## **Data sources and processing**

MidEuropa ensures that its Exclusion List is applied to all investments in the Fund by incorporating the List into its pre-acquisition screening of all investments.

MidEuropa will undertake a baseline assessment of each portfolio company upon acquisition to determine which of the environmental and social characteristics the company already meets, and which characteristics the company will work to meet within 12 months of acquisition.

MidEuropa will monitor its portfolio companies on their performance against the environmental and social characteristics annually via its annual sustainability survey. The annual sustainability survey will act as the primary data source used to attain each of the environmental and social characteristics of the Fund, and the data collected is expected to include the following:

### ***Environmental:***

- Carbon footprint of portfolio companies within the Fund
- Number of portfolio companies with a Science-Based Target
- Exposure to companies active in the fossil fuel sector

### ***Social:***

- Proportion of women on the Board
- Diversity, Equity & Inclusion policy in place
- Employee survey in place
- Exposure to controversial weapons

MidEuropa will undertake an annual training webinar for all portfolio companies to ensure that any personnel responsible for data collection have been upskilled on the process for sourcing the data, to ensure data quality and to reduce the proportion of data that is estimated.

## **Limitations to methodologies and data**

MidEuropa has selected environmental and social characteristics with the intention that the data to be sourced to measure the characteristics is straightforward for portfolio companies to monitor and report. MidEuropa will also provide standardised definitions of the environmental and social characteristics within the annual sustainability survey where data is collected from portfolio companies, to ensure standardisation, as well as providing training via an annual training webinar.

## **Due Diligence**

MidEuropa will undertake the following steps during its Due Diligence of companies within Fund VI:

- High-level Sustainability Due Diligence is undertaken in-house using MidEuropa's sustainability screening tool
- The sustainability screening tool includes a dedicated section covering climate risks and opportunities
- Engagement with management to undertake a baseline assessment of performance vs material sector issues, MidEuropa's core focus areas, and climate risk
- Based on the sustainability screening results, a third-party Due Diligence Assessment is commissioned, if required
- Depending on the sustainability risks identified, a detailed action plan is developed or the opportunity is not progressed based on these factors

## **Engagement**

MidEuropa will undertake the following steps during the hold period for companies within Fund VI:

*Sustainability onboarding: introducing MidEuropa's sustainability framework and developing an action plan*

- Red flags from Sustainability Due Diligence Assessment are addressed
- All new portfolio companies undergo a sustainability onboarding process
- Sustainability 100-day value creation plan created with the portfolio company
- All portfolio companies achieve "Good Governance" within 12 months of acquisition
- Portfolio company partners with third-party specialist to create a company-specific long-term sustainability strategy and action plan, with time-bound goals and KPIs
- The action plan includes, where relevant, a commitment to set an SBT in line with MidEuropa's overall aims

These steps form part of MidEuropa's Responsible Investment approach as outlined in the Sustainability Report ([page 14](#)) and the [Responsible Investment Policy](#).

## **Designated reference benchmark**

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.