

Flexam Invest's responsible investor strategy

Date: 17th December, 2020

Flexam Invest is an investment company specialized in the financing of tangible industrial assets in the industrial mobility, logistics and energy sectors. Through its historical activity of structuring transactions on behalf of third parties and its two funds, *Flexam Tangible Asset Income Fund* and *Flexam Tangible Asset Income Fund II*, Flexam Invest offers financing solutions that ensure sustainable growth for its industrial partners.

Through its investments, Flexam Invest directly or indirectly supports a multitude of industrial players, namely the operators who benefit from the financing solutions as well as the end users of the financed assets.

1. ESG objectives

The Flexam Invest team has been built around a common set of values: entrepreneurship, industrial DNA and loyalty. These values have naturally led Flexam Invest to build over the years a responsible investor approach, for which environmental, social and governance (ESG) criteria are determining factors in investment choices. With the launch of its new vintage, *Flexam Tangible Asset Income Fund II*, Flexam Invest aims to formalize its responsible investor's approach.

Flexam Invest's commitments to responsible investment are motivated on the one hand by the search for investment opportunities that generate financial performance and on the other hand by the desire to respond to major societal and environmental challenges, particularly those included in the Sustainable Development Goals (SDGs) as defined by the UN.

The systematic consideration of environmental, social and governance criteria, both upstream when analyzing investment opportunities and downstream when monitoring its investments, will also enable Flexam Invest to better identify and characterize the potential risks to which investments could be exposed.

To go further, Flexam Invest has set ambitious objectives in the fight against global warming. Indeed, the company wishes to be aligned with the objectives of the Paris Agreement¹, namely to maintain the rise of the global temperature to a level well below 2°C by 2100 and to pursue efforts to limit the rise in temperature to 1.5°C. Thus, Flexam Invest is committed to mobilizing the necessary resources to enable it to meet its objectives.

The formalization of its approach and commitments is materialized through the development of an ESG Charter. In addition, the company has become a signatory of the Principles for Responsible Investment (PRI).

2. Flexam Invest's ESG approach

Flexam Invest's Vigilance and Exclusion Policy

As part of its ESG approach, Flexam Invest has created a vigilance and exclusion policy, which is divided into three types of exclusion: sector exclusions, norm-based exclusions and asset exclusions with regard to non-compliance with pre-determined ESG criteria.

¹ Paris Agreement: Adopted at the Paris Climate Conference (COP21) on December 12, 2015, the Paris Agreement is the first international climate agreement of a universal nature and is an important milestone in the fight against global warming.

The sector exclusion's framework defines the sectors that Flexam Invest commits to exclude from its investment scope, which are the following:

- Assets involved in thermal coal projects;
- Assets involved in non-conventional oil and gas projects, namely shale oil, shale gas, oil sands, oil and gas resources located in the Arctic;
- Assets involved in the production of distilled alcoholic beverages and tobacco - and its derivatives;
- Assets involved in the production of controversial weapons, namely anti-personnel mines, cluster munitions, nuclear, biological and chemical weapons, and depleted uranium munitions.
- Assets used in the production, sale or purchase of equipment and goods whose purpose is "to inflict capital punishment, torture and other cruel, inhuman or degrading treatment or punishment."

This exclusion policy is complemented by a monitoring of the controversies² regarding Flexam Invest's direct and indirect counterparts, namely the operators benefiting from the financing solutions as well as the end users of the financed assets. It will be referred to as the normative exclusions through which Flexam Invest commits to monitor, to the extent of the available means, the compliance of its counterparts with the various international standards in the fight against corruption, respect for human rights and labor law. Controversies will be monitored during the pre-investment phase and during annual monitoring.

Lastly, as part of its investment decisions, Flexam Invest undertakes to exclude from its scope:

- Assets that do not comply with the regulations and directives in force or that will come into force in terms of energy performance and security during the financing period;
- Assets that have caused environmental and/or human damage and for which no satisfactory corrective action has been implemented;
- Operators and/or end-users that are the subject of proven serious controversies.

Integration of ESG criteria

Flexam Invest is committed to systematically taking into account environmental, social and governance criteria in its investment decisions. To this end, Flexam Invest has set up an extra-financial evaluation grid enabling it to analyze the ESG maturity level of its counterparts as well as the impact of the assets that the company may finance.

Flexam Invest's teams will perform:

- During the pre-investment phase: Flexam Invest is committed to incorporating ESG criteria into its due diligence process. These criteria concern both the assets financed and the counterparts involved in the projects so that Flexam Invest's investment committee has a global understanding of the various issues related to each transaction;
- During the annual monitoring: The annual collection of ESG criteria will allow Flexam Invest to monitor the maturity of its counterparts on environmental, social and governance issues until the end of the contract.

² The different international standards: The United Nations Charter, the Tripartite Declaration of the International Labour Organization of 1998, the United Nations Global Compact, the Rio Declaration on Environment and Development, the United Nations Convention against Corruption.

Communication and reporting

Flexam Invest is committed to communicating with its investors (institutional and private) and customers. To this end, in 2020, the company has implemented annual ESG reporting to meet two objectives:

- To communicate on the extra-financial performance of its *Flexam Tangible Asset Income Fund II*;
- Communicate, through impact indicators, on its contribution to the achievement of the Sustainable Development Objectives defined by the United Nations.

In addition, as of 2023, Flexam Invest will communicate with its stakeholders through the transparency report in order to report on progress in the application of the Principles promoted by the PRI.

3. Flexam Invest's CSR approach

Flexam Invest's ESG approach also reflects its desire to become a responsible player towards its stakeholders. Therefore, the company has implemented a CSR policy that responds to the following issues:

Limiting its environmental impact by implementing a number of initiatives aimed at reducing:

- Its waste consumption: with the implementation of a selective sorting system, the recycling of coffee capsules;
- Its carbon footprint: in order to limit business travel, the company favors train journeys. In addition, with the provision of a bicycle room, employees are encouraged to use an alternative mode of transportation.

Putting people at the core of the company through responsible human resources management. In order to foster a fulfilling, motivating and stable working environment, Flexam Invest makes commitments to its employees in terms of fair compensation, equal opportunities and skills development.

Adopting a good governance structure that ensures that CSR is integrated into the company's overall process. This is why Flexam Invest has set up a committee in charge of CSR issues (see the approach).

4. Carrying the approach

Flexam Invest's ESG approach applies to all employees and managers of the company. Flexam Invest ensures that the members of the company adhere to and sign the ESG Charter and that they perform their duties with transparency, probity, moderation and courtesy. The signatories thus undertake to disseminate and advance Flexam Invest's ESG approach and to conduct their activities in accordance with the principles laid down in the Charter. Flexam Invest has set up a committee whose mission will be to bring the company's ESG approach to life and to ensure its proper application. This committee is composed of the following persons:

- Marion Jutel, in charge of preparing the ESG reporting of the *Flexam Tangible Asset Income Fund II* and the company's CSR-related topics;
- Fabrice Fraikin, in charge of taking ESG considerations into account during the investment committees of the *Flexam Tangible Asset Income Fund II*.