Lexar Partners

Sustainability Risk Disclosure Statement

Last updated: 16 January 2025

1. Introduction

Financial market participants are required by Regulation (EU) 2019/ 2088, also known as the Sustainable Finance Disclosure Regulation (the ‘SFDR’), to disclose information about how sustainability-related issues are currently factored into their operations.

Lexar Partners (the ‘Firm’, or ‘Lexar Partners’) strives to be a responsible investment firm having a positive impact on the planet and our society. Lexar Partners lays out a comprehensive approach to identify new or existing sustainability risks (or opportunities) within its portfolios and systematically address the latter to ensure their minimisation. Lexar Partners makes the following disclosure in accordance with Article 3(1).

2. Sustainability Risks

Lexar Partners defines sustainability risks as financial risks linked to environmental, social, or governance (‘ESG’) events or conditions that could negatively impact an investment's value if they materialise. This definition aligns with Article 2(22) of the SFDR.

Lexar Partners has established an ESG Policy to integrate sustainability risks into its investment decision-making process. This statement outlines the Firm’s approach to incorporating sustainability risk information. Additionally, the disclosure provides detailed processes for overseeing the effective integration of these risks.

The following is a non-exhaustive list of the various risk categories that the Manager typically identifies as ‘sustainability risks’:

1. **Regulatory risks**: Non-compliance with the legal and regulatory reporting requirements for sustainable finance;
2. **Governance risks**: Lack of administrative oversight on the incorporation of sustainability risks;
3. **Social risks**: Consequences of not adhering with human rights laws or improving working conditions;

4. **Environmental risks**: Environmental events' effects on portfolio firms' operations, such as deforestation, wildfires, droughts, and floods; and
5. **Technological risks**: Vulnerabilities in technology infrastructure that may impede the integration and monitoring of sustainability initiatives.

Further details on the Firm's obligations under the SFDR and its strategy for taking sustainability risks into account when making decisions can be found on Lexar Partners' website, prospectus document and in periodic reports, which includes the 'Disclosure on the Incorporation of Sustainability Risk into Remuneration'.

More information related to Lexar Partners responsibilities under the SFDR, can be found in the following disclosures:

1. Remuneration Policy Disclosure
2. PAI Statement
3. Product-level Disclosures

3. Sustainability Risk Framework and Processes

Lexar Partners ensures the identification, monitoring, and management of critical ESG events through its internal policies and procedures.

Lexar Partners incorporates the integration of sustainability risks throughout the following stages of the investment process:

A. Criteria
B. Sourcing
C. Due diligence
D. Investment Decision
E. Ownership
F. Exit

Together, these pillars form a comprehensive sustainable investment strategy.

A. Criteria

Lexar Partners evaluates companies based on criteria that consider their alignment with ESG factors, including:

1. **Environmental impact**: Assessing the environmental impact on its portfolio companies and of its own firm, evaluating the investments for their general alignment with global climate goals and strategies for mitigating and adapting to environmental risks.
2. **Social well-being**: Prioritizing investments in companies with strong commitments to fair labour practices, diversity and protection of human rights.
3. **Governance and ethics**: Considering companies with strong governance practices and ethical values that resonate with ESG principles.

B. Sourcing

According to Lexar Partners' methodology, the first step is to screen each potential investment against an Exclusion List to ascertain no income is generated from the following industries or activities without the unanimous approval of the Investor Advisory Committee:

1. Fossil Fuels
2. Nuclear Power
3. Tobacco
4. Weapons and Ammunition
5. Gambling
6. Adult Entertainment

C. Due Diligence

Lexar Partners will enhance its due diligence process by integrating ESG factors into its preliminary information request list and incorporate an ESG questionnaire based on the SFDR further informed by FourOneFour. Should significant sustainability risks be identified, a more thorough ESG due diligence will be conducted, focusing on:

1. Regulatory compliance
2. Environmental implications
3. Social considerations
4. Ethical governance

These risks will be evaluated with respect to the specific industry of the company under review, wherever possible. Lexar Partners is committed to incorporating the results of ESG due diligence and subsequent ESG research into its investment decision-making processes.

D. Investment Decision

Lexar commits to incorporate the results of ESG due diligence and subsequent ESG research into its investment decision-making processes.

E. Ownership

Lexar Partners recognizes the importance of integrating sustainability risks into its investment processes and has a fiduciary duty to assist businesses in identifying and managing these risks.

During the ownership phase (holding period), and where appropriate, Lexar commits to conducting a baseline sustainability assessment encompassing ESG factors. The baseline results, combined with industry benchmarks, input from the portfolio company board, and insights from Lexar, will be used to establish sustainability goals. While Fund II actively promotes environmental or social characteristics as an Article 8 fund, Fund I is an Article 6 fund, which does not promote environmental or social characteristics, nor does it have sustainable investment as an objective, focusing solely on financial returns without consideration for sustainability factors.

The engagement policy provides detailed guidelines on how Lexar Partners engages with its portfolio companies and outlines the best course of action in various situations. In this way, Lexar Partners ensures that its portfolio companies are thoroughly and coherently engaged with to assist them in reducing their sustainability risks.

F. Exit

Towards and during an exit, Lexar Partners ensures to identify key ESG value drivers.

G. Annual Reporting

Sustainability reporting will be integrated into the general annual periodic reporting cycle for Fund II where applicable. Optionally, for material topics, a quarterly schedule will be implemented.

The Firm ensures regular sustainability reporting, viewing it as a crucial instrument for monitoring investments. Please refer to the SFDR Annex in the Periodic Disclosure for an overview of addressed risks and the progress made toward mitigation.

To effectively manage sustainability risks, Lexar Partners combines the regulations and guidance of its ESG Policy with the expertise of its staff. The Firm encourages clients to carefully review each product's disclosures (Fund-level disclosures) for more detailed explanations of the risk status of each product, aiding in informed decision-making.

4. Review

Lexar Partners' leadership team oversees guiding, prioritising, and monitoring sustainability risks and opportunities as part of Lexar Partners governance over the coherent implementation of this management effort. Additionally, it specifies the steps the Firm needs to take to address their materiality.

Each relevant employee (partners, managers, associates and analysts) applies sustainability risks after they have been identified and quantified in accordance with their responsibilities within the company.

This statement has been adopted and will be examined annually by Max van den Blaak (responsible partner). The next review is scheduled on 16 January 2026.