

Lexar Partners | Fund II

Product-level Disclosures

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1. Summaries

1.1 Summary (EN)

Lexar Partners (the 'Firm' or 'Lexar Partners') is committed to responsible investing by integrating environmental, social, and governance ('ESG') factors into its investment processes. The Firm focuses on businesses dedicated to innovation and digitalization or those leading the way in traditional markets by being digital pioneers. Fund II (the 'Fund') aims to generate a positive impact on sustainability alongside its financial returns.

The Fund promotes environmental and social characteristics by investing in companies that meet specific ESG criteria. It seeks to achieve long-term capital appreciation while supporting sustainability goals through responsible investing.

1.2 Samenvatting (NL)

Lexar Partners (de 'Vennootschap' of 'Lexar Partners') is gecommitteerd aan verantwoord beleggen door milieu-, sociale en governancefactoren ('ESG') te integreren in haar investeringsprocessen. De Vennootschap richt zich op bedrijven die toegewijd zijn aan innovatie en digitalisering, of op bedrijven die als digitale pioniers vooroplopen in traditionele markten. Fund II (het 'Fonds') streeft ernaar een positieve bijdrage te leveren aan duurzaamheid naast het behalen van financiële rendementen.

Het Fonds promoot milieu- en sociale kenmerken door te investeren in bedrijven die aan specifieke ESG-criteria voldoen. Het streeft naar een langetermijnvermeerdering van het kapitaal, terwijl het via verantwoord beleggen de duurzaamheidsdoelstellingen ondersteunt.

2. No sustainable investment objective

This financial product promotes environmental and social characteristics but does not have sustainable investment as its primary objective. However, sustainability risks are integrated

into the investment process, and the potential impacts of these risks on financial returns are carefully considered.

The Firm has developed a comprehensive ESG policy and engagement policy to guide its fiduciary duties as an investment steward. These policies are instrumental in monitoring and reporting relevant sustainability risks and impacts within its portfolio companies, ensuring ongoing alignment with the Fund's environmental and social characteristics. In particular, the Firm gathers sustainability information during the due diligence phase and measures relevant PAI indicators on an annual basis. The results of both processes are discussed and addressed through engagement with portfolio companies.

3. Environmental and Social Characteristics Promoted

Lexar Partners ensures that the following environmental and social characteristics are promoted by the Fund:

- Automatic refusal of investments which conflict with the exclusion list,
- In-depth ESG due diligence assessment,
- Monitoring portfolio companies through selected, relevant Principal Adverse Impact ('PAI') Indicators framework: board gender diversity; scope 1 greenhouse gas emissions; scope 2 greenhouse gas emissions; carbon footprint; carbon intensity; and number of days lost due to injuries accidents, fatalities or illness.
- Monitoring and improving employee wellbeing at portfolio companies.

4. Investment Strategy

Lexar Partners invests in the lower mid-market with a focus on B2B software and IT services companies, primarily within the Benelux region. However, portfolio companies can make add on investments in foreign countries (mainly Europe).

The Fund adheres to a strict investment strategy, only advancing companies that meet predefined ESG criteria. Sustainability risks are integrated into the investment decision-making process, and ongoing compliance with ESG standards is ensured through continuous engagement and monitoring of portfolio companies.

The Firm assesses good governance practices of the portfolio companies, including good management structures, relations with employees, remuneration of the staff concerned, and compliance with tax legislation. To ensure a robust evaluation, the Firm incorporates specific governance-related topics within its due diligence questionnaires. Furthermore, the Firm

monitors employee wellbeing at portfolio companies, recognizing it as a key indicator of sound governance and sustainable business practices.

Given the typical profile of the companies in which the Firm invests, namely, small-sized enterprises operating within Europe, the Firm considers this approach to be proportionate and effective. European companies are subject to regulatory frameworks that mandate minimum standards of corporate governance, employee protection, and fair treatment. Therefore, by embedding governance checks into the investment processes and conducting targeted monitoring post-investment, the Firm ensures an appropriate level of oversight without imposing undue burdens on the portfolio companies.

5. Proportion of Investments

The Manager allocates 100% of the Fund's capital to investments that align with the Fund's predefined environmental and social characteristics. These investments are monitored to ensure they continuously meet ESG criteria, with regular assessments to encourage companies to integrate sustainability into their business strategies. The Fund ensures that sustainability characteristics are maintained throughout the investment lifecycle, with clear reporting on any deviations.

6. Monitoring of environmental and social characteristics

Lexar Partners has engaged FourOneFour, a specialized solution provider, to comprehensively monitor the ESG performance of both portfolio companies and the fund manager. This monitoring process is fully aligned with the SFDR and incorporates relevant PAI indicators and the EU Taxonomy where applicable. By integrating these elements, Lexar ensures that its monitoring process not only tracks ESG performance but also evaluates how investments align with broader regulatory frameworks and industry best practices.

Sustainability reporting is integrated into the annual periodic reporting cycle, ensuring stakeholders receive timely information. In cases of material ESG topics, a quarterly reporting schedule may be implemented for more frequent updates, accessible to all stakeholders.

All disclosures will comply fully with SFDR requirements, ensuring transparency and accountability in the Fund's ESG performance. Detailed reports will highlight how PAI indicators and EU Taxonomy criteria, if applicable, have informed investment decisions and ongoing stewardship activities.

7. Methodologies

Lexar Partners invests in companies at the forefront of digital innovation and transformation. To align with sustainability principles, Lexar enhances its due diligence process by incorporating ESG factors into its list of preliminary information requests and utilizing an ESG Due Diligence questionnaire informed by FourOneFour. Should significant sustainability risks be identified, Lexar will conduct thorough ESG due diligence focusing on regulatory compliance, environmental implications, social considerations, and ethical governance, allowing for a comprehensive evaluation of both risks and opportunities during the investment assessment phase.

The aforementioned Exclusion List has been developed to automatically disqualify certain industries or activities that conflict with Lexar's sustainability ambitions, such as fossil fuels, weapons manufacturing, and industries associated with significant environmental damage. This list is reviewed regularly to ensure it remains relevant and aligned with the evolving regulatory landscape and societal expectations.

Lexar enhances its due diligence process by embedding ESG factors into the initial stages of investment evaluation. This process includes:

1. **Preliminary Information Request List:** ESG factors are integrated into initial requests sent to potential investee companies, ensuring sustainability considerations are addressed from the outset.
2. **ESG Due Diligence Questionnaire:** Developed in collaboration with FourOneFour, this questionnaire gathers detailed information on the company's ESG practices, covering aspects such as environmental impact, social responsibility, and governance practices.
3. **Identification of Significant Sustainability Risks:** If significant sustainability risks are identified, Lexar conducts in-depth ESG due diligence, focusing on:
 - **Regulatory Compliance:** Ensuring adherence to relevant regulations.
 - **Environmental Implications:** Assessing the environmental impact of operations.
 - **Social Considerations:** Evaluating impacts on employees, communities, and other stakeholders.
 - **Ethical Governance:** Analysing governance structures for transparency and accountability.

The ESG risks identified through this process are thoroughly evaluated to determine their potential impact on the investment, ensuring Lexar Partners invests in companies that drive digital innovation while adhering to high standards of sustainability and ethical responsibility.

8. Data sources and processing

The Fund conducts its ESG due diligence assessment using data directly obtained from portfolio company representatives, who are responsible for completing the questionnaire in detail. This data undergoes rigorous quality control checks to ensure accuracy and consistency. A designated analyst compiles and assesses the results, presenting them to the Investment Committee for independent evaluation of sustainability risks.

Data for PAI Indicators is sourced directly from portfolio companies via a trusted third-party provider's PAI platform (FourOneFour). This data is processed and verified by the third party to meet required standards. The processed data is used to derive necessary PAI indicators, regularly updated and included in the SFDR Annex of the periodic reporting.

Discrepancies or gaps in data collection are promptly addressed through follow-up requests or adjustments in the assessment process. Nevertheless, the Firm is not able to anticipate which percentage of the data will rely on estimated calculations.

9. Limitations to methodologies and data

While the ESG due diligence process at Lexar Partners is robust, it is subject to certain limitations. The availability and reliability of ESG data can vary significantly between companies and sectors, particularly in emerging markets or industries with limited reporting infrastructure. Additionally, the evolving nature of ESG standards and reliance on third-party data providers may present challenges in achieving complete accuracy and comparability. It is therefore not feasible to determine which percentage of the data reported will need to be estimated.

These limitations are carefully considered during the assessment process. Lexar Partners mitigates the impact of data variability by supplementing quantitative data with qualitative insights, conducting third-party verification, and requesting additional data from portfolio companies when necessary. Despite these challenges, Lexar Partners remains committed to providing as comprehensive and accurate an assessment as possible. Regular reviews of data sources and methodologies are conducted to enhance the reliability and relevance of ESG evaluations.

10. Due diligence

During the due diligence stage, Fund II screens potential investments using an ESG due diligence questionnaire tailored to each company's sector and geographic location. The ESG results are critical in the investment decision-making process. If red flags arise, Lexar will engage with the portfolio company to determine if mitigation is possible. If not, the investment will not proceed.

11. Engagement Policy

Fund II actively engages with portfolio companies to ensure their positive contributions towards the Fund's environmental and social characteristics. Through engagement, Fund II aims to:

- Discuss ESG performance and promote continuous improvement through regular meetings.
- Assist portfolio companies in minimizing their PAIs.
- Ensure that the Fund's strategy maximizes impact with tangible results.
- Identify and manage sustainability risks associated with portfolio companies.

To facilitate consistent engagement, Fund II employs tools outlined in its Engagement Policy, including annual milestone meetings and assistance in setting ESG performance improvement plans.

12. No designated reference benchmark

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