

# ENTERPRISING FINANCE

Enterprising Finance the Netherlands Unitranche Fund SCSp  
SFDR - article 8 website disclosure



*In accordance with Art. 10 of Regulation (EU) 2019/2088 (‘Sustainable Finance Disclosure Regulation’ or ‘SFDR’), the present website Art. 8 SFDR disclosure sets out information about the Luxembourg based Enterprising Finance the Netherlands Unitranche Fund SCSp (RCS Numéro d’immatriculation: B251800) (the “Fund”) that a potential investor should take into consideration before investing in the Fund. It should be retained for future reference. The document summarises how the Fund promotes environmental or social characteristics.*

## Summary

The Fund recognises the impact its underlying investments may have on the environment and society. Through the Fund’s investment strategy to invest in lower middle market businesses to Fund growth, acquisitions and buyouts, it is well positioned to promote environmental and social characteristics at its portfolio investments but does not commit to a percentage of sustainable investments. Having said that, the Fund is committed to:

- Considering material ESG issues during its pre-investment due diligence and during the lifetime of portfolio investment.
- Promoting the set of environmental and social characteristics described below.
- Requiring portfolio companies to complete an annual ESG due diligence questionnaire, starting either prior to or within 6 months after an initial investment into an investee company.

The Fund is committed to assessing the governance practices of portfolio companies thereby assessing the quality of their governance structures and internal policies (e.g. code of conduct, whistleblower, diversity).

No consideration shall be made for ‘principal adverse impact on sustainability factors’ (art. 7 of Directive EU 2019/2088) in the Investment Advisors investment decision process and regular fund reporting.

The data sources to attain the sustainable investment objective are primarily the portfolio companies in which the Fund invests. These enterprises usually do not have any regulatory requirement to report on ESG yet. Data availability can be limited, as ESG reporting may be in a rudimentary stage.

As the Fund invests in loans there is no engagement policy in place. The Fund may use alternative engagement strategies through its loan agreements to incentivise parties involved in an investment to improve their ESG risk profile.

### **No sustainable investment objective**

The Fund promotes environmental or social characteristics, but does not have sustainable investments as its objective.

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

The environmental and social characteristics promoted by this financial product are:

- Assessment and creation of awareness of ESG risks and opportunities within investment companies by requesting follow-up on relevant diligence review findings and through implementation of a recurring reporting requirement
- Exclusion of controversial activities through the restricted sectors list
- Exclusion of controversial countries from the UN Sanctions list
- Assessment and creation of awareness of good corporate governance practices.

No consideration shall be made for 'principal adverse impact on sustainability factors' (art. 7 of Directive EU 2019/2088) in the Investment Advisors investment decision process and regular fund reporting. We will reconsider this position on a regular basis and will endeavour to research and develop instruments or methodologies to efficiently address relevant PAIs to be able to disclose the position of our investment companies. The fund strategy targets Dutch lower middle market businesses where available sustainability related information will be limited and inconsistent in scope, as well as subjective in its nature (i.e. not audited by external parties). Subsequently, the cost of doing due diligence on these factors relative to the size business and of the loans and its expected returns would be disproportionate.

### **Investment Strategy**

Prior to each investment being executed, each investment will be assessed on its ESG risks in accordance with Enterprising Finance's ESG Policy. In addition, the investment companies will pre- and post-closing be screened on the following binding restrictions:

- Do the economic activities exclude the restricted activities for the Fund;
- Are the economic activities of the investment company outside the restricted countries list as imposed by the UN Sanctions list.

Either prior to or within the first 6 months after an investment is executed, the Fund will perform a full ESG diligence review on the company. This "Base Line Assessment" shall be

the starting point of an annual review cycle, where the investment company will be checked and challenged on progress made and to be made with regards to its ESG goals.

Bearing in mind that the Fund mostly invests in loans, it is by nature not a (majority) owner of the businesses it invests in. As such, it has restricted legal mechanisms to influence its investment companies throughout the lifetime of the investment. Therefore, the Fund's ability to exercise influence on ESG related matters is limited.

## **Proportion of Investments**

Through the Fund's investment strategy to invest in lower middle market businesses to Fund growth, acquisitions and buyouts, it is well positioned to promote environmental and social characteristics at its portfolio investments but does not commit to a percentage of sustainable investments. As many of our target investment companies are relatively young and innovative, they often take a pro-active approach towards making their operations sustainable. In addition, the Fund generates concrete investment opportunities relating to businesses whose economic activities are sustainable. The Fund pursues those opportunities positively.

## **Monitoring of environmental or social characteristics**

The Fund's prime environmental objectives are not to invest in economic activities which substantially focus on:

- fossil fuel-based energy production and related activities;
- energy-intensive and/or high CO<sub>2</sub>-emitting industries.

The Fund's prime social objectives are to invest in economic activities or businesses which:

- display proper conduct;
- promote peaceful and healthy life;
- oppose repression.

Beyond these ESG controls, the Fund in its investment strategy focuses on providing growth, acquisition and buyout capital, takes a generic approach towards economic activities which it invests in. This gives the Fund the option to apply the wider set of responsible business conduct codes and internationally recognised standards for diligence review. Consequently, both pre- and post-closing, the Fund can establish relevant environmental and social objectives and promote these actively in conjunction with the management teams and owners of the business the Fund invests in.

## **Methodologies**

Either prior to or within the first 6 months after an investment is executed, the Fund will perform a full ESG diligence review on the company. This "Base Line Assessment" is built on a standardized due diligence questionnaire, which assesses the current state of the investment company's ESG risks and strategy and its governance practices and shall be the

starting point of an annual review cycle, where the investment company will be checked and challenged on progress made and to be made with regards to its ESG goals.

Given the size of the companies the Fund invests in, this annual reporting cycle has the added benefit of educating and setting these companies up for future ESG reporting requirements that are imposed once they grow to a certain size.

The Fund implements the above environmental and social objectives by applying investment restrictions to the following economic activities:

- mining, exploration, production of fossil fuels such as coal, oil and gas and related activities at least including processing, transport, distribution and storage;
- electric power generation exceeding the Emissions Performance Standard (i.e. 250 grams of CO<sub>2</sub>e per kWh of electricity);
- manufacturing basic chemicals and fertilisers;
- manufacturing of plastics and cement
- manufacturing of basic iron, steel or their alloys (or tubes, pipes, profiles, and fittings thereof);
- aluminium production;
- manufacturing of aircraft and related machinery, as well as air transport, airports and air transportation service activities;
- otherwise manufacturing, distributing or selling products that involve serious environmental pollution or damage.

Furthermore the Fund does not invest in companies:

- having business activities that consist of an illegal economic activity or supplying sanctioned or banned products;
- manufacturing, distributing, trading arms and ammunition, unless such activities are part of explicit EU policies;
- manufacturing, distributing and trading tobacco products, alcoholic beverages and related products;
- running casinos and equivalent enterprises;
- manufacturing or distributing pornography;
- manufacturing, distributing or selling products made using forced or child labour;
- that substantially support any of the above economic activities, such as through R&D or IT support.

## **Data sources and processing**

The data sources to attain the sustainable investment objective are primarily the portfolio companies in which the Fund invests. Other third party sources could be used if deemed beneficial by the Fund, which could include but are not limited to ESG due diligence reports prepared by consultants, proprietary ESG analysis, as well as any ESG related reports which some portfolio companies might be able to share.

## Limitations to methodologies and data

The Fund has an investment focus on small and medium-enterprises. These enterprises usually do not have any regulatory requirement to report on ESG yet. Data availability can be limited, as ESG reporting may be in a rudimentary stage. Investors should note that the Fund, as a lender and not equity owner, cannot generally request ESG data over and above the requirements initially included in the financing documentation (including completion of annual ESG questionnaire and providing additional information on ESG topics during management meetings).

## Due Diligence

The Fund conducts broader scoped due diligence investigations for each investment, which includes ESG risk assessment to ensure that the targeted investment complies with Enterprising Finance's exclusion policy, and to identify any sustainability "red-flags" or opportunities.

As part of each investment's due diligence process prior to investment the investment team performs a legal and tax due diligence, which covers any material risks and issues with regards to good governance practices (including but not limited to: sound management structures, employee relations, remuneration of staff and regulatory -and tax compliance).

Either prior to or within the first 6 months after an investment is executed, the Fund will perform a full ESG diligence review on the company. This "Base Line Assessment" shall be the starting point of an annual review cycle, where the investment company will be checked and challenged on progress made and to be made with regards to its ESG goals.

Internal controls on diligence review for the Fund consist of coverage by multiple investment specialists of the Investment Advisor (providing 4 eyes principle) and review of findings by the Investment Committee of the Investment Advisor to the Fund. External controls are typically installed when key findings are expected or required to obtain relevant comfort. Audit controls are not applied.

## Engagement policies

Investors should note that the Fund, as a lender and not an equity owner, will have in practice limited ability to engage with portfolio companies outside the limitations and undertakings imposed through its Unitranche Facility Agreement.

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## Version Control

Version	Date
1.0	2023-09-28

**Enterprising Finance the Netherlands Unitranche Fund SCSp**  
**Übersetzung der Zusammenfassung der Website-Offenlegungen im Einklang mit Artikel 25 der**  
**Delegierten Verordnung der Kommission (EU) 2022/1288**

Der Fonds ist sich der Auswirkungen bewusst, die seine zugrunde liegenden Investitionen auf die Umwelt und die Gesellschaft haben können. Durch die Anlagestrategie des Fonds, in Unternehmen des unteren Mittelstands zu investieren, um Wachstum, Akquisitionen und Übernahmen zu finanzieren, ist er gut positioniert, um ökologische und soziale Merkmale bei seinen Portfolioinvestitionen zu fördern, verpflichtet sich jedoch nicht zu einem bestimmten Prozentsatz an nachhaltigen Investitionen. Der Fonds verpflichtet sich jedoch zu Folgendem:

- Berücksichtigung wesentlicher ESG-Aspekte bei der Due-Diligence-Prüfung vor der Investition und während der Laufzeit der Portfolioinvestitionen.
- Förderung der ökologischen und sozialen Merkmale.
- von den Portfoliounternehmen das Ausfüllen eines jährlichen Fragebogens zur ESG-Due-Diligence zu verlangen, der entweder vor oder innerhalb von 6 Monaten nach der Erstinvestition in ein Unternehmen beginnt, in das investiert wird.

Der Fonds verpflichtet sich, die Governance-Praktiken der Portfoliounternehmen zu bewerten und dabei die Qualität ihrer Governance-Strukturen und internen Richtlinien (z. B. Verhaltenskodex, Whistleblower, Diversität) zu beurteilen.

Im Anlageentscheidungsprozess des Anlageberaters und in der regelmäßigen Fondsberichterstattung werden die "wichtigsten negativen Auswirkungen auf Nachhaltigkeitsfaktoren" (Art. 7 der Richtlinie EU 2019/2088) nicht berücksichtigt.

Die Datenquellen zur Erreichung des nachhaltigen Anlageziels sind in erster Linie die Portfoliounternehmen, in die der Fonds investiert. Diese Unternehmen haben in der Regel noch keine gesetzliche Verpflichtung, über ESG zu berichten. Die Datenverfügbarkeit kann begrenzt sein, da sich die ESG-Berichterstattung möglicherweise noch in einem rudimentären Stadium befindet.

Da der Fonds in Kredite investiert, gibt es keine Engagement-Strategie. Der Fonds kann im Rahmen seiner Darlehensverträge alternative Engagement-Strategien anwenden, um den an einer Investition beteiligten Parteien Anreize zu bieten, ihr ESG-Risikoprofil zu verbessern.

**Enterprising Finance the Netherlands Unitranche Fund SCSp**  
**Traduction de la divulgation synthétique du site Web, conformément à l'article 25 du Règlement délégué de la Commission (UE) 2022/1288**

Le Fonds reconnaît l'impact que ses investissements sous-jacents peuvent avoir sur l'environnement et la société. Grâce à sa stratégie d'investissement dans les entreprises du marché intermédiaire inférieur pour financer la croissance, les acquisitions et les rachats, le Fonds est bien placé pour promouvoir les caractéristiques environnementales et sociales des investissements de son portefeuille, mais il ne s'engage pas à respecter un pourcentage d'investissements durables. Cela dit, le Fonds s'engage à :

- Prendre en compte les questions ESG importantes lors de l'audit préalable à l'investissement et pendant la durée de vie de l'investissement en portefeuille.
- Promouvoir l'ensemble des caractéristiques environnementales et sociales.
- exiger des sociétés du portefeuille qu'elles remplissent un questionnaire annuel de diligence raisonnable en matière d'ESG, avant ou dans les six mois suivant l'investissement initial dans une société détenue.

Le Fonds s'engage à évaluer les pratiques de gouvernance des entreprises en portefeuille, et donc la qualité de leurs structures de gouvernance et de leurs politiques internes (par exemple, code de conduite, dénonciation, diversité).

Le processus de décision d'investissement des conseillers en investissement et les rapports réguliers du fonds ne doivent pas tenir compte des "principales incidences négatives sur les facteurs de durabilité" (article 7 de la directive UE 2019/2088).

Les sources de données permettant d'atteindre l'objectif d'investissement durable sont principalement les entreprises du portefeuille dans lesquelles le Fonds investit. Ces entreprises n'ont généralement pas encore d'obligation réglementaire d'établir des rapports sur l'ESG. La disponibilité des données peut être limitée, car les rapports ESG peuvent en être à un stade rudimentaire.

Comme le Fonds investit dans des prêts, il n'y a pas de politique d'engagement en place. Le Fonds peut utiliser des stratégies d'engagement alternatives par le biais de ses accords de prêt pour inciter les parties impliquées dans un investissement à améliorer leur profil de risque ESG.

**Enterprising Finance the Netherlands Unitranche Fund SCSp**  
**Vertaling van de samenvatting van de openbaarmaking van de website overeenkomstig artikel 25**  
**van de Gedelegeerde Verordening (EU) 2022/1288 van de Commissie**

Het Fonds erkent de impact die zijn onderliggende beleggingen kunnen hebben op het milieu en de samenleving. Door de beleggingsstrategie van het Fonds om te investeren in bedrijven in de lagere middenmarkt om groei, overnames en buy-outs te financieren, is het Fonds goed gepositioneerd om milieu- en sociale kenmerken te bevorderen bij zijn portefeuillebeleggingen, maar het legt zich niet vast op een percentage duurzame beleggingen. Dit gezegd hebbende, zet het fonds zich in om:

- Het in overweging nemen van materiële ESG-kwesties tijdens de due diligence voorafgaand aan de belegging en tijdens de levensduur van de portefeuillebelegging.
- Het bevorderen van de reeks milieu- en sociale kenmerken.
- Van portefeuillebedrijven te eisen dat ze jaarlijks een ESG due diligence vragenlijst invullen, te beginnen voorafgaand aan of binnen 6 maanden na een eerste investering in een bedrijf waarin wordt geïnvesteerd.

Het Fonds zet zich in om de bestuurspraktijken van portefeuillebedrijven te beoordelen en beoordeelt daarbij de kwaliteit van hun bestuursstructuren en interne beleid (bijv. gedragscode, klokkenluidersregeling, diversiteit).

In het beslissingsproces van de Investment Advisor en de regelmatige rapportage van het fonds wordt geen rekening gehouden met 'belangrijke negatieve gevolgen voor duurzaamheidsfactoren' (art. 7 van Richtlijn EU 2019/2088).

De informatiebronnen om de duurzame beleggingsdoelstelling te bereiken zijn voornamelijk de portefeuillebedrijven waarin het Fonds belegt. Deze ondernemingen hebben meestal nog geen wettelijke verplichting om te rapporteren over ESG. De beschikbaarheid van gegevens kan beperkt zijn, omdat ESG-rapportage zich in een rudimentaire stadium kan bevinden.

Aangezien het Fonds belegt in leningen is er geen engagementbeleid. Het Fonds kan alternatieve strategieën gebruiken via zijn leningovereenkomsten om partijen die betrokken zijn bij een belegging te stimuleren hun ESG-risicoprofiel te verbeteren.