

# RESPONSIBLE INVESTMENT POLICY

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## 1. GLOSSARY

Board	Management Board of MK Global Kapital
Carsharing	Carsharing segment includes business related to short-term and long-term car rentals as well as fleet management services
ESG	<u>E</u> nvironmental, <u>S</u> ocial and <u>G</u> overnance factors
ESMS	<u>E</u> nvironmental and <u>S</u> ocial <u>M</u> anagement <u>S</u> ystem, a “set of policies, procedures, tools and internal capacity to identify and manage a financial institution's exposure to the environmental and social risks of its clients/investees”, as defined by FIRST for Sustainability
GIIN	<u>G</u> lobal <u>I</u> mpact <u>I</u> nvesting <u>N</u> etwork, a non-profit organization dedicated to increasing the scale and effectiveness of impact investing
Impact investing	Investments made with the intention to generate positive and measurable impact on environmental and/or social factors, alongside targeting financial returns
IMP	<u>I</u> mpact <u>M</u> anagement <u>P</u> roject, a framework on measuring, assessing and reporting impacts on people and the natural environment
Investor	Investors who purchased one or more debt or equity securities emitted by a SPV or another investment vehicle
Impact Objectives	Set of goals defined with the aim of generating one or several specific positive ESG outcomes
IRIS+	<u>I</u> mpact <u>R</u> eporting and <u>I</u> nvesting <u>S</u> tandards, an easy-to-navigate and tailored system managed by the GIIN that provides streamlined, practical, how-to guidance that impact investors need to manage impact
MFI	<u>M</u> icrofinance <u>I</u> nstitution, a type of financial services that targets private persons and small businesses that do not have access to conventional banking services; MK Global’s MFIs provide lending and leasing services to entrepreneurs and small businesses only
MK Global Kapital	MK Global Kapital S.a.r.L., a public company limited by shares under the Luxembourg law, with a registered address at 10, Rue C.M. Spoo, L-2546, Luxembourg, Grand Duchy of Luxembourg, and registered in the Luxembourg Trade and Companies Register under number B227640
MK ESEL	MK Global Kapital Environmental and <u>S</u> ocial <u>E</u> xclusion <u>L</u> ist, the list of excluded industries and business activities from MK Global’s investment universe because of their environment-damaging or ethically questionable nature

MSME	<u>M</u> icro, <u>S</u> mall and <u>M</u> edium-sized enterprises are defined in the EU recommendation 2003/361
OPIM	<u>O</u> perating <u>P</u> inciples for <u>I</u> mpact <u>M</u> anagement, a network and non-profit organization for impact investment that has defined 9 impact management principles which all signatory firms must respect and disclose on
Portfolio Company	Companies that are invested by a SPV or any other investment vehicle
SDG	<u>S</u> ustainable <u>D</u> evelopment <u>G</u> oals, 17 goals set up by the United Nations in 2015 and intended to be achieved by 2030, for each of which a variety of targets and metrics were defined
SPV	<u>S</u> pecial <u>P</u> urpose <u>V</u> ehicle, an entity created to fulfil narrow, specific or temporary objectives, such as ALTERNATIVE, each an unregulated securitization fund without legal personality established in the Grand Duchy of Luxembourg for an unlimited duration in accordance with the Luxembourg law of 22 March 2004 on securitization, as amended from time to time, and constituting of a fiduciary estate in accordance with the Luxembourg law of 27 July 2003 on trusts and fiduciary contracts, managed by MK Global.
Sustainability risk	An environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment
Target company	MFIs, leasing or car-sharing entities that MK Global consider investing into
UN	The <u>U</u> nited <u>N</u> ations is an intergovernmental organization aiming to maintain international peace and security

## 2. INTRODUCTION

### a. How MK Global invests

Responsible investment, and more specifically impact investing, has been an integral part of MK Global's strategy and activities since the firm's creation in 2008.

As a supporter of micro, small and medium sized enterprises (MSMEs), MK Global group continued to champion MSMEs in its regions of presence and provide funding and financing where it is most needed.

MK Global's purpose is to create positive impact by mainly investing into microfinance institutions and carsharing companies along the Silk Road and Africa. This purpose is reflected in the way MK Global conducts and manages all of its investments.

To MK Global, responsible investment is about incorporating environmental, social and corporate governance (ESG) criteria in investment decisions while following the ultimate goal of creating positive and mitigating negative impact.

MK Global is convinced of being able to provide the most benefit to society and investors by choosing Portfolio Companies with great potential to move in a more responsible and impact-oriented direction, as well as by choosing to invest in targets which are already there.

MK Global demonstrates responsibility by incorporating sustainability considerations into all stages of the investment process: in the selection of potential new portfolio companies and the ongoing monitoring and evaluation of investments. For instance, MK Global assesses the ESG strengths, weaknesses, risks and opportunities of potential targets and invested portfolio companies. This represents a significant part of the fundamental information MK Global uses to select investments, build portfolios, monitor companies and engage with them through a stewardship approach.

To continuously monitor its investment engagements, MK Global and its portfolio companies use internal tools to share data and knowledge across entities. Any progress is discussed in the relevant investment teams and at internal forums. Thanks to its active engagement with portfolio companies, MK Global gains insight into ESG and impact opportunities as well as risks that investments face. The ideal for MK Global is to have a frank but constructive two-way dialogue with portfolio companies, and to openly discuss about views on key short- and long-term issues as well as how to address them. Through a materiality-based approach, MK Global focuses on issues where it sees potential for meaningful impact on corporate value and sustainability.

MK Global considers that the involvement of team members at every hierarchical level within a solid governance structure is key in the success of its sustainability ambitions. This ambition is therefore supported across all business areas and the set-up of a centralized ESG governance.

Moreover, as a leader in impact and responsible investing, MK Global adopts internationally recognized standards and is committed to collaboration with organizations that are aligned with its own approach to responsible investment. The full list of all commitments is to be found in MK Global's Sustainability Risk Policy.

## b. Aim of the policy

It is MK Global's priority to meet and exceed the expectations of clients, investors, regulators and society regarding responsible and impact investing. MK Global decided to formalize this commitment by becoming signatory of the Operating Principles for Impact Management (OPIM) in 2022. Launched in April 2019, the impact principles provide a framework for investors to ensure that impact considerations are purposefully integrated throughout the investment life cycle. Figure 1 reflects the 9 OPIM principles that all signatories must adopt.

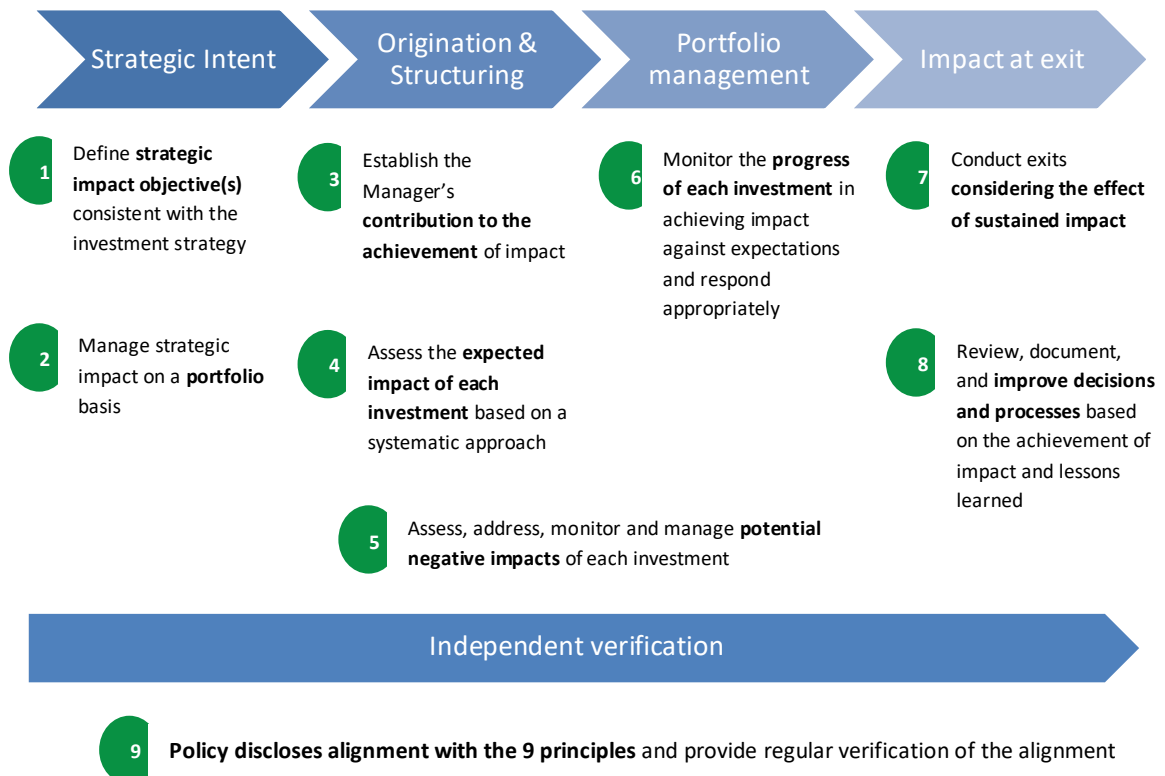


Figure 1: Overview of the 9 OPIM principles

The aim of the present document (hereafter: the "Policy") is to define a clear framework for MK Global regarding impact management that is aligned with the 9 OPIM principles. The Policy sets up a process to manage impact achievement for the whole portfolio, as required by the second principle. It defines the rules, procedures, and governance to be followed throughout MK Global's investment decision-making process (from initial screening to exit) for all investments made via a SPV or any other investment vehicle. Once they are invested, each portfolio company will have to be aware of the requirements laid out in this Policy. This is relevant because portfolio companies indirectly fall under the Policy's scope, as MK Global must receive the necessary documents and information from portfolio companies to be able to monitor and report on their impact. They shall take the necessary measures to meet minimum requirements in order for the investment to be compatible and aligned with the Policy.

The philosophy behind this Policy is thus to define MK Global's approach towards impact investment and management, as well as the consideration of environmental, social and governance (ESG) issues. The policy is founded on an objective of generating value and making a difference through integration of sustainability in the investment process and by driving positive change. MK Global firmly believes that defining such rules enhances positive impact while generating long-term returns.

**c. Scope of the Policy**

The Policy applies to MK Global and all securitization funds managed by MK Global, including financial organizations that receive investment proceeds from said securitization funds and more specifically to each MK Global employee and function involved along one or more stages of the investment decision-making and monitoring process. It is for internal use only and shall not be shared outside of MK Global without prior consent of Management Board of MK Global. A public document that reflects the key principles of the Policy, will be derived annually from this document (or any potential updated versions), and made available on the website of the OPIM in form of a "Disclosure statement" on MK Global's impact management practices.

It should be specified that through this Policy, MK Global defines impact management measures and processes on a voluntary basis, but in alignment with the OPIM principles. It is not required by any law or regulation.

**d. Policy governance and monitoring**

The owner of this Policy is MK Global's Head of ESG Department. There shall be no exceptions to the application of this Policy.

The Policy was approved by the Management Board of MK Global and any amendments to it must be approved by the same governance body. The Policy and its execution shall be formally evaluated by the Management Board at least annually in order to perform updates or address gaps where required or appropriate.

The various employees and functions directly impacted by this Policy shall develop their own templates and standard documents to ensure an efficient and effective implementation of the Policy on a daily basis. Moreover, all processes defined in the Policy must be duly documented by MK Global, as this documentation will be reviewed by an independent verifier on a regular basis, in alignment with Principle 9 of the OPIM.

This policy is reviewed annually by the Head of ESG Department and approved by CEO, before submission to the Management Board of the MK Global.

**e. Assessment and revision of the Policy**

MK Global performs regular assessment on the effectiveness and efficiency of its investment process with regards to responsible impact, as defined in this Policy. Following such assessments, MK Global's Management Board determines improvements to be implemented within the investment decision-making and monitoring processes. When validated, such improvements result in the revision of this Policy. To ensure constant



coherency between this Policy and the actual processes in place, MK Global also performs regular ad-hoc controls of this Policy, which is reviewed and updated at least annually.

### 3. IMPACT OBJECTIVES OF INVESTEEES OF MK Global

Consistent with the investees' investment strategies, MK Global has defined strategic impact objectives that are aligned with the IRIS+ framework developed by the GIIN (Global Impact Investing Network) and the Sustainable Development Goals (UN SDGs) defined by the United Nations. This meets the requirements of the first OPIM principle.

For the microfinance investments (incl. leasing), the targeted IRIS+ Impact Objectives for all lending and leasing activities are one or more of the following:

- Improving access to and use of responsible financial services for historically underserved populations;
- Improving earnings and wealth through employment and entrepreneurship (particularly for disadvantaged and excluded groups);
- Improving rural economies through financial inclusion;
- Increasing farm profitability;
- Increasing financial health of borrower;
- Increasing gender equality through financial inclusion;
- Supporting decent jobs and fostering economic development.

MK Global has translated these IRIS+ Impact Objectives into SDGs 5 (Gender Equality), 8 (Decent work and economic growth), 10 (Reduced inequalities) and 17 (Partnerships for the Goals).



For the investments into carsharing companies, the IRIS+ Impact Objective targeted is:

- Mitigating Climate Change through Clean Mobility.

MK Global has identified that its carsharing activities contribute to SDGs 5 (Gender Equality), 8 (Decent work and economic growth), 10 (Reduced inequalities), 11 (Sustainable cities and communities) and 17 (Partnerships for the Goals).



For other investments, the targeted IRIS+ Impact Objectives are:

- Improving access to and use of responsible financial services for historically underserved populations;



- Improving earnings and wealth through employment and entrepreneurship (particularly for disadvantaged and excluded groups);
- Supporting decent jobs and fostering economic development.

MK Global has translated these IRIS+ Impact Objectives into SDGs 8 (Decent work and economic growth and 10 (Reduced inequalities).



#### 4. RESPONSIBLE INVESTMENT AND IMPACT MANAGEMENT THROUGHOUT THE INVESTMENT PROCESS

A key aspect of the strategy of MK Global is to detain a controlling ownership of portfolio companies, allowing MK Global to invest into its own network of MFIs, leasing and carsharing entities, while still performing growth through acquisitions. MK Global strongly believes that this long-term oriented investment strategy favours and enhances the achievement of positive impact.

Typically, an investment lifecycle consists of five key phases: Pre-screening, Due Diligence, Monitoring and Engagement, Reporting, and Exit. MK Global's Responsible Investment Policy establishes responsible investment and impact management procedures to be followed by relevant MK Global employees for all five stages of the process.

It should be noted that while impact has always been a part of MK Global's purpose, no formal impact framework was defined or applied to the investment pre-selection and due diligence stages by MK Global before the implementation of the Policy in late 2021. This infers that no prior investment made has addressed all of the requirements set out in sub-sections *a. Pre-screening* and *b. ESG and impact due diligence* of this policy.

##### **a. Pre-screening**

During an initial pre-screening phase, MK Global's investment team assesses the activities of a potential target portfolio company against the investment vehicle's Impact Objectives. This step shall allow MK Global to establish a credible basis for achieving the respective impact objectives through an investment into the target.

If MK Global identifies that the potential target does not align with any of the investment vehicle's impact objectives, MK Global checks whether it potentially contributes to other impact objectives not selected by the investment vehicle but in line with the investment strategy. If such is the case, MK Global's Management Board can consider adapting the impact objectives of the investment vehicle.

As a next step, the deal team shall assess the alignment of the target's activities against MK Global's Environmental and Social Exclusion List (Appendix №1 - MK ESEL). This list is composed of industries and business activities, the nature of which has been assessed as environment-damaging or ethically questionable. As stated in the Sustainability Risk Policy, the exclusion list helps MK Global mitigate risks and lessen the negative effects of sustainability threats.

If target activities contradict with MK ESEL, MK Global shall oblige the target to align with MK ESEL upon investment into the company; otherwise, the target will be abandoned.

The pre-screening phase culminates with a high-level sustainability risks assessment of potential targets against international standards (SASB and MSCI materiality maps), as laid out in MK Global's Sustainability Risk Policy section 7.a. *Pre-screening*.

The above non-financial pre-screening is performed in parallel to the financial pre-screening compliant with MK Global's financial assessment and risk appetite procedures. Details about the financial assessment are not covered by the Responsible Investment Policy.

## b. ESG and impact due diligence

### i. Assessing the impact of ESG as a risk driver on risks and performance of the target company

MK Global performs a qualitative assessment of the [impact of ESG as a risk driver](#) on risks faced by the target firm in alignment with its Sustainability Risk Policy.

Furthermore, MK Global requests to review the target firm's internal policies and practices, including for instance labour and human rights policies, environmental or ESG policy, responsible credit policy, etc. These policies and practices are assessed against best market practices and compliance with international norms such as the UN Global Compact, UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the Paris Agreement under UNFCCC etc. MK Global's team is required to document potential gaps identified and determine required actions and feasibility to close these gaps. If relevant gaps cannot be closed, MK Global must consider excluding the target.

In parallel, MK Global evaluates the target's own ESG performance by collecting from the target information on all ESG initiatives taken. Examples of such initiatives are employee trainings, green office initiatives, marketing campaigns, protecting customer data privacy and security, etc. Each initiative shall be assessed on a scale from 1-5 regarding the level of ambition (or expected positive impact) and the effectiveness of its implementation.

### ii. Assessment of the target's ESG (for MFI targets only)

For each MFI target, MK Global assesses the level of maturity of the retained target's Environmental and Social Management System (ESMS)<sup>1</sup>. This step is crucial as an investment vehicle either invest into portfolio companies with a strong ESMS or into less ESMS-advanced portfolio companies, supporting the latter in building such capacities. Figure 2 represents the 5 key aspects that MK Global shall take into consideration when evaluating the maturity of a target's ESMS.

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<sup>1</sup> An ESMS is "a set of policies, procedures, tools and internal capacity to identify and manage a financial institution's exposure to the environmental and social risks of its clients/investees", as defined by FIRST for Sustainability, an innovation of the International Finance Corporation (IFC).

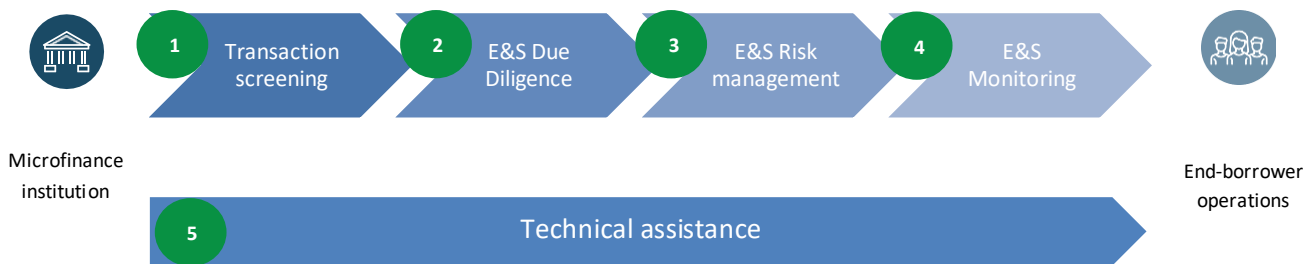


Figure 2: Key components of an ESMS. Source: FIRST for Sustainability

1. **Transaction screening:** MK Global assesses the strictness of the MFI's currently applied exclusion list (pre-investment) and the extent to which it is respected.
2. **E&S Due Diligence:** MK Global analyses which qualitative and quantitative ESG information the MFI collects at the beginning of the borrowing process in order to assess its own positive and negative impacts on ESG factors once it has granted the loan or lease to the end-borrower. It also checks whether, and if so how, ESG factors are taken into account within the loan or lease application process. The E&S Due Diligence step also includes a review of the MFI's lending and/or leasing portfolio so as to identify the business activities of the end-borrowers and for what concrete investment the loan or lease is made.
3. **E&S Risk:** MK Global reviews how the MFI assesses borrowers' exposure to E&S risks and how such risks could affect the end-borrower's ability to repay the MFI.
4. **E&S Monitoring:** MK Global checks which environmental and social data points the MFI collects from borrowers after the loan has been granted, and through which means.
5. **Technical assistance:** MK Global evaluates the MFIs initiatives to educate end-borrowers on the adverse sustainability impacts of their activities, environmental and social risks and how to manage and mitigate them.

Based on the five ESMS aspects assessed, MK Global shall identify and document good practices and potential ways for improvement of the ESMS. It shall also evaluate whether the target's current ESMS meets the Policy's minimum requirements as defined in the following sub-section *c. Monitoring, engagement and remedial action* and if not, whether MK Global will have the legitimacy to influence the target's practices.

### iii. Assessment of the target's current impact management activities

MK Global shall identify whether and if so, to what extent, the target currently manages impact. If it has an impact management approach, MK Global reviews this process thoroughly to identify similarities and differences between the present Policy. Based on whether MK Global considers becoming a minority or majority shareholder of the target company, it must evaluate whether the existing impact management framework meets the minimum requirements defined by the Responsible Investment Policy and whether its impact management practices could be adapted to meet MK Global's standards.

For MK Global, the framework to be used by portfolio companies to monitor impact shall be IRIS+.

#### iv. Assessment of the expected impact by investing into the target

Before investing into a target, MK Global needs to assess the expected impact created by the investment. This is in line with the fourth OPIM principle.

After the assessment of the target's current impact management activities has been performed and MK Global has gained a good view on the differences in approach and maturity of impact management between the target and the other portfolio companies belonging to an investment vehicle, MK Global shall identify concrete capacity building opportunities for one or both parties.

Subsequently, MK Global assesses and quantifies the concrete and realistic positive impact potential of the investment, searching for evidence where possible, and applying the Impact Management Project (IMP) framework:

- **What:** positive/negative impact and its importance to stakeholders;
- **Who:** stakeholders and how underserved are they;
- **How much:** how many stakeholders, degree of change, how long is change happening, how significant is the impact;
- **Contribution:** better/worse outcome;
- **Risk:** risk factors, likelihood of risks to occur and their effect on the initial impact expectations.

It is crucial for MK Global to, while performing this assessment, account for the relative size of the challenge addressed and take account of the geographical context of the expected impact. It shall also evaluate the likelihood of achieving the investment's expected impact.

MK Global then defines impact metrics (in line with those proposed by the IRIS+ framework) and ambitious but nevertheless realistic quantitative impact objectives to be achieved through the investment in the short, medium and long term. Moreover, MK Global shall consider and document new opportunities to increase the positive impact of the investment.

In parallel to the focus on the deal's positive impact, MK Global considers expected direct, indirect and systemic negative impact linked to the target firm and the investment (i.e. adverse impacts). Based on this, it should identify negative impacts' relevance (low, medium, high). For all issues classified as medium or high (i.e. "relevant"), the firm shall identify concrete plans for their mitigation. Metrics as well as ambitious but achievable short-, medium- and long-term quantitative and/or qualitative objectives to mitigate adverse impacts shall be formally defined for all relevant issues.

#### c. Monitoring, engagement and remedial action

As impact investor, MK Global continuously monitors portfolio companies' ESG management, performance of ESG initiatives, impact objectives as well as the effectiveness of their positive and negative impact management. A diligent monitoring does not only ensure that MK Global is aware of the portfolio company's performance and potential ESG or impact related risks, but also to identify concrete areas for improvement.

MK Global aims to influence all of its portfolio companies' practices to support them in becoming even more responsible. Where MK Global is a controlling shareholder of a portfolio company, MK Global finds itself in a premium position to engage with portfolio companies, to influence their practices and, by consequence, to amplify positive impact and mitigate risk as well as negative impact.

#### i. ESG as a risk driver and performance monitoring

MK Global monitors ESG as a risk driver as defined by its Sustainability Risk Policy. The latter defines the detailed procedures to be followed by MK Global's investment team in order to identify, avoid and where avoidance is not possible, mitigate and manage the impact of ESG on risks.

Furthermore, MK Global shall perform an annual assessment of the performance of each portfolio company's own ESG initiatives, considering their level of ambition and effectiveness of their implementation. MK Global shall emit forms on an annual basis to request portfolio companies to provide the necessary information regarding ESG initiatives taken, initially fixed objectives, achieved objectives, and where available share relevant metrics.

MK Global leverages on the insights gained from the monitoring process of various portfolio companies, in order to identify best practices, areas for improvement and the potential for new ESG initiatives. Further, it shall leverage on and engage with portfolio companies to discuss necessary action points to close identified ESG performance gaps. Where relevant, MK Global creates a bilateral or multilateral learning and exchange environment between portfolio companies to facilitate the mutual sharing of practices and experiences.

#### ii. ESMS monitoring (for MFI portfolio companies only)

Where an MFI within MK Global's portfolio did not yet have an ESMS in place prior to MK Global's investment, MK Global requires the MFI to build such an approach. During this process and depending on the legitimacy that MK Global has to influence the MFI (i.e. proportion of ownership detained), MK Global shall actively engage with the MFI to ensure that the approach being built addresses the above listed five key components of an ESMS in an ambitious yet feasible way.

Where the MFI's ESMS is formalized and applied, MK Global requests to review all documentation that testifies of its diligent implementation. Where gaps are identified between the ESMS and its carrying out, MK Global communicates them to the portfolio company and, if necessary, accompanies the MFI to identify feasible actions to close the gaps and achieve minimum standards in line with the Responsible Investment and Sustainability Risk Policies.

#### iii. Monitoring of strategic impact objectives

In the pre-screening phase, MK Global has identified specific impact objectives for each portfolio company. Where MK Global already made an investment into a portfolio company before the application of this Policy the firm shall, together with the portfolio company,

select the strategic impact objectives from section 3. *Impact Objectives of investees of MK Global* that are aligned with the portfolio company's activities.

The accuracy of the selected objectives is reassessed for each investment (i.e. portfolio company) at the beginning of the financial year to ensure consistency between defined objectives and performed activities, in alignment with the steps defined in section 3 mentioned above. Moreover, at the beginning of each financial year, MK Global shall define, for each impact objective, ambitious yet realistically achievable quantitative targets to reach on a portfolio basis, using relevant key performance indicators as defined by IRIS+ to measure impact achievement of the portfolio at the end of the period.

#### iv. Annual expected impact assessment

At the beginning of each financial year, MK Global engages with portfolio companies to determine and, where possible, quantify the expected positive impact deriving from the investment into the portfolio company. In this respect, MK Global performs the same steps as defined in section 4.b.iv. *Assessment of the expected impact by investing into the target*, in line with the fourth OPIM principle. Specific attention should be given to monitoring that newly developed impact targets for upcoming periods are aligned with the short-, medium- and long-term objectives initially defined in the section referred to above.

For existing portfolio investments, the definition of impact targets should start from the financial year following the year of initial impact metrics collection.

#### v. Positive impact monitoring

The crucial step for impact management is the monitoring of the extent to which the positive impact expectations defined at the beginning of each financial year are actually met.

Thanks to MK Global's strategy of investing principally into its own network of companies (i.e. having a controlling ownership of most portfolio companies), the firm legitimately requests portfolio companies to monitor their own impact performance at least two times per financial year, using the IRIS+ frameworks aligned with the selected strategic impact objectives.

In alignment with the sixth OPIM principle, MK Global's ESG Department collects and reviews the necessary documentation on impact progress made by portfolio companies. The advantage of this approach is that data collection is directly performed by the portfolio company, which by having access to first hand data enhances data validity and reliability. Through this process, it becomes MK Global's role to critically review the portfolio company's self-assessment regarding impact achievement. MK Global performs a first mid-term assessment at the end of the first half of the period to identify potential impact performance gaps, red flags and areas for improvement, with the aim to meet the quantitative objectives defined by the second half of the period. A final backward-looking evaluation is made at the end of the period.

Where impact expectations were not reached during the period, MK Global shall engage with portfolio companies to understand the reasons why the objectives could not be met, identify and document potential action points to increase impact in future periods. Only where MK Global concludes that the expected impact was unrealistically high can the quantitative measures be decreased in the following period. Lastly, even if impact objectives were reached by the portfolio company, MK Global shall, as part of the monitoring process,

systematically identify opportunities to increase positive impact, through active bi- or multilateral discussions with portfolio companies.

#### vi. Negative impact monitoring

Impact management does not only consist in measuring positive impacts of an investment, but also needs to consider potential negative (“adverse”) impacts of activities. MK Global requires portfolio companies to engage with internal and external stakeholders to flag relevant negative impacts of its activities. MK Global pays specific attention to reviewing investments’ negative impact on identified material sustainability factors as listed in the Sustainability Risk Policy. Direct, indirect and systemic negative impacts shall be considered.

MK Global engages with portfolio companies to identify concrete action points to mitigate the most relevant adverse impacts created.

MK Global is considering to further strengthen its negative impact management practices by reporting on principal adverse impact annually.

#### vii. Escalation process in case of portfolio company non-compliance

Where any MK Global stakeholder observes any breach of the present Policy performed by a portfolio company, the breach shall be reported to the Management Board. In such case, MK Global reserves the right to formulate concrete actions to establish the portfolio company’s compliance, or to divest its ownership of the company.

#### d. Reporting

As a responsible impact investor, MK Global is committed to reporting transparently on the impact performance of its investments. It is a priority for MK Global to clearly explain for each investment how the firm contributes to the creation of impact (as required by OPIM principle 3), to share case studies for illustrative purposes, and to report on non-financial key performance indicators to provide evidence of MK Global’s and portfolio companies’ contribution.

To maintain the best level of transparency, relevant policies and current reporting on MK Global’s sustainable impact are publicly available. This includes, among others, MK Global’s PRI report and annual impact report. Furthermore, MK Global makes its OPIM disclosure statement and SFDR disclosures publicly available. In particular, as required by the SFDR, the non-financial performance of each investment made by ALTERNATIVE or any other investment vehicle is to be disclosed through annual reports to investors. Specific reports and documents by an investment vehicle are also available upon demand. Lastly, the alignment of MK Global’s responsible investment process with the 9 OPIM principles is independently verified regularly.

#### e. Responsible Exit

Should an exit from a Portfolio Company result necessary, MK Global has developed an impact exit process that follows a strict three-fold process to ensure the exit is responsible and that, eventually, the Portfolio Company will continue to have a positive impact even after MK Global has exited.

Firstly, MK Global performs a comprehensive assessment on the global impacts achieved by the Portfolio Company (accomplishments, lessons drawn, useful tips, etc.) as well as the ongoing situation of the Portfolio Company in view of the exit. Wherever possible, MK Global will engage with the Portfolio Company and any other current relevant shareholder, to



present the accomplishments and examine how to pursue successes and efforts. The assessment also includes a projective high-level assessment of the impact of the exit both on MK Global's investment vehicle and the to-be-exited Portfolio Company. Ultimately, depending on the outcome of the analysis, the timing, structure and processes of the exit are to be adapted, to ensure sustainability impacts of the Portfolio Company is not negatively affected.

Once the pre-assessment is done, and after ensuring the impact objectives of the Portfolio Company are clearly stated to potential buyers, MK Global screens them based on a suitability checklist that takes into account non-financial characteristics, along with financial ones:

- Buyer's global corporate mission, culture and reputation and its compatibility with the Portfolio Company
- Buyer's global social performance
- Buyer's intentions and commitment to the mission of the Portfolio Company
- Buyer's envisaged role in the Portfolio Company
- Buyer's local and regional knowledge and integration
- Buyer's financial stability, performance and funding availability
- Buyer's management stability and development

Finally, a consistent operational process is put in place to ensure all stakeholders are informed and formalities duly performed:

- Information to relevant stakeholders of intention to exit
- Sale of holdings to willing buyer compliant with MK Global's internal policies
- Information and necessary document sharing to the buyer

## 5. APPLICATION OF THE POLICY TO ORGANICALLY GROWN PROJECTS

To achieve its goal of creating positive and mitigating negative impact, MK Global may be likely to create a company from scratch to be integrated in as a Portfolio Company. In such case, the incorporation of sustainability considerations into all stages of the company-creation process remains applicable. Thereby, any new company created from scratch by MK Global will align with this Policy. In particular, the principles guiding the assessment process described in section 4 of this Policy will uphold. This means the founding elements of the newly created company should be in line with MK Global's policies, including the Sustainability Risks and Responsible Investment policies.

## Appendix №1 - MK ESEL

The MK Global's Exclusion List defines the types of projects that the company and its portfolio companies do not finance, either directly or indirectly through their clients.

All portfolio companies when investing must apply the following exclusions:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife, or products regulated under CITES.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor<sup>2</sup> /harmful child labor<sup>3</sup>.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.
- Destruction of High Conservation Value areas.<sup>4</sup>
- Pornography and/or prostitution
- Racist and/or anti-democratic media
- Financial Action Task Force blacklist regions
- If any of the following products form a substantial part of a project's primary financed business activities<sup>5</sup>:
  - Alcoholic Beverages (except beer and wine);
  - Tobacco;
  - Weapons and munitions; or
  - Gambling, casinos and equivalent enterprises.

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<sup>2</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

<sup>3</sup> Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

<sup>4</sup> High Conservation Value (HCV) areas are defined as natural habitats where these values are of outstanding significance or critical importance.

<sup>5</sup> For companies, "substantial" means more than 10 % of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio volumes.