

Falcon Fund VII – SFDR Website Disclosures

This section of the website sets out sustainability-related disclosures for the purposes of Article 10 of Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial sector (“**SFDR**”).

Onex Falcon Private Credit Opportunities VII (Luxembourg), SCSp (LEI - 549300QTKU4JARBSBG31)

Onex Falcon Private Credit Opportunities VII (Luxembourg) Feeder, SCSp (LEI - 549300ME1B4ASBDYLV57)

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Summary

Onex Falcon Private Credit Opportunities VII (“**Fund VII**” or the “**Fund**”) promotes environmental and social characteristics (“**ESG**”) within the meaning of Article 8 of SFDR through the following:

- Avoiding investments in certain industries facing significant environmental/climate risks related to the energy transition; and
- Selecting companies with a strong approach to ESG, with a particular focus on human capital management and cybersecurity.

The promotion of environmental and social characteristics will be achieved through the application of Fund VII’s internal ESG assessment framework which evaluates various factors including a company’s strategy, approach and policies regarding ESG issues (with a particular focus on the matters identified above). Each investment is assigned an internal ESG rating across a five-point scale, with one being the highest risk and five being the lowest risk. The Fund will not invest in companies that score less than a ‘three’ on this scale.

ESG considerations are assessed as part of the Fund’s overall due diligence process and are assessed qualitatively and quantitatively as part of the Fund’s ESG assessment framework. As many environmental and social considerations are specific to certain industries, Fund VII utilizes the Sustainability Accounting Standards Board Standards (“**SASB Standards**”) to assist in determining the particularly important environmental and social factors for each company the Fund is seeking to invest in.

With respect to measuring and monitoring the environmental and social characteristics, the Fund will request data annually from the companies in which it invests, including information on workforce stability, health and safety and cybersecurity, as well as the presence of ESG-related policies. If a company does not have one or more of the policies or data points that is requested and it is material for the company, Fund VII will actively engage with the company and encourage the company to provide the data and/or develop appropriate policies.

Fund VII also assesses a company’s approach to its governance practices by performing initial due diligence prior to investment on various factors, including with respect to sound management structures and oversight, key compliance management policies and control systems, approach to human capital management, and overall approach to corporate social responsibility.

The Fund does not use a benchmark to assess its environmental or social performance but uses different indicators to assess such performance of its underlying investments.

Translation in French follows. In case of discrepancies between the French and the English versions, the English version will prevail.

Résumé

Onex Falcon Private Credit Opportunities VII (le « **fonds VII** » ou le « **fonds** ») assure la promotion des caractéristiques environnementales, sociales et de gouvernance (« **ESG** ») au sens de l'article 8 du règlement (UE) 2019/2088 du 27 novembre 2019 sur la publication d'informations en matière de durabilité dans le secteur des services financiers (*sustainability-related disclosures in the financial sector*, « **SFDR** ») par les moyens suivants :

- éviter les investissements dans certaines industries confrontées à des risques environnementaux et climatiques importants liés à la transition énergétique;
- sélectionner des entreprises ayant une approche rigoureuse des facteurs ESG, avec une attention particulière à la gestion du capital humain et à la cybersécurité.

La promotion des caractéristiques environnementales et sociales est réalisée par l'application du cadre d'évaluation interne des facteurs ESG du fonds VII, lequel examine divers facteurs, notamment la stratégie, l'approche et les politiques d'une entreprise en matière de questions ESG (en accordant une attention particulière aux sujets susmentionnés). Chaque investissement se voit attribuer une cote ESG interne sur une échelle de cinq points, le pointage « un » représentant le risque le plus élevé et le pointage « cinq », le risque le plus faible. Le fonds n'investit pas dans des entreprises dont le pointage est inférieur à « trois » sur cette échelle.

Le fonds prend en compte les facteurs ESG dans le cadre de son processus global de diligence raisonnable et les évalue qualitativement et quantitativement dans son cadre d'évaluation des facteurs ESG. Étant donné que de nombreux facteurs environnementaux et sociaux sont propres à certaines industries, le fonds VII utilise les normes comptables sur la durabilité du Sustainability Accounting Standards Board (« **normes SASB** ») afin d'aider à déterminer les facteurs particulièrement importants pour chaque entreprise dans laquelle le fonds cherche à investir.

En ce qui concerne la mesure et le suivi des caractéristiques environnementales et sociales, le fonds demande chaque année des données aux entreprises dans lesquelles il investit, notamment des informations sur la stabilité de la main-d'œuvre, la santé et la sécurité, la cybersécurité, ainsi que les politiques en place liées aux facteurs ESG. Si une entreprise n'a pas une ou plusieurs des politiques ou des données demandées et qui sont importantes pour elle, le fonds VII collaborera activement avec elle et l'encouragera à fournir les données ou à élaborer les politiques appropriées.

Le fonds VII évalue également l'approche d'une société en ce qui concerne ses pratiques de gouvernance en procédant avant son investissement à une vérification diligente initiale sur divers facteurs, notamment en ce qui concerne le caractère adéquat des structures de gestion et de surveillance, les politiques de gestion de la conformité et les systèmes de contrôle clés, l'approche de la gestion du capital humain et l'approche globale de la responsabilité sociale d'entreprise.

Le fonds n'utilise pas de base de référence pour évaluer sa performance environnementale ou sociale, mais a recours à différents indicateurs pour évaluer la performance de ses investissements sous-jacents.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The investments underlying the Fund do not take into account the EU criteria for environmentally sustainable economic activities and the Fund does not invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy Regulation.

Environmental or social characteristics of the financial product

Fund VII will promote environmental characteristics by seeking to avoid investments in certain industries facing significant environmental / climate risks relating to energy transition. This will be achieved using an exclusion screening process, meaning that the Fund will not invest in companies involved in the exploration or production of oil, gas or coal (as defined in the Global Industry Classification Standard (“GICS”) classification for energy). The Fund also complies with the exclusion criteria as set out in the Onex Responsible Investment policy (as detailed in the ‘Due Diligence’ section), meaning that the Fund will not invest in companies deriving significant revenue from the manufacturing of tobacco, adult entertainment, controversial weapons, the mining of thermal coal, or the manufacturing of automatic or semi-automatic firearms for the civilian market. It will also not invest in companies whose principal business involves the production of palm oil that has not been certified by the Roundtable on Sustainable Palm Oil, or the operation or management of private prisons.

In addition, Fund VII will promote environmental and social characteristics by investing in companies that it believes understand the environmental and / or social risks facing them or their industry and that have appropriate policies and practices in place to reduce and / or manage such risks. Fund VII places a particular focus on selecting companies that have:

- (a) a strong approach to human capital management issues (including appropriate health & safety policies and safety records); and/or
- (b) a good understanding of cybersecurity risks as well as appropriate policies and practices in place to mitigate them.

The promotion of environmental and social characteristics will be achieved through the application of Fund VII’s internal ESG assessment framework, which evaluates various factors including a company’s strategy, approach and policies regarding ESG issues (with a particular focus on the matters identified above). Each investment is assigned an internal ESG rating across a five-point scale, with one being the highest risk and five being the lowest risk. The Fund will not invest in companies that score less than a ‘three’ on this scale.

Investment strategy

The Fund provides junior capital solutions, primarily in debt securities, with the potential for a small equity investment via preferred or common shares, for lower-middle market U.S. based companies (typically with \$10-\$75m of EBITDA). Fund VII seeks to invest in market leaders with a demonstrated competitive advantage in their industries, stable end markets, diversified revenue streams, and resilient margins and cash flows. Fund VII also prioritizes companies with strong management teams that understand and manage their key environmental and social risks and demonstrate good governance practices.

ESG characteristics are considered at the beginning of the investment process, where exclusionary screening and the internal ESG framework (as described in the 'Due Diligence' section) are applied, and such consideration continues in the ownership stage where ESG KPIs are collected and the ESG profile of the underlying investment is continually monitored (as described in the 'Monitoring of environmental or social characteristics' section below).

Fund VII assesses a company's approach to governance by investigating various factors prior to investment, as included below:

- the strength and credibility of the management team, including the review of background checks on the CEO and CFO, when available;
- key compliance management policies and systems relevant to the company, including anti-corruption/bribery, anti-money laundering, tax law compliance and trade sanctions;
- control systems in place for large expenditures and cash transactions;
- management/board oversight of key risks of the business, including social and environmental risks;
- key systems in place and approaches to human capital management, including remuneration, and the mechanisms in place to assess the effectiveness of those approaches;
- management representations provided in advance of an investment; and
- the company's overall approach to corporate social responsibility.

Proportion of investments

100% of the investments of the Fund are used to attain the above environmental and/or social characteristics promoted by the Fund.

Monitoring of environmental or social characteristics

To measure and monitor the environmental and social characteristics it is promoting, the Fund will request information relating to the following sustainability indicators and will consider the responses as part of its ongoing investment decision-making, throughout the lifecycle of the Fund:

- Number of strikes or work stoppages in the company over the last 2 years
- Number of lawsuits alleging discrimination in employment at the company in the last 2 years
- Number of companies conducting an annual employee engagement survey
- Total Recordable Injury Frequency Rate (TRIF) for the company in the last 2 years
- Number of cybersecurity breaches at the company that resulted in compromised customer data in the last 2 years
- Number of companies with a formal data recovery plan in the event of a cybersecurity breach
- Number of companies with a health & safety policy
- Number of companies with a diversity/anti-discrimination (or equivalent) policy
- Number of companies with an environmental policy
- Number of companies with a cybersecurity policy

Methodologies

To measure the attainment of the environmental characteristics promoted by the Fund, the following occurs:

- At the screening phase, companies involved in the exploration or production of oil, gas or coal (as defined in the GICS classification for energy), or that meet the exclusion criteria outlined in Onex' Responsible Investment Policy (as detailed in 'Due Diligence') will be excluded.

To measure the attainment of the environmental and social characteristics promoted by the Fund, the following occurs:

- During due diligence, every potential investment will be subject to the ESG scoring framework and analysis, as detailed below, to ensure the environmental and social characteristics are being met. Investments will not be made in companies that are assessed as scoring less than a 'three' on this framework.
- Additionally, to measure whether the environmental and social characteristics promoted by the Fund are being achieved, the Fund will request information in relation to the sustainability indicators, as defined in 'Monitoring of environmental or social characteristics' section and will meet directly with company management.

Information relating to the above sustainability indicators is collected as part of the initial due diligence process and annually thereafter. As part of the control mechanisms in place, if a company does not have one or more of the policies or data points listed above and it is material for the company, Fund VII will actively engage with the company and encourage the company to collect that data and/or develop appropriate policies. Fund VII will meet with at least three investee companies each year (once they have been in Fund VII for at least nine months) to discuss their overall approach to ESG factors as well as their performance on the above sustainability indicators.

Data sources and processing

Fund VII relies on its own proprietary research including ESG information obtained directly from the company, including in relation to the Fund's sustainability indicators, as defined in the 'Monitoring of environmental or social characteristics' section. This information may be supplemented with ESG information from third-party data providers, such as Bloomberg, MSCI, S&P and others. As private credit investors tend to have less information available, the Fund's investment teams leverage their extensive knowledge and industry relationships to obtain the information they require to assess key ESG risks, including engaging with the company. If a company does not have one or more of the sustainability indicators listed above and it is material for the company, Fund VII will actively engage with the company and encourage the company to provide the relevant data to the Fund and/or develop appropriate policies.

In order to ensure data quality, the ESG analysis commences with an initial internal assessment of the key ESG factors for all potential investments, including taking into account any external research or ratings. Research analysts evaluate sustainability related risks and other relevant ESG factors and assign a proprietary rating based on the ESG framework as described in the 'Due Diligence' section. This assessment is based off a review of public filings and third-party research and when feasible, engagement with the management team, sponsors, bankers, consultants, and other advisors. External ratings, where available, are not dispositive but rather used as one input into the Fund's ESG assessment process.

The Fund anticipates estimating data with respect to the measurement of the carbon emissions associated with the Fund, which will be based on a PCAF (Partnership for Carbon Accounting Fundamentals) aligned estimation.

Limitations to methodologies and data

Potential limitations of the methodology, as referred to in the ‘Methodologies’ section include the subjectivity of the ESG scoring framework and the lack of data relating to the sustainability indicators. However, the ESG expertise of Fund VII’s investment team and their utilization of the SASB Standards to benchmark ESG materiality ensure that the ESG scoring framework is applied rigorously. In addition, if the company has not disclosed information relating to the sustainability indicators, Fund VII’s investment team will assess the company’s approach to those issues through the alternative data and information sources detailed above as well as, where possible, direct meetings with the company. The collection and assessment of all available information, coupled with the deep investment experience and judgement of Fund VII’s investment professionals, allow Fund VII’s investment team to assess a company through its ESG framework even if only limited data is available. Moreover, since the ESG analysis and assessment under the ESG scoring framework is included in all investment recommendations made to the Investment Committee, there is an additional layer of ESG review and approval for all investments.

Due Diligence

ESG considerations are assessed as part of the Fund’s overall due diligence process and are assessed qualitatively and quantitatively as part of the Fund’s ESG assessment framework.

ESG Integration

As many environmental and social considerations are specific to certain industries, Fund VII utilizes the SASB Standards to assist in determining the potential materiality of the environmental and social factors for each company the Fund is seeking to invest in. This assessment then guides ESG due diligence, which includes a review of public filings and third-party research and when feasible, engagement with the management team, sponsors, bankers, consultants, and other advisors.

As detailed above, in addition to any company specific ESG factors, the Fund assesses the human capital management and cybersecurity practices of every potential investment in the Fund.

Based on this analysis, each investment is assessed through an internal ESG framework which categorizes potential investments across the following five-point scale:

<u>Score</u>	<u>Rating</u>	<u>Comments</u>
5	Excellent	Robust disclosure across all material factors, either qualitative or quantitative; successfully mitigated material risks or has minimal material risk, on a relative basis to competitors; proactively addresses risks
4	Very Good	Robust disclosure across several material factors; among the best at mitigating material risks on either a relative basis or has limited ESG risks relative to competitors; addresses some issues in a reasonable time

3	Average	Average disclosure across several material factors; average steps taken to mitigate material risks on a relative basis; average ESG risks relative to competitors; acknowledges risks but does not have a plan to address them in a reasonable time
2	Needs Improvement	Minimal disclosure across material factors; below average in measures taken to mitigate material risks on a relative basis; may have material ESG risks relative to competitors; does not have a plan and/or resources to address in a reasonable time
1	Unsatisfactory	Not acceptable to Onex based on one or more ESG factor

Investments will not be made in companies that are assessed as scoring less than a ‘three’ on this scale. For companies that are assessed as ‘three’ or greater than ‘three’, a detailed ESG analysis based on the above factors is included in every final memorandum sent to the Investment Committee for investment approval.

After making an initial investment, the Fund will monitor portfolio companies based on the above sustainability indicators and any new factors that may become relevant.

Exclusion Screening

Fund VII applies exclusionary screening at the due diligence phase, and will not invest in:

- companies involved in the exploration or production of oil, gas or coal (as defined in the GICS classification for energy); and
- companies that score less than a ‘three’ based on Fund VII’s internal ESG assessment framework.

The Fund additionally complies with the exclusion criteria which are set out in the Onex Responsible Investment policy, meaning that the Fund will not make any investments in companies:

- deriving significant revenue (>10%) from the manufacturing of tobacco, adult entertainment, controversial weapons (chemical and biological weapons, anti-personnel land mines, cluster munitions, depleted uranium, white phosphorus, nuclear weapons), the mining of thermal coal, or the manufacturing of automatic or semi-automatic firearms for the civilian market; or
- whose principal business (>50% revenue) involves the production of palm oil that has not been certified as sustainable by the Roundtable on Sustainable Palm Oil, or the operation or management of private prisons.

Engagement policies

Information relating to the sustainability indicators is collected as part of the initial due diligence process and annually thereafter. If a company does not have one or more of the policies or data points listed above and it is material for the company, Fund VII will actively engage with the company and encourage the company to collect that data and/or develop appropriate policies. Fund VII will meet with at least three investee companies each year (once they have been in Fund VII for at least nine months) to discuss their overall approach to ESG factors as well as their performance on the above sustainability indicators. If a company experiences a potential material ESG-related controversy, the investment and ESG teams will have an initial meeting as a first step to consider the impact, facts, and circumstances of

the incident, and evaluate whether further action is necessary. If further action is necessary, Onex Falcon will engage promptly with the company and relevant stakeholders to develop a remediation plan.

Designated reference benchmark

No specific index has been designated as a reference benchmark to determine whether the Fund is aligned with the environmental and social characteristics that it promotes.