

# **Merito Group's Responsible Investment Policy**

Document Version History Table

<b>Version</b>	<b>Approved</b>	<b>Effective Date</b>	<b>Summary of Changes Made</b>
1.0	18.06.2025 Board decision No.2025-6-1	18.06.2025.	Initial Version

## The Merito Group's Responsible Investment Policy

### 1. Introduction and Scope

- 1.1. The purpose of this Responsible Investment Policy (hereinafter the "Policy") is to establish the framework and approach for responsible investments by alternative investment fund managers (hereinafter "AIFMs") controlled by Merito Private Equity SIA and Merito Partners SIA, so far as it exercises control and provides services to AIFM (hereinafter "Merito" or "Merito Group").
- 1.2. This Policy serves as an overarching framework for driving responsible investment and applies to all current and future AIFMs of Merito.
- 1.3. The Merito Group includes the following AIFMs and any additional AIFMs that might be established by Merito in the future:
  - 1.3.1. SIA Merito Management AIFP, registration number 40203412258.
  - 1.3.2. SIA Merito Real Estate Management AIFP, registration number 40203440887.
  - 1.3.3. SIA Merito Private Debt Management AIFP – to be established.
- 1.4. In 2023, Merito became a signatory to the Principles for Responsible Investment ("PRI") to contribute to developing a more sustainable global financial system. Hence, Merito is taking steps and seeks ways to implement the six Principles for Responsible Investment (hereinafter the "Principles") requiring Merito to:
  - 1.4.1. Incorporate environmental, social and governance ("ESG") issues into investment analysis and decision-making processes.
  - 1.4.2. Be active owners and incorporate ESG issues into ownership policies and practices.
  - 1.4.3. Seek appropriate disclosure on ESG issues by the entities in which it invests.
  - 1.4.4. Promote acceptance and implementation of the Principles within the investment industry.
  - 1.4.5. Work together to enhance the effectiveness in implementing the Principles.
  - 1.4.6. Report on activities and progress towards implementing the Principles.
- 1.5. Merito believes that all Sustainable Development Goals (hereinafter "SDGs") of Agenda 2030, which were set to achieve sustainable development in three dimensions – economic, social, and environmental –, are valuable, and is committed to advancing specifically these three in a focused manner:

#### Goal 7



Affordable and Clean Energy

#### Goal 8



Decent Work and Economic Growth

#### Goal 12



Responsible Consumption and Production

- 1.6. These three SDGs are the ones where Merito can make the most significant impact, leveraging its capabilities and commitment to sustainability by localizing global challenges and addressing them in an actionable manner.
  - 1.6.1. Goal 7 drives Merito's efforts to contribute to the green transition and enhance regional energy security and independence.
  - 1.6.2. Goal 8 aligns with the need to stimulate economic growth, productivity, and decent employment opportunities.

- 1.6.3. Goal 12 brings focus to reducing waste, promoting the efficient use of resources, and encouraging sustainable production practices. Further commitments and expected outcomes in line with the SDGs will be detailed for Individual Funds of Merito's AIFMs.
- 1.7. Individual Funds managed by Merito's AIFMs may introduce additional mechanisms and instructions to further identify, manage, and mitigate ESG risks. The approach of addressing ESG risks within the decision-making process for specific Funds varies according to the type of assets, strategy, and investment term.
- 1.8. This Policy complements other policies, guidelines, statements, and strategies of Merito that may have similar objectives.

## **2. Position on ESG Performance of Portfolio Companies**

- 2.1. Merito expects all portfolio companies to comply with local laws governing their business activities, including those related to social, environmental, and governance matters. When local laws do not provide the level of protection granted under international norms, such as human rights conventions, portfolio companies are expected to adhere to these international norms.
- 2.2. More detailed expectations that portfolio companies should adhere to are covered under the individual Funds of Merito's AIFMs. These may include additional expectations related to measuring and managing sustainability impacts, risks and opportunities to prevent and avoid harms, losses and damage.

## **3. Exclusions**

- 3.1. Merito believes that it should support not only the companies that already have robust systems for managing ESG risks in place but also those that are in the early stages of their sustainability journey. However, Merito has also marked the limits of which business activities and practices are unacceptable.
- 3.2. Merito excludes investments associated with economic activities that are not deemed compatible with its approach to sustainable development. These are activities listed in paragraph 3.3 below that may lead to violations of human rights, significantly contribute to climate change, or harm the health and well-being of societies.
- 3.3. The following business activities and sectors are excluded:
  - 3.3.1. Tobacco;
  - 3.3.2. Distilled alcoholic beverages;
  - 3.3.3. Casinos and gambling;
  - 3.3.4. Pornography;
  - 3.3.5. Illegal economic activities such as operating a brothel, drug dealing etc.;
  - 3.3.6. Fossil fuel-based energy production and related activities, such as Arctic drilling, exploration and extraction of oil, natural gas, and coal mining;
  - 3.3.7. Energy-intensive and/or high CO<sub>2</sub>-emitting manufacturing industries, such as the manufacturing of chemicals, fertilizers, plastics, cement, and basic iron and steel, if a company takes insufficient steps to reduce its contribution to climate change.
- 3.4. Merito also excludes investments in companies that knowingly and repeatedly engage in certain harmful practices, namely severe abuse of human rights, serious environmental damage, contribution to significant biodiversity loss, corrupt behaviour, or tax evasion (hereinafter "Harmful Practices"). To determine whether a company is involved in such Harmful Practices, Merito conducts a screening of investments prior to making an investment decision and monitors

the activities of portfolio companies during the investment period, as outlined in paragraph 6 below.

#### **4. Conflicts of Interest**

- 4.1. Recognizing that potential conflicts of interest may arise Merito has developed a Conflicts of Interest Policy. The purpose of this Conflicts of Interest Policy is to identify, monitor, and manage conflicts of interest to uphold objectivity and fairness in decision-making. Employees are required to declare any personal or financial interests that may conflict with their responsibilities, ensuring transparency and accountability.

#### **5. Compliance**

- 5.1. Compliance with this Policy and the achievement of the commitments herein is the responsibility of all associates of Merito's AIFMs.
- 5.2. Oversight of the proper implementation of the Policy is assigned to the Risk Manager.

#### **6. Monitoring of Portfolio Companies**

- 6.1. Merito monitors the activities of portfolio companies to ascertain that they are not engaged in Harmful Practices as per paragraph 3.4 above. Proportional to the size and capacity of Merito, this monitoring is primarily conducted by checking for adverse media coverage, relying on own observations, and reviewing whistleblowers' reports and other complaints regarding portfolio companies.
- 6.2. In cases where a portfolio company becomes involved in Harmful Practices post investment, Merito will use its influence to facilitate and incentivise this company and other key stakeholders to (i) prevent, mitigate, or bring to an end the Harmful Practice, and (ii) provide remedy where appropriate. When necessary, Merito will seek ways to increase its influence. If all efforts of Merito to improve the situation fail, it will consider divestment.

#### **7. Reporting and Transparency**

- 7.1. As a signatory to PRI, Merito will report annually on its responsible investment activities starting from the year 2025.
- 7.2. Merito fulfils transparency requirements under Articles 3–11 of the EU's Sustainable Finance Disclosures Regulation (SFDR) at both the entity and financial product level.

#### **8. Review**

- 8.1. Merito's commitment to responsible investing is an ongoing process, with a continuous effort to enhance its policies and procedures.
- 8.2. To incorporate the lessons learned over time, this Policy will be reviewed and amended as necessary by December 31<sup>st</sup> of each year.

#### **9. Capacity Development**

- 9.1. Merito is committed to supporting its associates responsible for implementing this Policy in acquiring the necessary knowledge to continuously improve Merito's approach to responsible investment.
- 9.2. This includes allocating time and covering expenses for responsible investment training and participation in sustainability events as follows:
  - 9.2.1. At least once every year for the responsible Risk Manager referenced in Section 5.2 above, and
  - 9.2.2. At least once every two years, for the associates responsible for implementing this Policy.