



## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) POLICY V2**

**JULY 2024 –RATIFIED BY THE BOARD 23 JULY 2024**

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) POLICY

## 1. INTRODUCTION

Our mission at Loinette Capital Limited ('Loinette') is to fulfil our fiduciary duty by creating long-term value for our investors and shareholders. Accordingly, Loinette is committed to integrating Environmental, Social, and Governance (ESG) principles into our funding process and operating philosophy where these efforts can contribute to value creation.

This ESG Policy outlines our approach to integrating ESG factors in our business and financing activities.

## 2. ESG AT LOINETTE CAPITAL

Loinette is committed to integrating certain ESG factors throughout its business practices with a focus on matters that are meaningful to our team and shareholders. We seek to apply our insights to drive value across our business, including by:

- Working from premises which provide a reasonable level of energy efficiency, given the socio-economic status of the countries they are in.
- Fostering diverse talent through an active recruitment strategy which seeks to provide equal opportunities to all, irrespective of race, gender and religion.
- Engaging the entire business with appropriate regularity through our cybersecurity awareness program to educate our team members to recognize suspicious activities and report them for investigation.

Loinette seeks to adhere to applicable laws and regulations, including on modern slavery and forced labour, Trafficked labour, child labour, gender equity, GBVH. Our decision making is guided by the company policy statements in respect of these.

## 3. ESG INTERGRATION IN THE FUNDING PROCESS

The integration of material ESG factors into our funding decisions is an important part of fulfilling our fiduciary duty.

Based on our experience, we think that consideration of ESG factors not only enhances our assessment of risk but also helps us identify opportunities for value creation. We believe that our targeted ESG program can help strengthen companies, drive value, enhance returns, and create better outcomes.

As applicable and material to any given finance facility, the ESG factors that may be incorporated into our risk evaluation and monitoring processes include, but are not limited to, the following:

Environmental Considerations	Social Considerations	Governance Considerations
<ul style="list-style-type: none"><li>• Greenhouse gas emissions</li><li>• Air pollution</li><li>• Waste management (including land and water impact)</li><li>• Energy management and efficiency</li><li>• Biological Conservation</li><li>• Land use</li><li>• Climate risk</li></ul>	<ul style="list-style-type: none"><li>• Diversity, Equity &amp; Inclusion (including anti-discrimination)</li><li>• Human rights and modern slavery</li><li>• Employee health and safety</li><li>• Labour relations and practices</li><li>• GBVH</li><li>• Customer privacy and security</li><li>• Product quality and safety</li></ul>	<ul style="list-style-type: none"><li>• Corporate governance and oversight</li><li>• Enterprise Risk management</li><li>• Conflicts of interest</li><li>• Transparency (including financial and operational reporting)</li><li>• Fraud, anti-bribery, and anti-corruption controls</li></ul>

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Senior management and the board of directors carry ultimate responsibility for ESG within the organisation. While the expertise within the senior management is considered appropriate, given the size of the organisation and the sphere of influence which the organisation has on the industry value chain, it is continually being improved upon.

#### **Pre-Investment**

We generally consider applicable, material ESG factors a key part of evaluating new and existing transactions. By considering applicable ESG factors in the risk evaluation process, we aim to identify and address material transactional risks and opportunities to drive value.

All transactions are subject to an internal transactional risk assessment including ESG risk assessments. This assessment is underpinned by the ESG Questionnaire which is completed prior to the credit submission and only if there are no negative indicators is a transaction put forward for approval. Our Credit and Board Committees are apprised of all material ESG findings where applicable<sup>1</sup>.

### **4. ESG MONITORING AND ENGAGEMENT**

#### **Post Finance**

Post-finance, where the finance is approved subject to an annual review condition subsequent, we use this as an opportunity to update the ESG report and assess if there have been any changes in the ESG risk profile of the client. Such updates take place during physical client site visits as well as other means of communication to verify the status of the clients ESG risk.

### **5. FOCUS AREAS**

Across our financing activities, we have identified priority ESG topics that we believe can most affect our ability to build strong companies of enduring value.

#### **Climate Change Mitigation, Resiliency, and Adaptation**

We recognize that climate change is a systemic issue, affecting all sectors and geographies. Our goal is to finance only customers who are responsible and ethical in their own business activities. We also see energy transition as a necessity in our chosen sphere of activity and are actively seeking opportunities to finance environmentally safe and energy efficient equipment for our clients .

#### **Diversity, Equity, and Inclusion (DEI)**

We have a zero-tolerance policy for any form of discriminatory practice.

#### **Good Governance**

We believe that good corporate governance is essential for financially sound companies. Specifically, we prioritize an experienced, active, and engaged board of directors with the skill to properly oversee and direct management and encourage protocols to enhance transparency and good governance. Further, we provide governance training to our directors sand provide regular board reporting on our ESG program.

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<sup>1</sup> ESG due diligence will vary based on (i) the nature of Loinette's investment, (ii) the transaction process and timeline, (iii) the level of access to information, specifically as it pertains to ESG factors, and (iv) the target client's position in the value chain viz: their ability to influence their clients ESG policy (ies).

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## 6. ENGAGEMENT

We regularly engage with our shareholders, stakeholders, and industry on ESG matters. As applicable, ESG matters are discussed at Loinette's quarterly board meetings, annual shareholder.

## 7. REPORTING

We are committed to being transparent with our shareholders, and other stakeholders about Loinette's ESG initiatives, successes, and goals. We value regular, frequent engagement with our stakeholders on ESG matters.

## 8. ROLES AND RESPONSIBILITIES

Loinette's Chairman and CEO have ultimate responsibility for overseeing Loinette's ESG Policy. The senior management team coordinates initiatives across the business to maintain a coordinated approach. The Legal & Compliance team of Loinette are responsible for supporting and ensuring compliance with additional ESG policies and related standards and overseeing their annual reviews.

## 9. SCOPE

This ESG Policy covers Loinette's activities, as applicable, and is reviewed generally on an annual basis to reflect changes to the business. Loinette's ability to influence and exercise control over ESG matters with respect to its customers is limited but is assessed at the outset and monitored annually. In cases where Loinette determines it has limited ability to conduct diligence or to influence and control the consideration of ESG issues in connection with a clients' activities, Loinette will only apply those elements of this ESG Policy and the foregoing approaches that it determines to be practicable considering the underlying facts and circumstances.

This ESG Policy was last updated **23 July 2024** and is subject to change as the company considers necessary or advisable. This policy is intended to be reviewed approximately annually. Further, this policy shall supersede and replace Loinette's previous Environmental & Social Policy and shall apply on a going-forward basis, subject to the limitations discussed herein, to the company's existing and future clients (lending's).

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