

RS Fund V, LP Level 2 Website Disclosures

Summary

This document provides an overview of the sustainability-related information about RS Fund Manager Limited (the “Manager”) and RS Fund V, LP (the “Product”).

a) No sustainable investment objective	This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.
b) Environmental or social characteristics of the financial product	The Product seeks to promote improved disclosure and performance on a variety of environmental and social (E/S) characteristics, depending on their relevance for the investment. Key environmental characteristics include, among others: Climate Change and GHG Emissions, Biodiversity and Land Use, Energy Management. Key social characteristics include, among others: Employee Health & Safety, Human Capital Development, Labour Management.
c) Investment strategy	The Product focuses on investments in European asset-backed special situations and distressed opportunities, and will make 10-15 investments in off-market small to mid-cap European special opportunities. The targeted investments will be in real estate-related assets, other real assets, financial assets and/or specialty lending businesses. Over the course of the investment period, the Product will promote intended E/S characteristics through monitoring and actively engaging with borrowers and counterparties on identified ESG issues, especially borrowers assessed to be poorly managing them, and undertake an improvement plan where appropriate. Both the identified E/S characteristics, and good governance factors are continually monitored during the post-investment stage of the investment process.
d) Proportion of investments	The Product expects 100% of investments to promote E/S Characteristics
e) Monitoring of environmental or social characteristics	Throughout the investment period, the Manager will collect information on the environmental and social performance of the borrowers and counterparties on an annual basis by way of an ESG Questionnaire. The ESG Questionnaire will request: • KPIs against each of the E/S Characteristics promoted by the Product; and • KPIs on governance practices. The Questionnaire responses will be used to monitor the portfolio's performance against the sustainability indicators and to progress any action plans.
f) Methodologies	The Product will use the annual ESG Questionnaire and engagement with the borrowers to assess improvement against the E/S Characteristics promoted by the Product over time.
g) Data sources and processing	The data source used to attain the E/S characteristics promoted by the Product will be based on information disclosed in the annual ESG Questionnaire sent to the borrowers. Where data is not disclosed, the Product will not use estimates, instead preferring to directly engage with borrowers, vis-à-vis the improvement plans, to encourage the enhancing of internal processes required for future disclosure of relevant data.

h) Limitations to methodologies and data	The Product expects the quality and availability of data to differ across the portfolio, and from the outset, it is unlikely that there will be full coverage of the required data. The Product does not see this as being a strong limitation to meeting the E/S characteristics that the Product promotes, given the borrower improvement plans that will be issued, and engagement with borrowers off the back of data reported in the ESG Questionnaire or lack thereof. Furthermore, the Product's average holding period will also allow for long-term engagement to improve reported data. The Manager is also encouraged by the market-wide efforts to improve the quality and transparency of reported data.
i) Due diligence	The Manager's investment team structures the integration of ESG information through utilising a proprietary ESG Framework. The pre-investment stage of this due diligence process consists of two main assessments. Firstly, borrowers are screened to ensure they do not breach the Manager's exclusion criteria. Secondly, borrowers are assessed using a proprietary Pre-Investment ESG Report, which is used to evaluate each potential borrower on relevant ESG characteristics. The purpose of the report is to identify any ESG issues that the borrower is exposed to, and to assess how well it is managing them. Additionally, the Manager assesses climate change risks and opportunities of all borrowers, irrespective of the business type.
j) Engagement policies	The Product engages with borrowers throughout the investment period to support improved disclosures and performance on the E/S Characteristics listed earlier in this document. Shortly after completing an investment, the Manager will seek to validate the ESG risks and opportunities uncovered during pre-investment due diligence. This includes holding early discussions with key stakeholders, including the management team (if applicable). Following a review and validation of the exposure and management of ESG risks / opportunities and determination of an action plan for ESG improvements, the Manager will seek to implement its ESG strategy in co-ordination with other stakeholders. The Manager will take steps to pro-actively monitor ESG risks and opportunities throughout the investment lifecycle, requiring key stakeholders (such as the management team) to report on the ESG KPIs defined as part of the due diligence and implementation process. Following the communication and review of the ESG issues as part of the reporting process to the Investment Team, the Manager will actively take steps to promote, improve and progress the ESG actions of borrowers where necessary, forming the basis of E/S Characteristics identified for promotion.
k) Designated reference index benchmark	The Product does not have a designated reference index benchmark for the purpose of meeting the promoted environmental or social characteristics.

No Sustainable Investment Objective

The Product promotes environmental and social characteristics (“E/S characteristics”), but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The Product seeks to promote improved disclosure and performance on a variety of E/S characteristics. The Product assesses each investment on all these characteristics, and will focus promotion efforts on those deemed to be most relevant depending on the type of investee (e.g. Biodiversity and Land Use is emphasized for real estate assets, whereas Responsible Investment is emphasized for fund managers). The relevant characteristics and their underlying indicators include:

Environmental

1. Biodiversity and Land Use
 - Measurement of share of non-vegetated surface area to total surface area of company plots
 - Proximity to biodiversity sensitive areas (or % of real estate investments located near these)
 - Existence of policy to manage potential negative environmental impact
2. Climate Change and GHG Emissions
 - Measurement of Scope 1, Scope 2, and Scope 3 emissions
3. Energy Management
 - Energy consumption in GWh per square meter of owned real estate assets
 - Measurement of share of energy consumed from non-renewable energy sources
 - Energy efficiency labels
4. Green Building
 - Percentage of real estate investments with BREEAM certification
5. Raw Materials Sourcing
 - Existence of policy to manage environmental risks associated with traceability of raw materials
6. Toxic Emissions and Waste Management
 - Measurement of hazardous waste generation
7. Water Management and Stress
 - Measurement of emissions to water

Social

8. Controversial Sourcing
 - Existence of policy to manage social risks associated with traceability of raw materials and exposure to conflict areas
9. Employee Health and Safety
 - Workplace accidents
 - Presence of harmful chemicals in production of products
 - Existence of workplace accident prevention policy
10. Human Capital Development
 - Measurement of unadjusted gender pay gap
 - Existence of DEI policy
 - Provision of training on relevant sustainability topics

11. Labour Management
 - Violations of UNGC principles or OECD guidelines
12. Privacy and Data Security
 - Existence of policy to protect sensitive data
 - Data security breaches
13. Product Quality and Safety
 - Systems for managing product quality
 - Fines associated with product quality and safety
14. Responsible Investment
 - Existence of ESG policy
 - Reporting on outcomes of ESG process

Investment Strategy

The Product focuses on investments in European asset-backed special situations and distressed opportunities, and will make 10-15 investments in off-market small to mid-cap European special opportunities. The targeted investments will be in real estate-related assets, other real assets, financial assets and/or specialty lending businesses. The investments will include senior secured loans, second lien loans, mezzanine debt, preferred equity, convertible debt and ordinary equity, with terms ranging from 1-5 years. Over the course of the investment period, the Product will promote intended E/S characteristics through monitoring and actively engaging with borrowers and counterparties on identified ESG issues, especially borrowers assessed to be poorly managing them, and undertake an improvement plan where appropriate.

The investment process also includes an assessment of good governance as part of the Pre-Investment ESG Report, with a particular focus on:

- Whether individuals of the Firm are Politically Exposed Persons (PEPs), sanctioned or government officials
- Whether the firm has transacted with any PEPs, sanctioned persons or government officials
- The existence of Anti-Bribery and Corruption (ABC), Anti-Money Laundering (AML), Counter Terrorist Financing (CTF) policies and procedures
- The last time the ABC / AML / CTF procedures were updated
- Any breaches of ABC / AML / CTF policy or laws
- Any internal reports related to suspicious transactions, potentially illegal acts, or corrupt practices
- Any allegations of corruption, financial crime, crimes involving dishonesty or other serious criminal activity made against the company, its principals or key employees
- Compliance training register and provision
- Completion of the Manager's compliance attestation
- General assessment of accounting practices, board structure, business ethics,
- Reputational concerns, robustness of business plan, and tax transparency.

Both the identified E/S characteristics, and good governance factors are continually monitored during the post-investment stage of the investment process.

Proportion of Investments

The Product expects to only make investments in line with the criteria outlined above. By construction, 100% of investments are therefore following the exclusion criteria and promoting the improved disclosure and performance on the E/S Characteristics set out on Page 3 and 4 of this document.

Monitoring of Environmental or Social Characteristics

Throughout the investment period, the Manager will collect information on the environmental and social performance of the borrowers and counterparties on an annual basis by way of an ESG Questionnaire. The Manager will require borrowers and counterparties to complete the ESG Questionnaire annually.

The ESG Questionnaire will request:

- KPIs against each of the E/S Characteristics promoted by the Product; and
- KPIs on governance practices.

The Questionnaire responses will be used to monitor the portfolio's performance against the sustainability indicators and to progress any action plans.

Methodologies for Environmental or Social Characteristics

The Product will use the annual ESG Questionnaire and engagement with the borrowers to assess improvement against the E/S Characteristics promoted by the Product over time. Improvement on performance against the E/S Characteristics is generally expected to be a multi-year process, throughout the holding period of an investment.

Data Sources and Processing

The data source used to attain the E/S characteristics promoted by the Product will be based on information disclosed in the annual ESG Questionnaire sent to the borrowers. All data and its quality is managed and processed through a third-party sustainability management and reporting platform. Where data is not disclosed, the Product will not use estimates, instead preferring to directly engage with borrowers, vis-à-vis the improvement plans, to encourage the enhancing of internal processes required for future disclosure of relevant data.

Limitations to Methodologies and Data

Given the nature of the Product's investments, and the current state of ESG data in private market entities, the quality and availability of data will likely differ across the portfolio, and from the outset, it is unlikely that there will be full coverage of the required data. The Product does not see this as being a strong limitation to meeting the E/S characteristics that the Product promotes, given the borrower improvement plans that will be issued, and engagement with borrowers off the back of data reported in the ESG Questionnaire or lack thereof. The investment strategy's emphasis on dialogue and engagement also allows for the Manager to verify relevant data points being reported.

Furthermore, the Product's average holding period will also allow for long-term engagement to improve reported data. The Manager sees the promotion of E/S characteristics and improvements in reported data as something that transpires over the multi-year holding period. The Manager is also encouraged by the market-wide efforts to improve the quality and transparency of reported data.

Due Diligence

The Manager's investment team structures the integration of ESG information through utilising a proprietary ESG Framework. The pre-investment stage of this due diligence process consists of two main assessments.

Firstly, the Manager will undertake a high-level screening, and does not consider potential investments involved in:

- Any illegal activity including human rights violations;
- The production of tobacco and related products;
- Pornography;
- The financing of the production of and trade in weapons and ammunition of any kind; and
- Businesses that derive more than 10% of revenues from the extraction of fossil fuels.

Secondly, the Manager will assess borrowers using a proprietary Pre-Investment ESG Report, which is used to evaluate each potential investee on relevant ESG characteristics. The purpose of the report is to identify any ESG issues that the borrower is exposed to, and to assess how well it is managing them. This subsequently informs which E/S characteristics the Product will promote throughout the lifecycle of the investment.

- All investments are assessed on their management of E/S characteristics as defined above, as well as good governance practices. The Pre-Investment ESG Report is used to analyse a potential investee's exposure and management of these ESG issues.
- The Product's investment team is required to highlight any ESG concerns to the Investment Committee as part of their consideration in the approval process. The investment team may also recommend the inclusion of specific ESG performance covenants for the target company in financing agreements, where appropriate.
- All investments are required to put in place an ESG policy as part of the deal documentation. If a borrower or counterparty does not have an ESG policy in place, the Manager will provide guidance on what the investee is expected to implement.
- All borrowers are required to report in line with an ESG Questionnaire as part of the deal documentation.

Additionally, the Manager also assesses climate change risks and opportunities of all investments, irrespective of the type of business.

Engagement Policies

Even though the majority of investments are made through debt-based securities, the Product engages with borrowers throughout the investment period to support improved disclosures and performance on the E/S Characteristics listed earlier in this document.

Shortly after completing an investment, the Manager will seek to validate the ESG risks and opportunities uncovered during pre-investment due diligence. This includes holding early discussions with key stakeholders, including the management team (if applicable). The focus will be on the identification of routes to implement relevant initiatives and investment committee recommendations.

Following a review and validation of the exposure and management of ESG risks / opportunities and determination of an action plan for ESG improvements, the Manager will seek to implement its ESG strategy in co-ordination with other stakeholders. This includes a review of the ESG policy that is expected of all investee companies.

The Manager will take steps to pro-actively monitor ESG risks and opportunities throughout the investment lifecycle, requiring key stakeholders (such as the management team) to report on the ESG KPIs defined as part of the due diligence and implementation process. The information is gathered and tracked in an annual ESG Questionnaire. Following the communication and review of the ESG issues as part of the reporting process to the Investment Team, the Manager will actively take steps to promote, improve and progress the ESG actions of borrowers where necessary, forming the basis of E/S Characteristics identified for promotion.

Designated Reference Benchmark

Given the nature of the Product's investments, it does not have a designated reference index benchmark for the purpose of meeting the promoted environmental or social characteristics.