

# **YIELCO Defensive Investments II**

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YIELCO INVESTMENTS AG ("YIELCO")

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**(A) SUMMARY**

<b>YIELCO Defensive Investments II – Summary (English)</b>	
No Sustainable Investment Objective	This financial product (also referred to as “YIELCO Defensive Investments II”, “YDI II”, “the Fund”) promotes environmental or social characteristics, but does not have the objective of making sustainable investments.
Environmental or social characteristics of the financial product	<p>Environmental and/or social characteristics are promoted as part of a holistic ESG management. This holistic ESG management takes into account the three main elements of (i) integration, (ii) engagement and (iii) transparency with the aim of promoting the consideration of ESG criteria and enhanced disclosure and reporting of underlying lead investors and co-investments. The following environmental and/or social characteristics are promoted as part of the ESG due diligence, engagement process and/or monitoring/reporting:</p> <ul style="list-style-type: none"> <li>» support for international ESG industry standards and reporting in line with these ESG industry standards</li> <li>» the consideration of ESG factors to mitigate and reduce risk</li> <li>» the protection and observance of international human rights</li> <li>» the promotion of initiatives to reduce the ecological footprint and/or</li> <li>» the promotion of general environmental protection and resource management</li> </ul> <p>In addition, efforts are being made to comply with international ESG industry standards. The Fund encourages lead investors to support and adhere to the principles of the United Nations Principles for Responsible Investment (UN PRI).</p>
Investment strategy	The Fund is following a strategy which is based on ESG integration, engagement and monitoring/reporting. In line with a holistic ESG approach, a multifaceted evaluation process is employed, encompassing both positive and negative criteria, at the lead investor and co-investment levels. During the due diligence phase, a dedicated ESG assessment framework is implemented, encompassing an ESG due diligence and an evaluation approach, incorporating a dedicated scoring mechanism at both the lead investor and co-investment levels. The strategy is complemented by the monitoring and reporting of ESG indicators based on an annual ESG survey which tracks developments and data of the investments.
Proportion of investments	At least 50% of the Fund’s investments will promote environmental or social characteristics and follow good governance practices as defined under Article 8 SFDR through the implementation of the ESG scoring approach for each investment.
Monitoring of environmental or social characteristics	<p>As part of its ESG investment approach, the Fund conducts a dedicated and proprietary ESG scoring on GP and co-investment level, based on international standards.</p> <p>As part of the ongoing monitoring and reporting approach, an annual survey is conducted. For each investment, a comprehensive set of ESG-related indicators (~100 indicators) is requested for both GP and co-investment levels.</p>
Methodologies	ESG Scoring: At lead investor level, a comprehensive assessment is conducted across four categories and 13 underlying indicators. At co-investment level, an additional 30 indicators across ESG are assessed.

	<p>ESG Monitoring &amp; Reporting: An annual request is made to lead investors and co-investments, resulting in a monitoring overview and dedicated ESG Report, for which around 100 indicators across different categories are requested.</p>
Data sources and processing	<p>The data sourced for the ESG integration approach is collected through a variety of information channels, including, but not limited to, ESG due diligence standard packages of the lead investor, complemented by a dedicated ESG questionnaire. The collected data is sourced directly from the GP. The investment team responsible for conducting the overall due diligence is also responsible for the ESG due diligence. All data is real, with no estimates made.</p> <p>Data for the ESG reporting approach is collected on an annual basis via a dedicated software application tool. The data is sourced directly from the GP. The ESG Working Group and the investment team are responsible for the ESG survey and the processing of the data for the ESG reporting and monitoring. All data is real, with no estimates made.</p>
Limitations to methodologies and data	<p>Limitations are mainly a potential lack of disclosure of information and/or a general data availability by some GPs and their underlying portfolio companies, which might negatively impact the ESG score. To ensure that such limitations do not affect the promotion of environmental and/or social characteristics, engagement activities (described in in the section "(D) Investment Strategy", and "(K) Engagement Policies") are part of the strategy to promote and drive implementation of ESG standards, best practices and to improve ESG performance and to ensure good governance.</p>
Due diligence	<p>ESG criteria are reviewed and analyzed as part of the due diligence process and finally assessed, when reviewing investment recommendations. During the various steps of the process, information is collected through various channels, e.g. via standard ESG due diligence packages, complemented by a dedicated developed ESG due diligence questionnaire. This information is reviewed and analyzed in detail by the investment team as part of the proprietary ESG scoring model. The results of the ESG due diligence and the ESG scoring are finally incorporated into the investment recommendation and are discussed and considered by the investment committee followed by an active engagement.</p> <p>The due diligence is an integral part of the investment strategy, therefore, detailed information on each due diligence step can be found under section "(D) Investment Strategy".</p>
Engagement policies	<p>Engagement is conducted to promote and drive the implementation of ESG standards and best practice approaches among lead investors and co-investments to improve ESG performance and to ensure good governance. Prevalent strategies are side-letter-agreements and an active dialogue with GPs, if relevant during AGMs and LPAC meetings.</p>
Designated reference benchmark	<p>No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the Fund.</p>

## YIELCO Defensive Investments II – Summary (German) – Zusammenfassung

Kein nachhaltiges Investitionsziel	Das Finanzprodukt (im Folgenden "YIELCO Defensive Investments II", "YDI II", "der Fonds" bezeichnet) fördert/bewirbt ökologische und/oder soziale Merkmale, verfolgt jedoch keine nachhaltigen Investitionen als Ziel.
Ökologische oder soziale Merkmale des Finanzprodukts	<p>Ökologische und/oder soziale Merkmale werden als Teil eines holistischen ESG-Managements gefördert. Das holistische ESG-Management berücksichtigt die drei Elemente (i) Integration, (ii) Engagement und (iii) Transparenz und soll die Berücksichtigung von ESG-Kriterien der Lead-Investoren und Co-Investments fördern. Die folgenden Merkmale werden als Teil der ESG-Due-Diligence, des Beteiligungsprozesses und/oder der Überwachung/Berichterstattung gefördert:</p> <ul style="list-style-type: none"> <li>» Unterstützung internationaler ESG-Branchenstandards und Berichterstattung im Einklang mit diesen ESG-Branchenstandards</li> <li>» Berücksichtigung von ESG-Faktoren zur Risikominimierung und -reduktion</li> <li>» Schutz und die Einhaltung der internationalen Menschenrechte</li> <li>» Förderung von Initiativen zur Reduzierung des ökologischen Fußabdrucks und/oder</li> <li>» Förderung des allg. Umweltschutzes und des Ressourcenmanagements</li> </ul> <p>Darüber hinaus werden Anstrengungen unternommen, um internationale ESG-Industriestandards einzuhalten. Daher werden Lead-Investoren angehalten, die Grundsätze der United Nations Principles for Responsible Investment (UN PRI) zu unterstützen und einzuhalten.</p>
Anlagestrategie	Der Fonds verfolgt eine Strategie, die auf ESG-Integration, Engagement und Berichterstattung/Monitoring beruht. Im Rahmen des holistischen ESG-Konzepts wird eine Kombination aus ESG-Assessment und Berücksichtigung positiver und negativer Kriterien auf der Ebene des Lead-Investors und auf Ebene der Co-Investitionen angewendet. Bei der Due Diligence wird ein spezifisches ESG-Framework angewandt, der eine ESG-Due-Diligence und einen Bewertungsansatz einschließlich eines dedizierten Scorings auf GP- und Co-Investment-Ebene umfasst. Die Strategie wird durch die Überwachung und Berichterstattung von ESG-Indikatoren auf der Grundlage einer jährlichen ESG-Umfrage ergänzt, die die Entwicklungen und Daten der Investitionen verfolgt.
Aufteilung der Investitionen	Mind. 50% der Investitionen des Fonds fördern/bewerben ökologische und/oder soziale Merkmale und berücksichtigen Verfahrensweisen guter Unternehmensführung im Sinne von Artikel 8 der Offenlegungsverordnung (SFDR) durch die obligatorische Umsetzung des ESG-Scorings für jede Investition.
Überwachung der ökologischen oder sozialen Merkmale	<p>Im Rahmen des ESG-Ansatzes führt der Fonds ein dediziertes und proprietäres ESG-Scoring auf GP- und Co-Investment Level durch, das auf internationalen Standards basiert.</p> <p>Als Teil des laufenden Monitorings- und Reportingansatzes wird eine jährl. Umfrage durchgeführt, die auf einem umfassenden Satz von ~100 ESG-Indikatoren basiert und für jede Investition, auf GP- und Co-Investment Level angefragt wird.</p>

Methoden	<p>ESG-Scoring: Auf Ebene der Lead-Investoren wird eine Bewertung in 4 Kategorien und 13 zugrunde liegenden Indikatoren vorgenommen. Auf Co-Investment-Ebene werden weitere ~30 ESG-Indikatoren bewertet.</p> <p>ESG-Monitoring &amp; Reporting: Jährliche Abfrage bei Lead-Investoren und Co-Investments, welche als Grundlage für das Monitoring und einen ESG-Report dient. Insgesamt werden ~100 ESG-Indikatoren angefragt.</p>
Datenquellen und -verarbeitung	<p>Die Daten für die ESG-Integration werden über eine Vielzahl von Informationskanälen gesammelt, einschließlich, aber nicht beschränkt auf die ESG-Due-Diligence-Standardpakete des Lead-Investors, welche durch einen speziellen ESG-DDQ ergänzt werden. Die Daten stammen direkt vom GP. Das für die Durchführung der allgemeinen DD zuständige Investmentteam ist für die ESG-DD verantwortlich. Alle Daten sind real, es werden keine Schätzungen vorgenommen.</p> <p>Die Daten für das ESG-Reporting werden jährlich über eine Software-Applikation erhoben. Die Daten stammen direkt vom GP. Verantwortlich für die Datenerfassung ist die ESG Working Group zusammen mit dem Investmentteam, das die Daten für ESG-Reporting und -Monitoring gemeinsam verarbeitet. Alle Daten sind real, es werden keine Schätzungen vorgenommen.</p>
Beschränkungen hinsichtlich der Methoden und Daten	<p>Einschränkungen sind vor allem eine potenziell mangelnde Offenlegung von Informationen und/oder eine allgemeine Datenverfügbarkeit durch einige GPs und deren Portfoliounternehmen, die sich möglicherweise negativ auf die ESG-Bewertung auswirken könnten. Um sicherzustellen, dass solche Einschränkungen die Förderung ökologischer und/oder sozialer Merkmale nicht sonderlich beeinträchtigen, sind Engagement-Aktivitäten (detailliert beschrieben in den Abschnitten "(D)" und "(K)") Bestandteil der Strategie zur Förderung und Umsetzung von ESG-Standards und Best Practices sowie zur Verbesserung der ESG-Performance und zur Gewährleistung guter Unternehmensführung.</p>
Sorgfaltspflicht	<p>ESG-Kriterien werden im Rahmen des DD-Prozesses geprüft und analysiert und schließlich bei der Prüfung von Investitionsempfehlungen bewertet. Während der verschiedenen Prozessschritte werden Informationen über verschiedene Kanäle gesammelt, z.B. über standardmäßige ESG-Due-Diligence-Pakete, die durch einen dedizierten ESG-DDQ ergänzt werden. Diese Informationen werden vom Investmentteam im Rahmen des proprietären ESG-Scoring-Modells im Detail geprüft und analysiert. Die Ergebnisse der ESG-DD und des ESG-Scorings fließen schließlich in die Anlageempfehlung ein und werden vom IC diskutiert und berücksichtigt, gefolgt von einem aktiven Engagement.</p> <p>Die DD ist integraler Bestandteil der Investitionsstrategie. Ausführliche Informationen zu den einzelnen Schritten der DD sind in Abschnitt "(D)" zu finden.</p>
Mitwirkungspolitik	<p>Das Engagement dient dazu, die Umsetzung von ESG-Standards und Best-Practice-Ansätzen bei Lead-Investoren und Co-Investments zu fördern und voranzutreiben, um die ESG-Performance zu verbessern und eine gute Unternehmensführung zu gewährleisten. Side-Letter-Vereinbarungen und ein aktiver Dialog mit den GPs, ggfls. im Rahmen von Jahreshauptversammlungen und Investorenbeiratssitzungen sind probate Mittel.</p>
Bestimmter Referenzwert	<p>Es wurde kein Index als Referenzwert festgelegt.</p>

## YIELCO Defensive Investments II – Summary (Spanish) – Resumen

Sin objetivo de inversión sostenible	Este producto financiero (también denominado "YIELCO Defensive Investments II", "YDI II", "el fondo") promueve características medioambientales o sociales, pero no tiene como objetivo la inversión sostenible.
Características medioambientales o sociales del producto financiero	<p>Las características medioambientales y/o sociales se promueven como parte de una gestión ASG holística mediante la aplicación de un enfoque de inversión de cuatro fases que comprende (I) originación, (II) análisis preliminar y preselección, (III) due diligence y compromiso con criterios ASG (incl. criterios de exclusión), y (IV) fase de puntuación ASG del fondo objetivo.</p> <p>La integración de los criterios ASG en el proceso de due diligence se complementa con una monitorización y seguimiento posteriores, así como la elaboración de informes anuales, con el fin de detallar la consideración de los criterios ASG y una mayor divulgación e información por parte de los gestores subyacentes y fondos invertidos.</p> <p>Además, se están realizando esfuerzos para cumplir las normas internacionales del sector de inversiones en mercados privados en materia ASG, como son los United Nations Principles for Responsible Investment (UN PRI). El fondo anima a los gestores de los fondos subyacentes a considerar los principios de los UN PRI como parte de su due diligence de inversión.</p>
Estrategia de inversión	El fondo sigue una estrategia basada en la integración, el compromiso de cumplimiento e información en materia de ASG. El elemento clave de la estrategia es un planteamiento de inversión en cuatro fases que comprende (I) la búsqueda, (II) el cribado y preselección, (III) el due diligence y el compromiso ASG (incl. criterios de exclusión), y (IV) la fase de puntuación del fondo en términos ASG. La estrategia se complementa con el seguimiento y la comunicación de indicadores ASG basados en un cuestionario anual que sigue la evolución y los datos de los fondos objetivo.
Proporción de inversiones	Al menos el 50% de las inversiones del fondo promoverán las características medioambientales o sociales y seguirán las prácticas de buena gobernanza definidas en el artículo 8 del SFDR mediante la aplicación obligatoria del enfoque de puntuación o "scoring" de las inversiones ASG en cuatro etapas.
Seguimiento de las características medioambientales o sociales	<p>Como parte de su enfoque de inversión ASG, el producto financiero lleva a cabo una puntuación ASG "scoring" propietario, basado en normas internacionales, aplicándose 13 indicadores cualitativos y cuantitativos.</p> <p>Como parte del enfoque de supervisión e información continuas, se realiza un cuestionario anual basado en un conjunto de indicadores ASG (unos 100 indicadores) para cada inversión del fondo, tanto a nivel de GP como de fondo.</p>
Métodos	Puntuación ASG: Sistema de calificación de 10 puntos (que va de "No Data Available" (0) a "Not Present" (1), a "Developing" (>1 - <5), a "Solide" (≥ 5 - <8) a "State of the Art" (≥ 8 - 10)) aplicado a través de 4 categorías y 13 indicadores cualitativos y cuantitativos, relevantes para todas las clases de activos, desarrollados con un manual dedicado y un cuestionario de due diligence (DDQ) ASG correspondiente.

	<p>Supervisión y reporting ASG: Cuestionario anual a todos los gestores de inversiones, que da lugar a un informe específico sobre ASG y un marco de actuación de revisión de los principales aspectos. Solicitud de 52 indicadores en 8 categorías a nivel de gestora y 50 indicadores en 5 categorías a nivel de fondo.</p>
Fuentes y tratamiento de datos	<p>Los datos obtenidos para el enfoque de integración ASG se recopilan a través de diversos canales de información, incluidos, entre otros, los paquetes estándar de due diligence ASG del gestor, complementados por un cuestionario ASG específico. Los datos recopilados proceden directamente del gestor. El equipo de inversión responsable de la due diligence global se encarga de la due diligence ASG. Todos los datos son reales, no se realizan estimaciones.</p> <p>Los datos obtenidos para el enfoque de elaboración de informes ASG se recopilan anualmente a través de una herramienta informática. Los datos proceden directamente del gestor. El responsable de la encuesta es el Grupo de Trabajo ASG junto con el equipo de inversión, que procesan conjuntamente los datos para la elaboración de informes y el seguimiento ASG. Todos los datos son reales, no se hacen estimaciones.</p>
Limitaciones de los métodos y los datos	<p>Las limitaciones son principalmente una posible falta de información y/o una disponibilidad general de datos por parte de algunos gestores y sus empresas en cartera, lo que podría repercutir negativamente en la puntuación ASG. Para garantizar que dichas limitaciones no afecten a la promoción de las características medioambientales y/o sociales, los compromisos asumidos (descritos en la sección "(D) Estrategia de inversión" y "(K) compromisos en la inversión") forman parte integral de la estrategia para impulsar la aplicación de normas ASG y mejores prácticas, así como para mejorar y garantizar la buena gobernanza.</p>
Diligencia debida	<p>Los criterios ASG se revisan y analizan como parte del proceso de due diligence y, finalmente, se evalúan al examinar las inversiones de los fondos. Durante las distintas fases del proceso, la información se recopila a través de diversos canales, por ejemplo, mediante paquetes estándar y cuestionarios de due diligence ASG. Esta información es revisada y analizada en detalle por el equipo de inversión como parte del modelo de scoring ASG propio. Los resultados de la due diligence ASG y la puntuación ASG se incorporan finalmente a la decisión de inversión y son considerados por el comité de inversión, seguido de un compromiso activo.</p> <p>La due diligence forma parte integrante de la estrategia de inversión, por lo que en la sección "(D) Estrategia de inversión" se ofrece información detallada sobre cada una de las fases de la diligencia debida.</p>
Políticas de implicación	<p>El compromiso de impulsar la aplicación de las normas ASG y los enfoques de mejores prácticas entre los gestores de fondos subyacentes y las empresas de su cartera se realiza para mejorar el rendimiento ASG. Las estrategias predominantes son los acuerdos complementarios "side letters" y un diálogo activo con los gestores.</p>
Índice de referencia designado	<p>No se ha designado ningún índice como referencia que cumpla las características medioambientales o sociales promovidas por el fondo.</p>



## YIELCO Defensive Investments II – Summary (Italian) – Sintesi

Nessun obiettivo di investimento sostenibile	Questo prodotto finanziario (di seguito denominato " YIELCO Defensive Investments II", "YDI II", "il fondo") promuove caratteristiche ambientali o sociali, ma non ha come obiettivo degli investimenti sostenibili.
Caratteristiche ambientali o sociali del prodotto finanziario	<p>Le caratteristiche ambientali e/o sociali sono promosse come parte di una gestione ESG olistica.</p> <p>La gestione olistica ESG tiene conto dei tre elementi (i) integrazione, (ii) impegno e (iii) trasparenza e mira a promuovere la considerazione dei criteri ESG da parte degli investitori principali e dei coinvestimenti. Le seguenti caratteristiche sono promosse come parte della due diligence ESG, del processo di coinvolgimento e/o del monitoraggio/rendicontazione:</p> <ul style="list-style-type: none"> <li>» Sostegno agli standard internazionali del settore ESG e rendicontazione in linea con questi standard ESG del settore</li> <li>» Considerazione dei fattori ESG per minimizzare e ridurre i rischi</li> <li>» Protezione e rispetto dei diritti umani internazionali</li> <li>» Promozione di iniziative volte a ridurre l'impronta ecologica e/o</li> <li>» Promozione della protezione dell'ambiente e della gestione delle risorse in generale</li> </ul> <p>Inoltre, si stanno compiendo sforzi per conformarsi agli standard internazionali del settore ESG. Gli investitori principali sono pertanto incoraggiati a sostenere e a rispettare i principi dei Principi di investimento responsabile delle Nazioni Unite (UN PRI).</p>
Strategia di investimento	Il fondo persegue una strategia basata sull'integrazione, l'impegno e il reporting/monitoraggio ESG. Nell'ambito dell'approccio olistico ESG, a livello dell'investitore principale e di coinvestimenti viene applicata una combinazione di valutazione ESG e di considerazione di criteri positivi e negativi. Nel processo di due diligence viene applicato un quadro ESG specifico, che comprende la due diligence ESG e un approccio di valutazione che include un punteggio dedicato a livello di GP e di coinvestimento. La strategia è completata dal monitoraggio e dalla rendicontazione degli indicatori ESG sulla base di un'indagine ESG annuale che tiene traccia degli sviluppi e dei dati relativi agli investimenti.
Quota degli investimenti	Almeno il 50% degli investimenti del fondo promuoverà caratteristiche ambientali o sociali e seguirà le pratiche di buona governance definite dall'articolo 8 della SFDR attraverso l'attuazione obbligatoria dell'approccio di valutazione degli investimenti ESG per ciascun investimento.
Monitoraggio delle caratteristiche ambientali o sociali	<p>Come parte dell'approccio ESG, il fondo effettua uno scoring ESG dedicato e proprietario a livello di GP e di coinvestimento, basato su standard internazionali.</p> <p>Come parte dell'approccio di monitoraggio e rendicontazione continua, viene condotto un sondaggio annuale basato su una serie completa di circa 100 indicatori ESG per ogni investimento a livello di GP e di coinvestimento.</p>
Metodologie	Punteggio ESG: a livello degli investitori principali, viene effettuata una valutazione in 4 categorie e 13 indicatori sottostanti. Altri circa 30 indicatori ESG sono valutati a livello di coinvestimento.

	<p>Monitoraggio e rendicontazione ESG: indagine annuale degli investitori principali e dei coinvestimenti, che serve come base per il monitoraggio e per la stesura di un rapporto ESG. In totale vengono richiesti circa 100 indicatori ESG.</p>
Fonti e trattamento dei dati	<p>I dati per l'integrazione ESG vengono raccolti attraverso una serie di canali informativi, tra cui, ma non solo, i pacchetti standard di due diligence ESG del lead investitore, integrati da un DDQ ESG dedicato. I dati provengono direttamente dal GP. Il team di investimento responsabile della DD generale è responsabile della DD ESG. Tutti i dati sono reali, non vengono fatte stime.</p> <p>I dati per la rendicontazione ESG vengono raccolti annualmente tramite un'interfaccia elettronica. I dati provengono direttamente dal GP. Il gruppo di lavoro ESG è responsabile della raccolta dei dati insieme al team di investimento, che elabora congiuntamente i dati per il reporting e il monitoraggio ESG. Tutti i dati sono reali, non vengono fatte stime.</p>
Limitazioni delle metodologie e dei dati	<p>Le limitazioni sono rappresentate principalmente da una potenziale mancanza di divulgazione di informazioni e/o di disponibilità di dati generali da parte di alcuni GP e delle società in portafoglio sottostanti, che potrebbero influenzare negativamente sul punteggio ESG. Per garantire che tali limitazioni non incidano in modo significativo sulla promozione delle caratteristiche ambientali e/o sociali, le attività di engagement (descritte nelle sezioni "(D) Strategia d'investimento" e "(K) Politiche di engagement") sono parte integrante della strategia volta a promuovere e implementare gli standard e le best practice ESG e a migliorare la performance ESG e garantire una buona governance.</p>
Dovuta diligenza	<p>I criteri ESG vengono esaminati e analizzati come parte del processo di due diligence e infine valutati al momento della revisione degli investimenti dei fondi. Durante le varie fasi del processo, le informazioni vengono raccolte attraverso vari canali, ad esempio i pacchetti standard di due diligence ESG, integrati da un questionario di due diligence ESG appositamente sviluppato. Queste informazioni vengono esaminate e analizzate in dettaglio dal team di investimento in base al modello di punteggio ESG proprietario. I risultati della due diligence ESG e del punteggio ESG sono infine incorporati nella decisione/raccomandazione d'investimento e sono discussi e considerati dal comitato di investimento, seguito da un engagement attivo.</p> <p>La due diligence è parte integrante della strategia d'investimento, pertanto le informazioni dettagliate su ciascuna fase della due diligence sono riportate nella sezione "(D) Strategia d'investimento".</p>
Politiche di impegno	<p>L'impegno viene condotto a promuovere e guidare l'implementazione di standard ESG e approcci di best practice tra gli investitori principali e i coinvestimenti, al fine di migliorare la performance ESG e garantire una buona governance aziendale. Gli accordi di side letter e un dialogo attivo con i GP, possibilmente nel contesto delle assemblee generali annuali e delle riunioni del comitato consultivo degli investitori, sono strumenti collaudati.</p>
Indice di riferimento designato	<p>Nessun indice è stato designato come benchmark di riferimento per soddisfare le caratteristiche ambientali o sociali promosse dal fondo.</p>

**(B) NO SUSTAINABLE INVESTMENT OBJECTIVE**

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

## (C) ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

YIELCO Defensive Investments II ("YDI II", "the Fund") promotes the integration of environmental, social and governance ("ESG") aspects as part of its holistic ESG management strategy. This approach aligns with the principles of the UN PRI (United Nations Principles for Responsible Investment).

YDI II focuses on investing in companies or businesses through investments, more specifically co-investments with other funds and institutional investors with a global allocation focusing on Europe and the US. The Fund intends to invest in control situations and equity investments.

The Fund promotes environmental and/or social characteristics as part of a holistic ESG management strategy, in accordance with good governance practices as defined under Article 8 of the Sustainable Finance Disclosure Regulation (EU 2019/2088; SFDR). The Fund's comprehensive ESG management approach encompasses three core components: (i) integration, (ii) engagement, and (iii) transparency. This strategy aims to encourage consideration of ESG criteria and the enhanced disclosure and reporting of underlying lead investors and co-investments. All lead investors or fund managers of potential co-investments undergo a rigorous multistage ESG screening process, resulting in a dedicated ESG scoring at lead-investor level and co-investment level.

In accordance with the holistic ESG management and ESG due diligence, the Fund requires the underlying lead investors to take environmental and social characteristics into account in their investments. This approach is aligned with internationally recognized standards and exclusion criteria, as part of the engagement strategy.

The following environmental and/or social characteristics are promoted as part of the ESG due diligence, engagement process and/or monitoring/reporting:

- » support for international ESG industry standards and reporting in line with these ESG industry standards
- » the consideration of ESG factors to mitigate and reduce risk
- » the protection and observance of international human rights
- » the promotion of initiatives to reduce the ecological footprint and/or
- » the promotion of general environmental protection and resource management

In addition, efforts are being made to comply with international ESG industry standards. The Fund encourages lead investors to support and adhere to the principles of the United Nations Principles for Responsible Investment (UN PRI).

## (D) INVESTMENT STRATEGY

The Fund pursues a strategy that incorporates an ESG approach that aims to achieve an attractive risk-adjusted financial return for its investors, while ensuring that ESG criteria are closely considered throughout the investment process and throughout the life of the Fund. As part of the holistic ESG approach, a combination of ESG assessment and consideration of positive and negative criteria is applied at the lead investor level and at the underlying co-investment level.

The focus is placed on promoting environmental or social characteristics through the implementation of the following core principles:

**Integration**, which involves the systematic consideration of ESG criteria across the investment process. This includes the selection/screening (exclusion criteria) and due diligence processes (thorough ESG due diligence and ESG scoring at the lead-investor and co-investment levels).

**Engagement** to promote and drive the implementation of ESG standards and best practice approaches among underlying fund managers and lead-investors and their portfolio companies/co-investments to improve ESG performance (Side Letter Agreements and active dialogue with GPs, if relevant during AGMs and LPAC meetings).

**Reporting** of ESG-related indicators to stakeholders on corporate and investment activities, the latter based on annual ESG surveys on >100 indicators at GP and co-investment level.

These three core elements of i) integration, ii) engagement and iii) transparency are described in more detail below:

### i) Integration

The investment process for the financial product involves a four-phase ESG investment approach, comprising sourcing, screening and pre-selection, ESG due diligence, and ESG scoring at lead investor and co-investment levels. The phases of the ESG investment approach are outlined below:

1. **Sourcing:** In the initial sourcing phase, YIELCO identifies and evaluates the underlying ESG strategy starting already at the sourcing stage of potential investments. During the sourcing process, the most relevant ESG risks and opportunities of the co-investment and the lead investor are identified and assessed. This early step allows YIELCO to filter out non-investable companies and lead investors with an inadequate ESG strategy at a relatively early stage.
2. **Screening and Pre-Selection:** Assessment whether the potential co-investment may violate the Fund's exclusion criteria. Assessment whether ESG risks can be mitigated.
3. **ESG-Due-Diligence und Engagement:** The ESG due diligence addresses ESG aspects as part of the general due diligence questionnaire. The lead investor's ESG policy and strategy for potential investments are evaluated as part of the investment process criterion. The ESG strategy as well as the implementation of "ESG Policy Guidelines", "Ethics Policy", "Codes of Conduct", etc. are reviewed in detail, personally checked and, if necessary, questioned during the on-site due diligence. In addition, YIELCO has developed a dedicated YIELCO ESG scoring model (cf. phase 4). The results of the previous process steps are incorporated into the YIELCO ESG scoring as well. The scoring takes place based on documents provided by the manager in combination with the in-house developed ESG DDQ based on high international standards. The results of the ESG due diligence and the ESG scoring are finally incorporated into the investment recommendation and are discussed and considered by the investment committee. In addition, YIELCO engages the lead investor to improve its ESG strategy, if necessary, for example through the influence of the Limited Partner Advisory Board (LPAC). Further measures to be implemented are integrated into the contract negotiations prior to the underwriting process. In addition, ESG reporting clauses

should ensure the provision of non-financial data and ESG KPIs in order to produce high quality ESG reports in the future and to meet regulatory requirements. As part of the agreements in the side letters to implement measures to improve the sustainability strategy and to monitor compliance with and progress on any ESG action plans agreed at the level of the lead investor, discussions will be held with the lead investor. The results will be sought through opportunities for influence, such as the investor advisory committee, bilateral meetings or annual general meetings. ESG activities and reporting of non-financial indicators and ESG KPIs will be requested as part of the annual ESG monitoring process at both the lead investor and co-investment level, reviewed internally and reported as part of the ESG report and in the form of the European ESG Template (EET).

Furthermore, it is intended that the lead investors commit to becoming signatories of the United Nations Principles for Responsible Investment Initiative (UN PRI) if they have not yet done so.

4. **ESG-Scoring:** A scoring model that takes into account the results of the previous steps and is used to rate the underlying ESG policies and management of the lead investor. It also assesses the potential co-investment. The ESG Scoring model is based on high international standards (e.g. the Institutional Limited Partners Association, ILPA ESG Assessment Framework and the UN PRI Responsible Investment Guidelines) and evaluation criteria for all asset classes, developed with a dedicated manual and a corresponding ESG DDQ.

## ii) Engagement

In light of a limited scope for influence, a variety of proactive measures are employed to implement its ESG strategy. In addition to the integration of ESG criteria into the overall investment process, including the consideration of exclusion and negative criteria as well as the norm-based consideration of positive criteria, the Fund engages in individual engagement through dialogue, contractual agreements or by exerting influence in the investor advisory board, as mentioned above. It also seeks to influence lead investors to support and adhere to the UN Principles for Responsible Investment.

It is agreed with the lead investors to request and report ESG indicators on an annual basis. In addition, YIELCO is committed to reporting ESG data on a collaborative level as part of the ESG Data Convergence Initiative (EDCI).

## iii) Transparency

As part of the ongoing monitoring and reporting approach, an annual survey based on a comprehensive set of ESG-related indicators (approximately 100 indicators) is conducted and requested for each investment at both the GP and co-investment level.

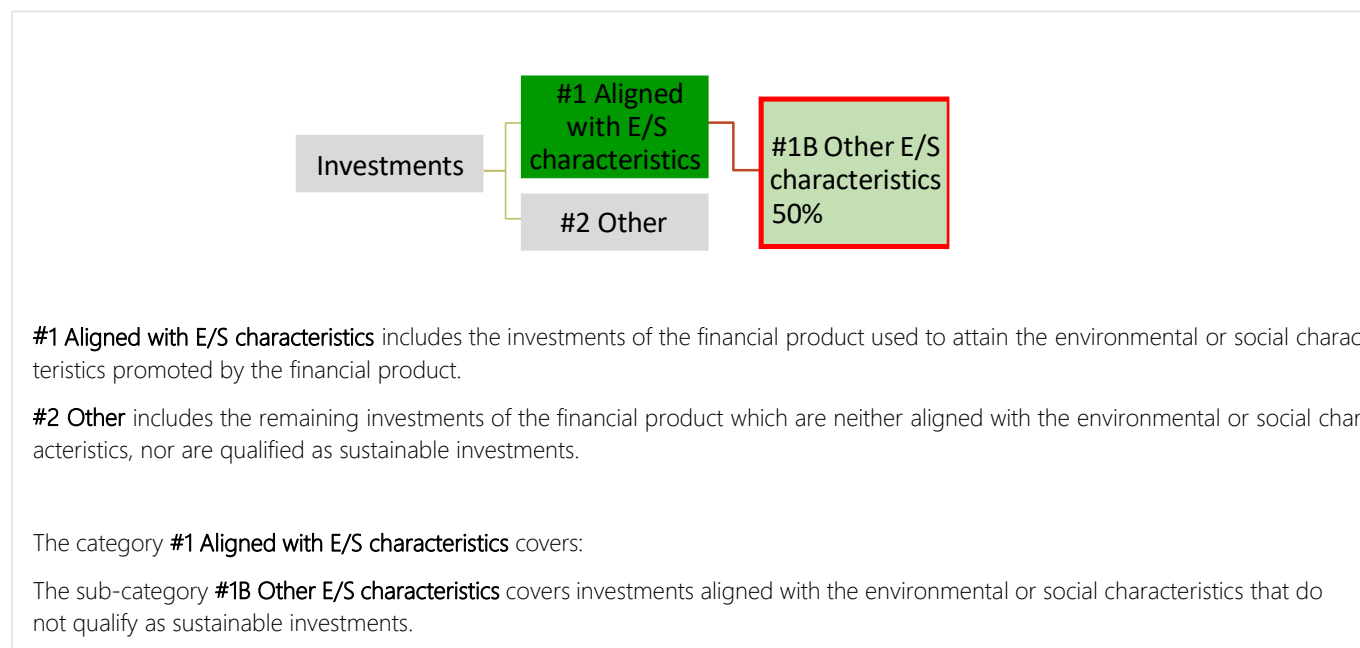
The Fund aims to promote environmental and/or social characteristics and to follow good governance practices as defined under Article 8 of the SFDR. In order to meet these requirements, binding elements have been defined as integral parts of the investment strategy and the ESG approach. Details are provided in the following section.

To ensure good governance practices, YIELCO has integrated a good governance check (GGC) into the ESG Scoring which is linked to the overall ESG assessment. The GGC is linked to certain criteria in the assessment linked to sound management structures, employee relations, remuneration of staff and tax compliance. If the threshold of "Good Management of ESG Aspects" is being reached for certain criteria which are strongly related to the beforementioned four pillars highlighted in the SFDR, then the GGC is positive. If the GGC is not positive, then, countermeasures need to be implemented (e.g. via side letter) to ensure good governance practices.

## (E) PROPORTION OF INVESTMENTS

At least 50% of the Fund's direct investments<sup>1</sup> will promote environmental or social characteristics ("#1B Other E/S characteristics") as described above and follow good governance practices as defined under Article 8 SFDR through the mandatory implementation of the four-step ESG investment scoring approach for each investment.

**Diagram 1: Anticipated Allocation of Investments**



All investments subsumed under "#2 Other" pertain to investments that fail to meet the binding elements outlined in Annex II as well as liquidity held within the Fund. For the direct investments (excluding the cash positions, and other liquidity held by the fund), there are certain minimum safeguards. For example, the consideration and/or compliance of lead investors with the UN PRI is an important aspect in the due diligence process. The Fund encourages the lead investors to take into account the UN PRI as part of their due diligence and implement these Principles as part of a good governance practice. Compliance by the lead-investors will be ensured on a best effort basis by side letter agreements but cannot be guaranteed in the side letter negotiations.

<sup>1</sup> Excluding cash positions held by the fund.

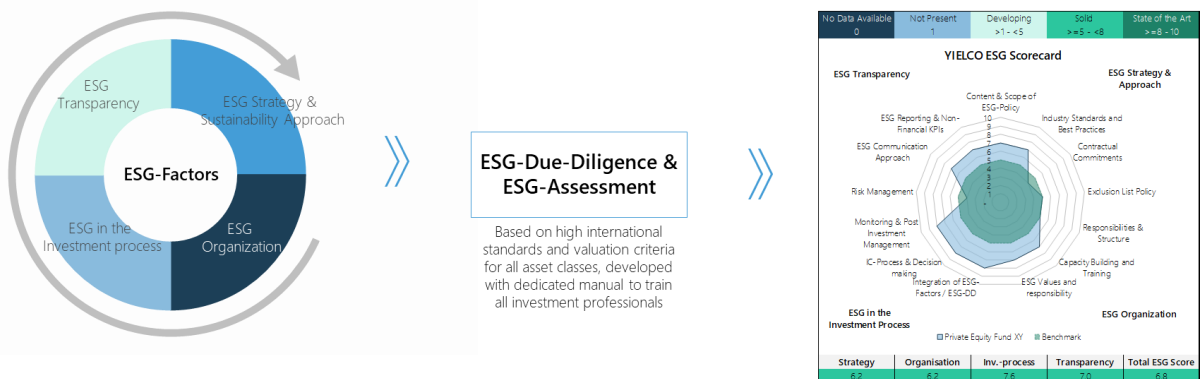
## (F) MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

### ESG Scoring

As part of its ESG investment approach, the financial product applies a dedicated ESG due diligence to each potential investment. Within this framework, at the lead-investor level 13 qualitative (and quantitative) indicators are applied (cf. Diagram 2). This set of indicators serve as the basis to assess the target fund’s underlying ESG approach via a proprietary and dedicated ESG scoring which is integrated into each investment recommendation.

- » ESG strategy and approach,
- » ESG organization,
- » ESG consideration in the investment process, and
- » ESG Transparency.

**Diagram 2: ESG-Scoring – Lead Investor Level (exemplary illustration)**



**Evaluation of the four ESG categories broken down into thirteen qualitative criteria**

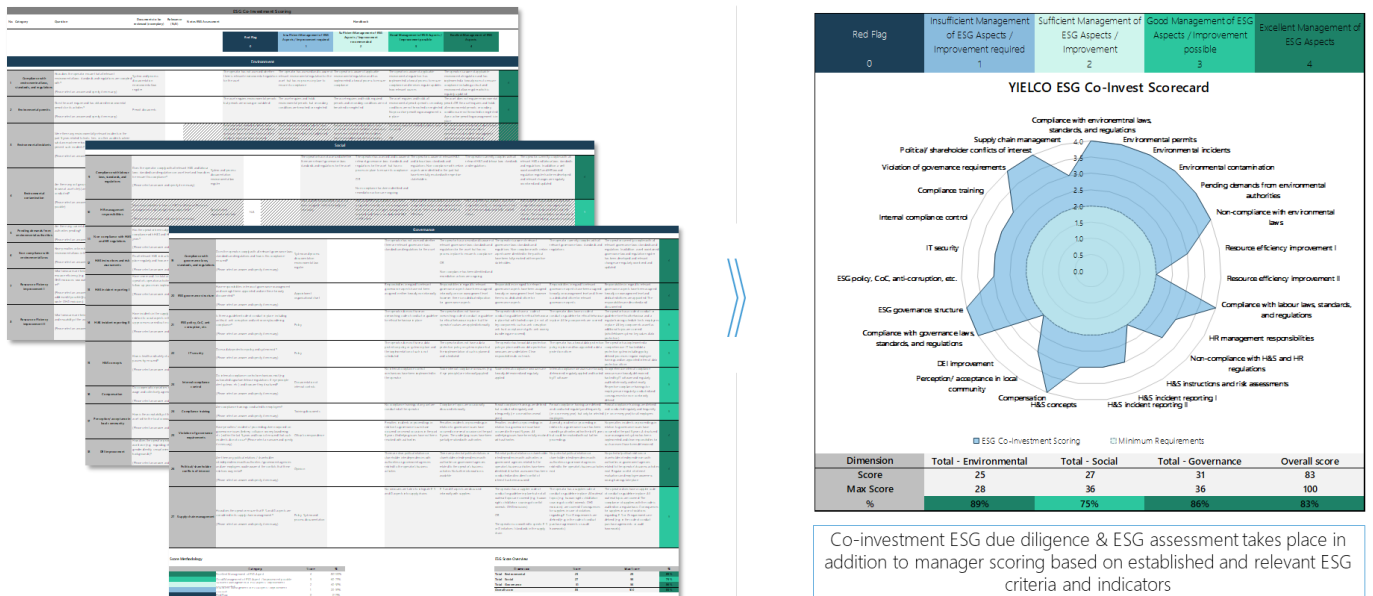
ESG Strategy & Sustainability Approach	ESG Organization	ESG in the Investment Process	ESG Transparency
<ul style="list-style-type: none"> <li>» Content &amp; Scope of ESG-Policy</li> <li>» Industry Standards and Best Practices</li> <li>» Contractual Commitments</li> <li>» Exclusion List Policy</li> </ul>	<ul style="list-style-type: none"> <li>» Responsibilities &amp; Structure</li> <li>» Capacity and Training</li> <li>» ESG Values and overall responsibility</li> </ul>	<ul style="list-style-type: none"> <li>» Integration of ESG-Factors / ESG-DD</li> <li>» IC-Process &amp; Decision making</li> <li>» Monitoring &amp; Post Investment Mgmt.</li> <li>» Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>» ESG Communication Approach</li> <li>» ESG Reporting &amp; KPIs</li> </ul>

As part of the ESG due diligence process, the extent to which the underlying GP/fund manager plans to collect non-financial performance data or ESG indicators is also assessed. These indicators correspond to the principal adverse impacts (PAIs) on sustainability factors as described by Article 4 SFDR and the accompanying Annex I of the Delegated Regulation (EU) 2020/852RTS of the EU Disclosure Regulation (RTS). The financial product encourages each fund manager to collect and report the PAI indicators.

The ESG due diligence & ESG assessment takes place in addition to the lead-investor scoring. The assessment at co-investment level is intended to evaluate potential investments with regard to ESG-relevant risks. It allows to indicate the ESG materiality, offers a comprehensive questionnaire to determine an ESG score, and provides a good governance check. The ESG assessment builds on high international standards. The ESG Assessment contains a questionnaire that covers relevant categories and criteria. The questionnaire comprises around 30 questions covering the dimensions environment, social, and governance.



**Diagram 3: ESG-Scoring – Co-Investment Level (exemplary illustration)**



**ESG Monitoring & Reporting**

In the event of a positive investment recommendation and subsequent commitment to an underlying fund, i.e., post investment, the financial product regularly monitors and tracks a variety of ESG-related indicators. Based on an annual survey, a comprehensive set of ESG-related indicators are requested for each investment on both GP level and fund level. These indicators are the basis for a dedicated annual ESG reporting and monitoring of the development of the portfolio.

## (G) METHODOLOGIES FOR ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

### ESG Scoring

The scoring at fund level applies a 10-point rating scale to assess the target fund's categories: ESG strategy and approach, ESG organization, ESG consideration in the investment process, and ESG Transparency. Each category has several sub-categories or indicators (cf. (D) Investment Strategy) which are scored individually. Each indicator can be scored from 0-10 points. The score ranges from "No Data Available" (0) to "Not Present" (1), to "Developing" (>1 – <5), to "Solid" (≥ 5 – <8) to "State of the Art" (≥ 8 – 10). Each score is weighted individually and builds finally in aggregation the total score. At co-investment level, the questions are scored by the investment team on a 5-point scale and the scorings are aggregated into an overall ESG score. If a question is not applicable to the asset, the question can be excluded from the assessment and will no longer be considered in the calculation of the ESG score. The frameworks for both assessments are developed based on high international standards (e.g. the Institutional Limited Partners Association, ILPA ESG Assessment Framework and the UN PRI Responsible Investment Guidelines) and applied criteria are relevant for all asset classes, developed with a dedicated manual and a corresponding ESG DDQ.

### ESG Monitoring & Reporting

Following an overview of ESG-related indicators which are requested both on GP level and on Fund level.

**Diagram 4: ESG-Related Indicators at GP Level**

<b>ESG strategy</b>	<ul style="list-style-type: none"> <li>ESG for value creation</li> <li>ESG for risk mitigation</li> <li>ESG policy</li> <li>ESG policy content</li> <li>ESG policy review</li> <li>ESG governance</li> <li>ESG team</li> <li>ESG in compensation</li> <li>ESG training - Topics</li> <li>ESG memberships</li> <li>UN PRI Score</li> <li>ESG industry standards</li> <li>ESG promotion</li> <li>ESG reporting to investors</li> <li>ESG reporting types</li> <li>ESG public information</li> <li>ESG objectives</li> <li>ESG approach changes</li> <li>PAI approach - Management company level</li> </ul>	<b>Social</b>	<ul style="list-style-type: none"> <li>Number of employees - Total</li> <li>Number of employees - Female</li> <li>Investment team members - Total</li> <li>Investment team members - Female</li> <li>Management positions - Total</li> <li>Management positions - Female</li> <li>Diversity, equity, and inclusion</li> <li>Employee engagement</li> <li>Philanthropy</li> <li>CSR initiatives</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Board of Directors - Total members</li> <li>Board of Directors - Independent members</li> <li>Board of Directors - Female</li> <li>Executive Committee - Total members</li> <li>Executive Committee - Female members</li> <li>Litigations</li> <li>Cybersecurity</li> </ul>	<b>Environment</b>	<ul style="list-style-type: none"> <li>Environmental initiatives</li> <li>Management company carbon footprint assessment - Scope 1, 2 &amp; 3</li> </ul>
		<b>Pre-investment phase</b>	<ul style="list-style-type: none"> <li>ESG assessment in the pre-investment phase</li> <li>ESG assessment tools</li> <li>ESG assessment tools - Description</li> <li>Climate assessment</li> </ul>
		<b>Investment decision</b>	<ul style="list-style-type: none"> <li>ESG in the investment decision-making process</li> <li>ESG decisions tools</li> <li>Impact of ESG on decisions</li> <li>Shareholder agreements</li> </ul>
		<b>Holding phase</b>	<ul style="list-style-type: none"> <li>ESG performance during the holding period</li> <li>ESG monitoring tools</li> <li>ESG topics monitored</li> </ul>
		<b>Exit phase</b>	<ul style="list-style-type: none"> <li>ESG in the exit process</li> <li>ESG tools in the exit process</li> <li>Value sharing in the exit process</li> </ul>

## Diagram 5: ESG-Related Indicators at Fund Level

<b>General information</b>	SFDR Applicability	<b>Environment</b>	Total share of environmental policies Total share of environmental initiatives Total share of environmental monitoring Total share of environmental compliance Energy consumption intensity Total share of renewable energy consumed Total share of renewable energy produced Total GHG emissions - Scope 1 Total GHG emissions - Scope 2 Total GHG emissions - Scope 3 Scope 1+2 consolidated GHG emissions Scope 1+2 GHG emissions intensity Total share of activity exposed to fossil fuel sector Hazardous waste intensity Emissions to water intensity Total share of activity impacting biodiversity Total environmental litigations
<b>ESG Strategy &amp; Policy</b>	ESG Commitments Climate Commitments ESG Report EET Report Sustainability-linked loans PAI approach SFDR classification SFDR E/S characteristics SFDR Sustainable objectives EU Taxonomy alignment	<b>Social</b>	Average share of females Organic net new hires Total net new hires Average attrition rate Total work-related accidents Total fatal accidents Total lost days due to work-related accidents Total social litigations Total share of employer-brand initiatives Average unadjusted gender pay gap
<b>Governance</b>	Average share of independent members at the Board Average share of female at the Board Total share of female CEO Average share of female at the Executive Committee Total ethical litigations Total share of Global Compact compliance mechanisms Total share of Global Compact violations Total share of activity exposed to controversial weapons Total share of CSR commitments Total share of CSR at the Board of Directors Sustainability best practices Total ESG-related Incidents		

Additionally, as a minimum safeguard, the Fund encourages the target funds to take into account the UN PRI as part of their due diligence and implement these UN PRI as part of a good governance practice.

## (H) DATA SOURCES AND PROCESSING

Data for the ESG integration approach is collected through a variety of information channels. Information on how the underlying fund or GP promotes environmental and/or social characteristics is collected through a dedicated and detailed ESG due diligence questionnaire and other relevant sources from the GP (e.g. meetings, AGMs, dedicated reports and other ESG due diligence material). The data collected is sourced directly from the GP. The investment team responsible for conducting the overall due diligence is responsible for the ESG due diligence, which is an integral part of the final investment recommendation. All data is real, no estimates are made.

Data for the ESG reporting approach is collected annually through a software application tool. A dedicated ESG survey with a set of ESG-related indicators has been developed and is requested for each investment at GP, fund level and co-investment level. The data is provided directly by the GP. The ESG survey is the responsibility of the ESG Working Group, together with the investment team, who developed the ESG survey and process the data for ESG reporting and monitoring. All data is real, no estimates are made.

## (I) LIMITATIONS TO METHODOLOGIES AND DATA

The main limitations to the methodologies and/or data sources faced by the Fund are mainly a potential lack of disclosure of information and/or a general data availability by GPs and their underlying portfolio companies. A potential lack of relevant KPIs, might negatively impact the ESG score which is the result of the due diligence. To ensure that such limitations do not affect the promotion of environmental and/or social characteristics, the engagement described above and in the following section "(K) Engagement Policies" are an integral part of the investment strategy to promote and drive the implementation of ESG standards and best practice approaches among underlying target fund managers and their portfolio companies and to improve ESG performance and to guarantee good governance. Engagement activities such as side-letter-agreements during the underwriting process are a proven tool to achieve improvements regarding ESG activities. Clauses related to ESG reporting in side-letter-agreements will ensure the provision of non-financial data or ESG KPIs in order to produce high quality ESG reports.

## (J) DUE DILIGENCE

Systematic ESG due diligence standards are an integral part of the Fund's investment strategy. The consideration of ESG criteria is firmly embedded throughout the due diligence process and investment recommendation making for potential co-investments and is applied regardless of the underlying strategy or geography.

ESG criteria are reviewed, analyzed and finally assessed as part of the proprietary ESG scoring model during the various steps of the process, when reviewing potential investments at both lead investor and co-investment levels. The core instruments that are being used to systematically take ESG criteria into account are ESG integration and engagement.

During the due diligence and investment selection process, standard due diligence packages are provided by GPs as a common practice to provide information on different aspects, including ESG practices. This information includes standard due diligence questionnaires, dedicated ESG due diligence questionnaires, and other information on sustainability practices. Additionally, a dedicated ESG DDQ was developed to address international standards which are also the basis for the dedicated ESG scoring. This information is reviewed and analyzed in detail by the investment team. The results of the ESG due diligence and the ESG scoring are finally incorporated into the investment recommendation and are discussed and considered by the investment committee. After formalizing investment commitment, and after the legal review of sustainability aspects in the legal documentation, the GP is asked to incorporate a series of standard ESG clauses in the side letter, that are result of the ESG due diligence and to meet the level of ESG standards of the financial product (cf. (D) Investment Strategy).

On an ongoing annual basis, a comprehensive set of ESG-related indicators are requested for each investment on GP, fund and co-investment levels. These indicators are the basis for a dedicated annual ESG reporting and monitoring of the development of the portfolio (cf. (F) Monitoring of Environmental or Social Characteristics and (G) Methodologies).

The section "(D) Investment Strategy" describes detailed the underlying due diligence steps which are an essential part of the investment strategy.

## (K) ENGAGEMENT POLICIES

Engagement is an integral part of the investment strategy to promote and drive the implementation of ESG standards and best practice approaches among underlying target fund managers and their portfolio companies to improve ESG performance and to ensure good governance. Engagement is often the result of the previous ESG due diligence and the ESG scoring, that results are included in the final investment recommendation for the Investment Committee. Where appropriate, the measures to be implemented are incorporated into the contract prior to the underwriting process.

Side letter agreements during the underwriting process are a proven engagement tool to achieve improvements in ESG activities. To this end, clauses on the GP's or fund's ESG strategy are implemented as standard, in line with the internal ESG strategy. In addition, ESG reporting clauses ensure the provision of non-financial data or ESG KPIs in order to produce high quality ESG reports in the future and meet the requirements of increasing regulatory obligations.

Agreements made in side-letters to implement measures to improve the sustainability strategy as well as to review compliance and monitor the progress on potentially agreed ESG action plans, are discussed and results will be sought through channels of influence such as the Investor Advisory Board/ Limited Partner Advisory Committee, in bilateral discussions or at AGMs.

In addition, YIELCO advocates for support and compliance with the UN Principles for Responsible Investment among target fund managers where they are not yet supporters, and considers support to implement a policy and encourages dedicated reporting.

**(L) DESIGNATED REFERENCE BENCHMARK**

No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the Fund.