

Article 10 (SFDR)

Website disclosure for an article 8 fund

## **PSC Credit IV (A) SCSp (the “Partnership”)**

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1.0	April 2024	First version	IQ EQ Fund Management (Luxembourg) S.A

**(a) Summary<sup>1</sup>**

**No sustainable investment objective:** The Partnership promotes environmental or social characteristics but does not have as its objective sustainable investment.

**Environmental or social characteristics of the financial product:** The Manager will apply a proprietary ESG data model, which is comprised of both core ESG metrics and relevant impact measures to establish a baseline on performance in respect of certain ESG issues (the “**ESG Score**”) which the Manager uses to guide future engagement with the borrower to work to improve the borrower’s overall ESG Score. The ESG Score looks at performance on a range of issues including, for example, overall ESG programme status; carbon strategy and net zero commitment; renewable energy usage; Diversity, Equity & Inclusion; employee engagement; board gender diversity, ESG reporting, among others. In so doing, the environmental and social characteristics that are promoted using the ESG Score are determined on an investment-by-investment basis as a result of an assessment of an individual borrower.

**Investment strategy:** The Partnership seeks to provide capital to businesses which themselves are lenders. These non-bank lenders are typically specialist in that they focus on a single sector with all of their people, infrastructure and systems dedicated to delivering a high quality lending proposition. These businesses have generally established themselves and grown in markets that are not well served by the incumbent banks and therefore typically face less price competition. The Partnership seeks to target businesses which operate in Europe, with deal sizes ranging from £10 - 75 million. The Partnership seeks to lend to non-banks secured on loan and receivable portfolios. The Fund will apply a strategy of ESG integration and engagement to attain the environmental or social characteristics promoted.

**Proportion of investments:** The Partnership will (a) undertake an assessment of each potential borrower to establish their baseline ESG Score, and review this periodically during the term of the loan for every borrower; and (b) include an ESG Ratchet in facility agreements for at least 75% of investments (assessed at the end of the Investment Period).

**Monitoring of environmental or social characteristics:** The following sustainability indicators will be used: (a) percentage of borrowers covered by an ongoing monitoring of sustainability credentials of borrowers through ESG data collected at least annually in accordance with the Pollen Street proprietary screening process and scoring mechanism; (b) ongoing monitoring of borrowers with products, services and/or solutions which have the potential for positive social or environmental impact, aligned to relevant SDGs (examples include decent work and economic growth (SDG 8) through SME financing, reducing inequalities (SDG 10) through consumer financing, sustainable cities and communities (SDG 11) through financing for affordable housing, and climate action (SDG 13) through electric vehicle financing) and as determined by PSC; and (c) number of borrowers that have included the ESG ratchet in their facility agreement.

**Methodologies:** Methodologies used to measure how the environmental or social characteristics are met include Pollen Street’s proprietary screening process and scoring mechanism, using Pollen Street’s ESG framework to monitor borrowers with products, services and/or solutions which have

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<sup>1</sup> Please see the Annex to this disclosure for a French language translation of this Summary, in accordance with the requirements of Article 25(2) of Commission Delegated Regulation (EU) 2022/1288.

positive social or environmental impact, aligned to relevant UN Sustainable Development Goals (SDGs), and measuring borrowers' carbon emissions alignment with the GHG Protocol methodology.

**Data sources and processing:** Data used by Pollen Street in relation to the Characteristics is provided periodically by borrowers during pre-investment diligence and during subsequent engagement with borrowers. Pollen Street will provide guidance to borrowers on how to report under each specific metric of the ESG KPIs and on how to ensure data quality and consistency in reporting by the borrowers. Pollen Street takes data provided by borrowers and processes it via a proprietary scoring mechanism in order to track progress against targets, create league tables and set a base level for improvement plans. Actual data will be used to the extent possible. However, for borrowers who have not yet developed adequate data collection processes to capture key data, Pollen Street may use estimated data.

**Limitations to methodologies and data:** Limitations to the methodologies and data primarily arise because of a lack of available data by borrowers and/or a lack of infrastructure in place for the collection and processes of relevant data by borrowers. In accordance with the Partnership's investment strategy, the Partnership is a credit fund formed to provide asset-secured lending to borrowers in specialist lending markets. In some cases borrowers may have not yet developed adequate data collection processes. Calculation methodologies and data collection practices are evolving over time and the selection of such different but acceptable measurement techniques can result in materially different measurements. The Partnership makes reasonable efforts to ensure that any limitations to methodologies and data do not affect the attainment of the environmental or social characteristics.

**Due diligence:** Pollen Street conducts upfront diligence on ESG issues relevant to the Partnership's investments based upon an ESG-focused questionnaire to understand what potential borrowers currently do. In particular, Pollen Street evaluates material ESG risks, mitigating factors and opportunities applicable for the asset type (and the industry as a whole). This due diligence aims to assess potential borrowers existing ESG programme and impact, enabling identification of areas where Pollen Street can support drive improvements and engagement.

**Engagement policies:** Given the nature of the Partnership's engagement strategy, the extent to which Pollen Street is able to engage actively with borrowers regarding ESG matters and initiatives may be limited. However, to the extent possible, Pollen Street will engage with management teams to set ambitions and achieve better ESG performance. Pollen Street holds collaborative workshops where it benchmarks best-practice and identify development opportunities. The Pollen Street Hub leads ESG best practice sharing, assisting with impact assessments and project activity within individual companies.

**Designated reference benchmark:** No index has been designated as a reference benchmark to meet the Characteristics.

**(b) No sustainable investment objective**

The Partnership promotes environmental or social characteristics but does not have as its objective sustainable investment.

**(c) Environmental or social characteristics of the financial product**

The Manager will apply a proprietary ESG data model<sup>2</sup>, which is comprised of both core ESG metrics and relevant impact measures to establish a baseline on performance in respect of certain ESG issues (the “**ESG Score**”) which the Manager uses to guide future engagement with the borrower to work to improve the borrower’s overall ESG Score. The ESG Score looks at performance on a range of issues including, for example, overall ESG programme status; carbon strategy and net zero commitment; renewable energy usage; Diversity, Equity & Inclusion; employee engagement; board gender diversity, ESG reporting, among others. In so doing, the environmental and social characteristics that are promoted using the ESG Score are determined on an investment-by-investment basis as a result of an assessment of an individual borrower.

The Manager will then seek to engage with borrowers to improve their overall ESG Score through providing materials and resources, knowledge and capacity building initiatives, making available tools such as policy templates and access to best practices, and involving borrowers in webinars and other forums. The Manager incentivizes borrowers by offering an ESG margin ratchet (the “**ESG Ratchet**”) which reduces their borrowing margin based on progress in improving their ESG Score and/or performance targets in respect of ESG metrics and status of any net zero commitment and implementation, or conversely increases their borrowing margin in the event of non-performance against ESG performance targets. The components of ESG Ratchets will vary by borrower based on negotiation of relevant facility agreement.

A reference benchmark is not being designated for the purpose of attaining the environmental and social characteristics promoted by the Partnership.

**(d) Investment strategy**

*Investment strategy used to meet the environmental or social characteristics*

The Partnership seeks to provide capital to businesses which themselves are lenders. These non-bank lenders are typically specialist in that they focus on a single sector with all of their people, infrastructure and systems dedicated to delivering a high quality lending proposition. These businesses have generally established themselves and grown in markets that are not well served by the incumbent banks and therefore typically face less price competition.

The Partnership seeks to target businesses which operate in Europe, with deal sizes ranging from £10 - 75 million. The Partnership seeks to lend to non-banks secured on loan and receivable portfolios.

The Fund will apply a strategy of ESG integration and engagement to attain the environmental or social characteristics promoted.

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<sup>2</sup> Please refer to the investor portal for further information on the ESG data model.

The binding elements of the investment strategy used to select the investments to achieve the environmental and social characteristics promoted are the following.

- Pre-investment: sustainability assessment to identify any risks and opportunities and periodic review of ESG data provided by borrowers, including resulting ESG score, and identification of ways to improve such results.
- Hold period / monitoring: the Manager will provide support to borrowers as they work to deliver improvements in their ESG Score in relation to relevant areas, including, for example: actions to achieve net zero; DEI initiatives, representation of women and minorities, initiatives to reduce gender pay gap; and ESG governance, include ESG matters on the Board agenda and enhance ESG policies.

For the avoidance of doubt, the Manager will work with borrowers to deliver improvements on the basis of their performance resulting from their individual ESG Score.

For certain borrowers, the Manager will include an ESG Ratchet into facility agreements that will provide an interest rate reduction in relation to performance in respect of certain ESG-related improvements and performance targets or an interest rate increase in the event of non-performance against ESG-related targets. Inclusion of an ESG Ratchet into certain facility agreements will be the result of and determined by negotiation of the relevant facility agreement.<sup>3</sup>

The Manager will monitor borrowers' ESG Scores year on year in order to monitor improvements and borrowers' overall ESG practice.

#### *Good governance*

Pollen Street often invests in regulated businesses for whom strong governance is important to their operating models. Pollen Street has adopted an ESG policy which seeks to deliver improvements in borrowers such as meeting high standards of governance, which the Manager assesses pre-investment when screening prospective borrowers. The Manager will seek, wherever possible, to enhance these controls aiming to ensure that each borrower operates responsibly. Pollen Street integrates governance-related considerations (including, but not limited to, sound management structures, employee relations, remuneration of staff and tax compliance) in pre-investment diligence and on an ongoing basis as part of its annual data collection and ongoing review, including with respect to policy coverage, assignment of ESG responsibilities, and ESG reporting.

#### **(e) Proportion of investments**

The Partnership is a credit fund formed to provide asset-secured lending to borrowers in specialist lending markets, consistent with its investment strategy. This investment strategy seeks to combine the disciplines of the asset backed securities market with the corporate direct lending market to deliver attractive returns with highly controlled risk.

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<sup>3</sup> Since 2022, as part of its commitment to ESG and sustainability, Pollen Street has been operating ESG margin ratchet mechanisms (the "**ESG Ratchet**") in credit transactions to incentivize counterparts to develop their ESG and sustainability practices. The ESG Ratchet provides margin reductions or increases on facilities, depending on whether the counterparty improves their ESG score and achieves performance targets, such as net zero status.

The investment strategy will predominately focus on senior loans to specialty finance lenders secured against the underlying portfolio of loans and receivables as well as a full corporate guarantee with covenants covering both the portfolio and corporate performance.

The Partnership will:

- undertake an assessment of each potential borrower to establish their baseline ESG Score, and review this periodically during the term of the loan for every borrower;
- include an ESG Ratchet in facility agreements for at least 75% of investments. For the avoidance of doubt, the 75% is intended to be assessed at the end of the Investment Period. Accordingly, there will be a ramp-up phase where the Partnership may not meet the minimum percentage, and a wind-down phase (i.e as loans are repaid) where the Partnership may not meet minimum percentage.

The remaining proportion of investments will include investments to which the ESG Ratchet is not applied, derivative instruments used for the purpose of managing currency and/or interest rate risk (as applicable), and other investments made by the Partnership (including whole loans or portfolios) where the Manager does not expect it to be possible to apply the Characteristics.

Derivatives are not used to attain the Characteristics promoted by the Partnership.

#### **(f) Monitoring of environmental or social characteristics**

The following sustainability indicators will be used:

- Percentage of borrowers covered by an ongoing monitoring of sustainability credentials of borrowers through ESG data collected at least annually in accordance with the Pollen Street proprietary screening process and scoring mechanism.
- Ongoing monitoring of borrowers with products, services and/or solutions which have the potential for positive social or environmental impact, aligned to relevant SDGs (examples include decent work and economic growth (SDG 8) through SME financing, reducing inequalities (SDG 10) through consumer financing, sustainable cities and communities (SDG 11) through financing for affordable housing, and climate action (SDG 13) through electric vehicle financing) and as determined by PSC<sup>4</sup>.
- Number of borrowers that have included the ESG ratchet in their facility agreement.

The sustainability indicators above may be subject to change in line with relevant sectoral legislation as Pollen Street Capital's ESG programme is continuously improved. The Manager may also disclose information relating to the performance of wider ESG metrics related to the environmental and social characteristics promoted by the Partnership.

#### **Methodologies**

Methodologies used to measure how the environmental or social characteristics are met include:

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<sup>4</sup> Please refer to the investor portal for further information on Pollen Street's approach to determining alignment of borrowers products, services and/or solutions with relevant SDGs.

- Pollen Street’s proprietary screening process and scoring mechanism: Over 50 data points are collected on an annual basis using a scoring system developed by Pollen Street based on internal indices and benchmarks, and is informed by categories commonly used by ESG ratings agencies, investor, industry standards (including the ESG Data Convergence Initiative and SFDR) and what Pollen Street considers to be relevant to assess ESG sustainability and practice across our investments.
- Monitoring of borrowers with products, services and/or solutions which have positive social or environmental impact, aligned to relevant UN Sustainable Development Goals (SDGs): Pollen Street’s ESG framework is intended to help support alignment with the SDGs, which helps to provide a lens through which investors can align themselves with certain needs of the wider world. Pollen Street uses this ESG framework to analyse and map actions taken by borrowers in support of the SDGs.<sup>5</sup>
- Climate and carbon commitments: Net zero commitment must align with the Paris Agreement by leveraging Science Based Targets or equivalent methodology. Borrowers all undertake an annual exercise to measure carbon emissions aligned with the GHG Protocol methodology.

**(g) Data sources and processing**

*Data sources used to attain the Characteristics*

- Data used by Pollen Street in relation to the Characteristics is provided periodically by borrowers during pre-investment diligence and during subsequent engagement with borrowers. Pollen Street collects both core ESG metrics and relevant impact measures, and has over 50 data points for each borrower. Pollen Street may make use of data provided by third parties as well as desk-based research and review of public information.

*Measures taken to ensure data quality*

- Pollen Street will provide guidance to borrowers on how to report under each specific metric of the ESG KPIs and on how to ensure data quality and consistency in reporting by the borrowers. Data submissions are reviewed once received, and where necessary Pollen Street will work directly with borrowers to discuss and confirm data quality or require further information when deemed appropriate.

*How data is processed*

- Pollen Street takes data provided by borrowers and processes it via a proprietary scoring mechanism in order to track progress against targets, create league tables and set a base level for improvement plans.
- ESG Data and analytics are incorporated into our data warehouse, which Pollen Street uses as a track record and central repository of information.

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<sup>5</sup> For further information on the SDGs please see <https://sdgs.un.org/goals>



*The proportion of data that is estimated*

- Actual data will be used to the extent available. However, for borrowers who have not yet developed adequate data collection processes to capture key data, Pollen Street may use estimated data.

**(h) Limitations to methodologies and data**

Limitations to the methodologies and data primarily arise because of a lack of available data by borrowers and/or a lack of infrastructure in place for the collection and processes of relevant data by borrowers. In accordance with the Partnership's investment strategy, the Partnership is a credit fund formed to provide asset-secured lending to borrowers in specialist lending markets. In some cases borrowers may have not yet developed adequate data collection processes.

Calculation methodologies and data collection practices and the reporting thereof as a whole are evolving, and other asset managers are implementing different frameworks, methodologies, and tracking tools. The selection of such different but acceptable measurement techniques can result in materially different measurements. Further, these techniques are subject to measurement uncertainties resulting from inherent limitations in the nature and methods used to determine such data. The precision of different measurement techniques may also vary.

Especially when it comes to data related to carbon reporting, it is common and best practice, to use a materiality approach for calculating scope 3 emissions. This means that the calculation should provide a generally accurate overview of scope 3 emissions, but may not include non-material emissions. In addition, data quality related to carbon emissions is often poor at companies who are in their initial stages, and estimates or a spend-based approach is often used. In such cases, Pollen Street will work with companies to improve the data quality of its carbon footprint assessments, and move from a spend-based to activity-based approach over time.

The Partnership makes reasonable efforts to ensure that any limitations to methodologies and data do not affect the attainment of the environmental or social characteristics.

**(i) Due diligence**

Pollen Street conducts upfront diligence on ESG issues relevant to the Partnership's investments based upon an ESG-focused questionnaire to understand what potential borrowers currently do. In particular, Pollen Street evaluates material ESG risks, mitigating factors and opportunities applicable for the asset type (and the industry as a whole). This due diligence aims to assess potential borrowers existing ESG programme and impact, enabling identification of areas where Pollen Street can support drive improvements and engagement. From an internal control standpoint, the results of the questionnaire are included in Investment Committee papers for investment decision-making processes when deciding whether to extend a loan to a borrower.

**(j) Engagement policies**

Given the nature of the Partnership's engagement strategy, the extent to which Pollen Street is able to engage actively with borrowers regarding ESG matters and initiatives may be limited. However, to the extent possible, Pollen Street will engage with management teams to set ambitions and achieve better ESG performance.

Pollen Street holds collaborative workshops where it benchmarks best-practice and identify development opportunities. The Pollen Street Hub leads ESG best practice sharing, assisting with impact assessments and project activity within individual companies.

Pollen Street conducts regular monitoring and reporting of ESG risks and opportunities across the Partnership's portfolio, with escalation of material incidents.

**(k) Designated reference benchmark**

No index has been designated as a reference benchmark to meet the Characteristics.

## ANNEX – FRENCH TRANSLATION<sup>6</sup>PSC Credit IV (A) SCSp (la « société de personnes »)

### Résumé

**Pas d'objectif d'investissement durable:** Le Partenariat favorise les caractéristiques environnementales ou sociales mais n'a pas pour objectif d'investissement durable.

**Caractéristiques environnementales ou sociales du produit financier:** le Manager appliquera un modèle de données ESG propriétaire, Qui comprend à la fois des mesures ESG de base et des mesures d'impact pertinentes pour établir une référence sur les performances de certaines questions ESG (le «score ESG») que le Manager utilise pour guider l'engagement futur auprès de l'emprunteur afin d'améliorer le score ESG global de l'emprunteur. Le score ESG examine les performances sur une série de questions, notamment le statut global du programme ESG, la stratégie carbone et l'engagement net zéro, la consommation d'énergie renouvelable, la diversité, l'équité et l'inclusion, l'engagement des employés; diversité des sexes au sein du conseil d'administration, rapports ESG, entre autres. Ce faisant, les caractéristiques environnementales et sociales qui sont promues à l'aide du score ESG sont déterminées sur une base investissement-par-investissement à la suite d'une évaluation d'un emprunteur individuel.

**Stratégie d'investissement:** le Partenariat vise à fournir des capitaux aux entreprises qui sont elles-mêmes des prêteurs. Ces prêteurs non bancaires sont généralement spécialisés dans le fait qu'ils se concentrent sur un seul secteur, avec tous leurs employés, leurs infrastructures et leurs systèmes dédiés à fournir une proposition de prêt de haute qualité. Ces entreprises se sont généralement établies et se sont développées sur des marchés qui ne sont pas bien servis par les banques en place et sont donc généralement confrontés à une concurrence moindre sur les prix. Le partenariat vise à cibler les entreprises qui opèrent en Europe, avec des contrats de £10 à 75 millions. La Société cherche à prêter à des non-banques garanties sur des portefeuilles de prêts et de créances. Le Fonds appliquera une stratégie d'intégration et d'engagement ESG pour atteindre les caractéristiques environnementales ou sociales promues.

**Proportion des investissements:** la société en commandite (a) entreprendra une évaluation de chaque emprunteur potentiel pour établir son indice ESG de base, et l'examinera périodiquement pendant la durée du prêt pour chaque emprunteur; Et (b) inclure un ESG Ratchet dans les accords d'installation pour au moins 75 % des investissements (évalués à la fin de la période d'investissement).

**Surveillance des caractéristiques environnementales ou sociales:** Les indicateurs de durabilité suivants seront utilisés: (A) pourcentage des emprunteurs couverts par une surveillance continue des titres de compétence en matière de durabilité des emprunteurs par le biais de données ESG recueillies au moins une fois par an conformément au processus de dépistage et au mécanisme de notation exclusifs de pollen Street; (b) poursuite du suivi des emprunteurs avec des produits, services et/ou solutions qui ont le potentiel d'impact positif social ou environnemental, alignés sur les ODD pertinents (exemples : travail décent et croissance économique (ODD 8) par le financement des PME, la réduction des inégalités (ODD 10) par le financement des consommateurs, villes et communautés durables (ODD 11) Par le financement de logements abordables, et l'action climatique (ODD 13) par le financement de véhicules électriques) et comme déterminé par la CFP; et (c) nombre d'emprunteurs qui ont inclus le rochet ESG dans leur accord de facilité.

**Méthodologies:** les méthodologies utilisées pour mesurer la manière dont les caractéristiques environnementales ou sociales sont satisfaites incluent le processus de dépistage et le mécanisme de notation exclusifs de pollen Street, utilisant le cadre ESG de pollen Street pour surveiller les emprunteurs avec des produits, des services et/ou des solutions ayant un impact social ou environnemental positif, alignés sur les objectifs de développement durable (ODD)

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<sup>6</sup> This text is a translation of the section “(a) Summary” above into the French language and is provided pursuant to Article 25(2) of Commission Delegated Regulation (EU) 2022/1288 for informational purposes only. Pollen Street Capital has not verified this text, and makes no warranty or representation as to the accuracy or reliability of the French text. Any deviations or discrepancies with the English language version are unintentional and, in such case, the English language version shall prevail.

pertinents de l'ONU, Et mesurer l'alignement des emprunteurs sur la méthodologie du Protocole sur les émissions de carbone.

**Sources et traitement des données:** les données utilisées par pollen Street en relation avec les caractéristiques sont fournies périodiquement par les emprunteurs pendant la vérification préalable à l'investissement et lors de l'engagement ultérieur avec les emprunteurs. Pollen Street fournira des conseils aux emprunteurs sur la façon de faire des rapports en fonction de chaque mesure spécifique des indicateurs clés de performance ESG et sur la façon d'assurer la qualité des données et la cohérence des rapports par les emprunteurs. Pollen Street prend les données fournies par les emprunteurs et les traite via un mécanisme de notation propriétaire afin de suivre les progrès par rapport aux objectifs, de créer des classements et de définir un niveau de base pour les plans d'amélioration. Les données réelles seront utilisées dans la mesure du possible. Toutefois, pour les emprunteurs qui n'ont pas encore mis au point des processus de collecte de données adéquats pour saisir des données clés, pollen Street peut utiliser des données estimées.

**Limites aux méthodologies et aux données :** les limitations aux méthodologies et aux données se produisent principalement en raison d'un manque de données disponibles par les emprunteurs et/ou d'un manque d'infrastructure en place pour la collecte et les processus de données pertinentes par les emprunteurs. Conformément à la stratégie de placement du Partenariat, le Partenariat est un fonds de crédit constitué pour offrir des prêts garantis à des actifs aux emprunteurs sur des marchés de prêts spécialisés. Dans certains cas, les emprunteurs n'ont pas encore élaboré de processus de collecte de données adéquats. Les méthodes de calcul et les pratiques de collecte de données évoluent au fil du temps et le choix de techniques de mesure aussi différentes mais acceptables peut entraîner des mesures sensiblement différentes. Le Partenariat fait des efforts raisonnables pour s'assurer que les limitations aux méthodologies et aux données n'affectent pas l'atteinte des caractéristiques environnementales ou sociales.

**Diligence raisonnable:** pollen Street effectue une diligence initiale sur les questions ESG liées aux investissements du Partenariat, sur la base d'un questionnaire axé sur les critères ESG, afin de comprendre ce que font actuellement les emprunteurs potentiels. En particulier, pollen Street évalue les risques ESG matériels, les facteurs atténuants et les possibilités applicables pour le type d'actif (et l'industrie dans son ensemble). Cette diligence raisonnable vise à évaluer l'impact et le programme ESG existants des emprunteurs potentiels, ce qui permet d'identifier les zones où pollen Street peut soutenir les améliorations et l'engagement.

**Politiques d'engagement:** compte tenu de la nature de la stratégie d'engagement du Partenariat, la mesure dans laquelle pollen Street peut s'engager activement auprès des emprunteurs en ce qui concerne les questions et les initiatives ESG peut être limitée. Cependant, dans la mesure du possible, pollen Street s'engagera avec les équipes de gestion pour établir des ambitions et atteindre de meilleures performances ESG. Pollen Street organise des ateliers de collaboration où elle évalue les meilleures pratiques et identifie les opportunités de développement. Le centre de pollen de rue dirige le partage des meilleures pratiques ESG, en contribuant aux évaluations d'impact et à l'activité de projet au sein de chaque entreprise.

**Référence de référence désignée:** aucun indice n'a été désigné comme référence de référence pour répondre aux caractéristiques.