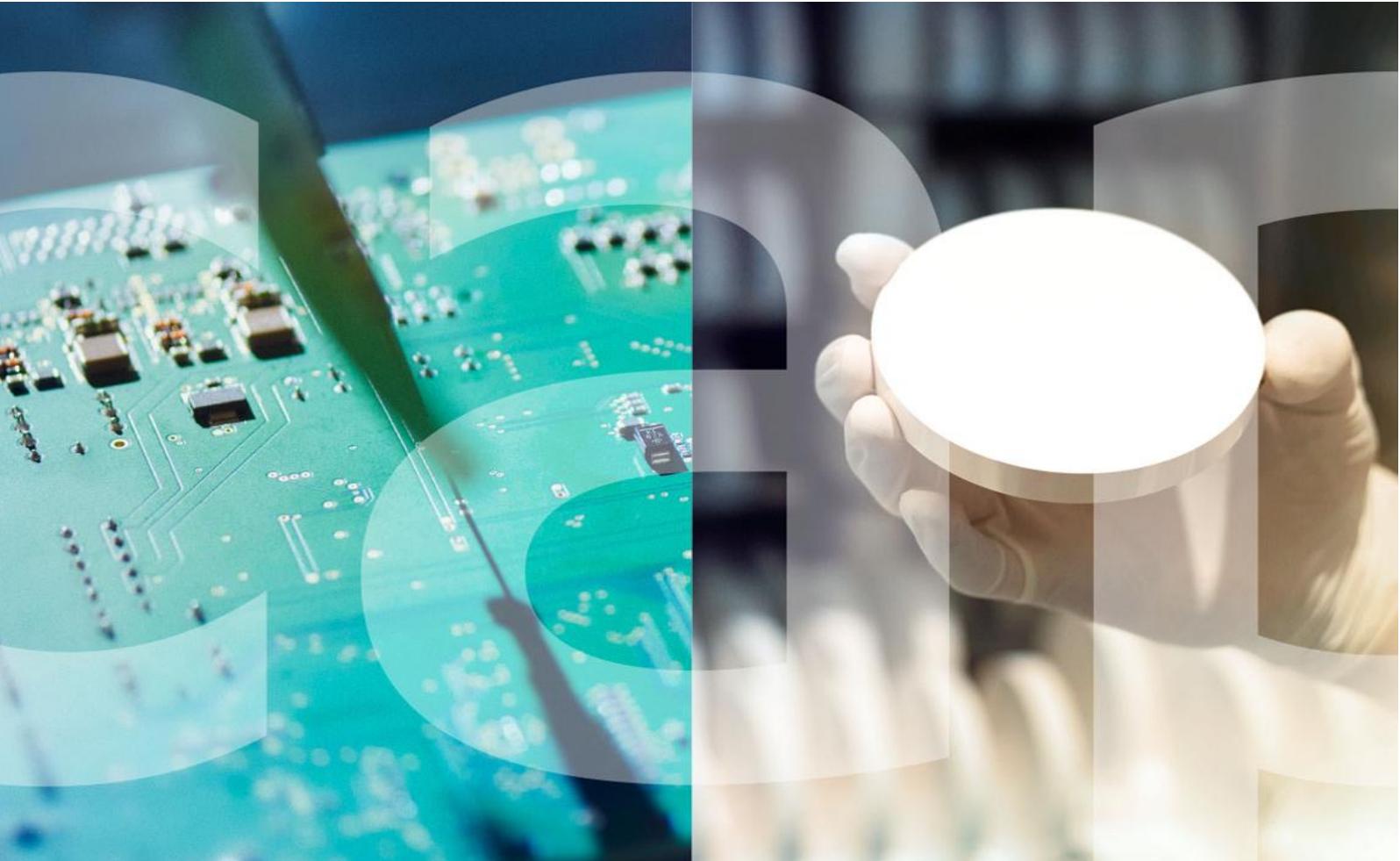


**capvis**



# **Responsible Investment Policy**

**December 2020**

**Table of contents**

<b>1. Responsible Investment at Capvis</b>	<b>3</b>
<b>2. Relevant frameworks</b>	<b>4</b>
<b>3. Responsible Investment Programme</b>	<b>6</b>
<b>4. Funds</b>	<b>9</b>
<b>Appendices</b>	<b>11</b>

## 1. Responsible Investment at Capvis

Capvis AG is the exclusive Investment Advisor of the Capvis funds (together, “Capvis”).

Introduction	Capvis places great emphasis on Responsible Investment (“RI”), and is committed to integrating Environmental, Social and Governance (“ESG”) considerations into its investment process. Capvis has been a signatory of the United Nations Principles of Responsible Investment (“UNPRI”) since January 2015, and applies the six principles in its investments (outlined in Appendix 1). Furthermore, Capvis is committed to the UN Sustainable Development Goals (SDGs), and aims to contribute to the accomplishment of these goals through Capvis’ operations as well as the operations of its portfolio companies.
Purpose	The main purpose of this policy is to translate Capvis’ responsible investment views into the investment life cycle. Capvis embeds sustainability in the heart of its investment philosophy and this is the reason why Capvis has developed its “Responsible Investment Programme”, with the aim to support portfolio companies in realising sustainable progress and gradually improving their ESG maturity (see 3. Responsible Investment Programme for an overview).
What RI means to Capvis	To continue to be at the forefront of mid-market private equity investors, Capvis sets clear expectations for itself and its portfolio companies using the three ESG pillars (see 2. Relevant frameworks). Thus, the Responsible Investment Programme helps to align investment and value creation activities with the long-term objectives of Capvis’ investors and broader society. The programme drives sustainable development by fostering a dialogue between Capvis, its portfolio companies and other stakeholders on how to best ensure sustainable and long-term success. Furthermore, it serves as a monitoring process to ensure implementation of agreed improvement initiatives.
Objectives	<p>Capvis adheres to the highest standards and values of business conduct, acting responsibly as an investor, business partner and employer.</p> <ul style="list-style-type: none"> <li>• Capvis and its portfolio companies adhere to the laws, regulations and best practices in all countries of operation;</li> <li>• Capvis and its portfolio companies aim to make a positive contribution to the community, to encourage development of its employees and to mitigate the environmental impact of its operations; and</li> <li>• Capvis expects each portfolio company to follow ESG standards and to implement its own ESG policy.</li> </ul> <p>To foster sustainable growth Capvis has set the following goals:</p> <ol style="list-style-type: none"> <li>1) improving carbon footprint;</li> <li>2) supporting the SDGs; and</li> <li>3) improving governance structures.</li> </ol>

These goals (which may be updated from time to time) form the foundation of the Responsible Investment Programme and, together with the management of each of its portfolio companies, Capvis strives to identify opportunities to support the achievement of these objectives.

**Transparency** Capvis places high importance on transparency in driving positive change. Capvis supports standardised disclosures in relation to sustainability information and strives to achieve transparency in how it incorporates ESG factors into its investment decisions and investment advice.

## 2. Relevant Frameworks

Capvis' Responsible Investment Programme uses the ESG pillars as a primary framework to identify and manage ESG risks and opportunities throughout the entire investment life cycle. In addition, it uses the SDGs as a guide to identify company-specific improvement projects.

**ESG pillars** With the use of the ESG pillars, the sustainability and ethical impact of Capvis and its portfolio companies is measured. The ESG pillars are based on nine underlying metrics, which are included and further outlined in Appendix 2. These metrics are the guiding framework for the programme and are combined with a relevant complementary SDG for each metric.

**"E" for Environmental** Capvis' activities and those of its portfolio companies have an impact on the environment. Therefore, Capvis is committed to ensuring that it and its portfolio companies:

- are compliant with applicable environmental laws and regulations;
- improve energy efficiency;
- reduce emissions and energy consumption;
- mitigate climate change;
- systematically review material ingredients / product development / production processes; and
- consider the application of circular economy processes.

**S" for Social** Capvis and its portfolio companies strive to ensure the protection of human rights, the provision of suitable working conditions and compliance with laws and regulations. Furthermore, product safety and quality as well as occupational health and safety are cornerstones of Capvis' way of doing business. Capvis is committed to act as a good corporate citizen, to engage with various stakeholders and to be an active member in the communities Capvis' businesses operate in.

Capvis is committed - and strongly encourages each portfolio company to also be committed - to ensuring it:

- provides good working conditions, including protecting health and safety and offering fair wages;
- commits to act in accordance with internationally recognised human rights and the International Labour Organisation conventions;
- prevents child labor and any form of forced labor, including in its supply chain;
- commits to core values with respect to human resources, including promoting diversity and inclusion;
- applies the EU General Product Safety Directive, to further ensure product quality and safety;
- implements proper stakeholder engagement processes; and
- considers team diversity as key for future success. The goal to increase diversity based on industry background, experience, educational development, nationality, gender, etc. is embedded in the Capvis Mission.

“G” for  
Governance

Capvis has policies and processes relating to anti-bribery and corruption (“ABC”) and anti-money laundering (“AML”) in place and requires from each portfolio company to adopt such policies and processes.

Capvis is committed - and strongly encourages each portfolio company to also be committed - to:

- following Code of Conduct principles which support Capvis’ values and norms;
- implementing effective IT security practices;
- implementing organisational structures regarding the responsibilities for ESG topics;
- establishing a good Corporate Governance structure by installing a board of directors at each portfolio company with clearly defined roles and responsibilities in a board charter;
- ensuring transparency, through timely and adequate information, and annually reporting ESG progress and outcomes at fund and/or portfolio company levels;
- conducting risk analysis and mitigation.

UN  
Sustainable  
Development  
Goals

In 2015, the United Nations adopted 17 goals to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. Capvis wants to support the sustainable transition that is required to reach these goals and uses the SDG framework to support ESG discussions and to assist in defining sustainable improvement projects for its portfolio companies. See Appendix 3 for an overview of the 17 goals.

### 3. Responsible Investment Programme

The objective of Capvis' Responsible Investment Programme is to support its portfolio companies in improving the sustainability of their operations and to achieve sustainable growth. Capvis has formalised its view on what constitutes a sustainable investment, including a list of sectors which will not be invested in from a sustainability perspective, which has been included in the prohibited industry sectors list (see Appendix 4). This view is furthermore translated into an approach (the Responsible Investment Programme) to sustainably improve the performance of Capvis and its portfolio companies.



#### Strategy & policy

1. ESG strategy and governance An ESG strategy was developed spanning the entire investment life cycle to which this Responsible Investment policy forms the basis. With a comprehensive ESG integration approach Capvis aspires to generate sustainable value.

Capvis has defined clear roles and responsibilities for overseeing the integration of ESG considerations throughout the investment life cycle such as:

- the Investment Committee is responsible for the final investment selection. ESG considerations are part of the investment / divestment recommendation documentation;
- the Responsible Investment Programme is driven and overseen by Capvis' Management Board; and
- implementation and monitoring of the Responsible Investment Programme is ensured by the Capvis Green Team. The team consists of Investment Advisor representatives who focus on integrating and advancing sustainability within Capvis.

Matters of emphasis with ESG relevance must be reported to the Investment Committee and are managed as part of the internal governance processes, which comprise monthly and quarterly portfolio review meetings as well as participation review meetings with participation of portfolio company senior management. The process is overseen by Capvis' Portfolio and Risk Management function. Furthermore, Capvis employees hold board positions in all portfolio companies thereby ensuring a consistent application of Capvis' principles and policies across all investments.

## 2. Sourcing and investment

ESG factors are part of the investment process and are considered when identifying potential investment opportunities and/or potential investment risks. Capvis is committed to making investments only if these have a positive or at best a neutral impact on society and the environment, or if Capvis believes that a business or asset's potentially negative practices can be improved through responsible ownership.

Negative screening is performed for illegal and harmful products and services. In addition to Capvis' selection criteria, ESG due diligence is performed, with the assistance of external consultants, as a standard component of the selection process. In the decision-making process, sustainable performance and future potential of investments is actively taken into consideration.

During due diligence the target company's ESG performance is assessed from a risk-perspective, and the investment opportunity is declined if a material ESG risk is identified and cannot be remedied. Any ESG-related material findings, where performance can be improved, are included in the value creation plan.

## 3. Assessment

To identify potential ESG risks and opportunities during the holding period, an annual assessment is conducted and the results and proposed improvement projects are discussed and agreed at board level.

Capvis assists each portfolio company with the implementation of the Responsible Investment Programme as well as annual monitoring to measure performance and identify improvements:

- a baseline assessment is conducted with the assistance of external consultants. The assessment is based on a proprietary framework that is aligned with industry standards. The material themes identified across the portfolio company's value chain by means of a materiality analysis are the focus of the baseline assessment. Furthermore, the identified material themes are linked to relevant SDGs as part of the value creation process;
- as part of the assessment, KPIs are monitored, and, where relevant, targets are set. Capvis has set portfolio-wide KPIs relating to the ESG pillars. These KPIs correspond to the three portfolio-wide goals and relate to, amongst other things, carbon intensity (environmental), diversity (social) and the implementation of

ESG governance policies (governance). Portfolio company management are engaged to determine the performance on company-specific material themes and KPIs. The company's level of ESG maturity is determined annually (see Appendix 5); and

- in addition, viable sustainability improvement opportunities are identified, which relate to a material theme and are aligned with at least one SDG.

The results of the assessment are discussed with the board of directors and ESG initiatives and targets are set for the company. These initiatives support the company in moving towards future-proof ESG management.

#### 4. Execution monitoring

Following the baseline assessment, the value creation opportunities are implemented. Capvis' monitoring activities include:

- ESG policy implementation: companies are supported in adopting relevant ESG policies. The main policies include an ESG policy, Code of Conduct, Gifts policy, Anti-Bribery and Corruption policy, Whistleblowing policy, and a Privacy and Data Security policy. Capvis takes a hands-on approach to guiding companies in integrating relevant policies;
- KPI tracking: ensuring that all necessary data is collected to perform the annual assessments, monitoring progress and performance;
- sustainability projects: monitoring the implementation of initiatives and offering guidance where needed;
- carbon footprint improvement: monitoring carbon footprint, identifying opportunities to reduce footprint, and supporting companies in reducing their footprint.

#### 5. Reporting

The ESG progress and performance of portfolio companies is assessed annually, during which value creation initiatives are reviewed and new value creation opportunities may be identified. Together with the board of directors of each portfolio company, the ESG performance is reviewed and relevant action is taken. ESG matters are formally discussed at least once a year at portfolio company board-level.

The company-level reports are aggregated in a fund-level report to assess the progress that has been achieved on the three portfolio-wide goals Capvis has defined. The progress on the Responsible Investment Programme is presented at least annually to the Investment Advisor's Portfolio Review Committee and to Capvis' investors.

#### 6. Exit

As part of the exit readiness documentation, completed ESG initiatives and achievements are summarised in a case study and made available to prospective buyers.

## Investment advisor operations

Investment Advisor operations	<p>The Investment Advisor aims to reduce negative impacts from its operations. The Investment Advisor is a participant in the Responsible Investment Programme with annual ESG assessments and reporting as well as implementation of SDG projects that support portfolio-wide goals.</p> <p>The Capvis Green Team investigates and executes the Investment Advisor’s internal sustainability opportunities as well as the education of employees.</p>
Training	<p>All investment managers receive training on how they should engage with portfolio companies on ESG topics.</p>

## 4. Funds

Funds	<ul style="list-style-type: none"> <li>• the Limited Partnership Agreements and Private Placement Memoranda of the funds concerned are drafted and prepared in line with RI/ESG Standards.</li> <li>• Capvis’ funds are registered with the Jersey Financial Services Commission.</li> <li>• Capvis strongly believes that the key to the prevention and detection of money laundering and the financing of terrorism lies in the implementation of, and strict adherence to, effective systems and controls, including sound customer due diligence measures based on international standards. Capvis has engaged a third-party service provider to ensure best in class compliance processes are followed in this context.</li> <li>• Capvis’ designated service provider adheres to the guidelines set out within the Jersey Financial Services Commission’s Handbook for the Prevention and Detection of Money Laundering and the Financing of Terrorism (the “AML/CFT Handbook”) which establishes standards that match international standards issued by the Financial Action Task Force (the “FATF”).</li> <li>• the AML/CFT Handbook takes account of the requirements of European Union legislation to counter money laundering and the financing of terrorism and its application of standards set by the FATF.</li> </ul>
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Capvis, the funds, its portfolio companies as well as its suppliers should be committed to:

- living and promoting environmental, social responsibility and sustainability standards at every level;
- promoting good corporate governance;
- minimising risk or negative impact from their activities by actively managing their direct carbon footprint;

- encouraging portfolio companies to identify opportunities for value creation; and
- contributing to achieving the SDGs.

## Conflicts of interest

The Investor Advisory Board of each of the Capvis funds is available for the purpose of consultation in relation to the progress and strategy of the Capvis funds and obtaining advice in relation to potential conflicts of interest in relation to the respective General Partner's and the Investment Advisor's duties to the Capvis funds or in relation to transactions with, for or in connection with the Capvis funds. Prior to the respective General Partner, the Investment Advisor or any of their associates entering into any transaction which would constitute such conflict of interest, its terms shall be submitted to the Investor Advisory Board for review.

The respective General Partner for Capvis funds III, IV & V mandates its exclusive advisor, Capvis AG, to implement this policy.

This policy will be reviewed annually and amended as appropriate.

## Appendices

### Appendix 1: The six UNPRI principles

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- We will incorporate ESG issues into investment analysis and decision-making processes.

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  - We will be active owners and incorporate ESG issues into our ownership policies and practices.

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  - We will seek appropriate disclosure on ESG issues by the entities in which we invest.

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  - We will promote acceptance and implementation of the Principles within the investment industry.

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  - We will work together to enhance our effectiveness in implementing the Principles.

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  - We will each report on our activities and progress towards implementing the Principles.

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Capvis has been a UNPRI signatory since January 2015.

## Appendix 2: ESG elements\*

	Categories	Key metrics
E	CLIMATE CHANGE 	• Environmental compliance
	MATERIAL CIRCULARITY 	• Energy efficiency
	ECOSYSTEM QUALITY 	• Emissions
S	SOCIETAL IMPACT 	• Working conditions
	HUMAN CAPITAL 	• Talent management & diversity
	FAIRNESS & INCLUSION 	• Product quality & safety
G	BUSINESS ETHICS 	• Governance & ethics
	SUPPLY CHAIN CONTROL 	• Transparency
	ESG FORMALISATION 	• Integration of sustainability principles

*\*Not exhaustive, for a complete overview please refer to ESG expert platforms and professional service providers, e.g. SASB, GRI and MJ Hudson Spring.*

Appendix 3: Sustainable development goals



**Appendix 4: Prohibited industry sectors\***

Sectors and business activities that Capvis excludes from a responsible investment and a strategic fund perspective:

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No investment in a company whose primary business relates to:

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- pornography or vice;

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- the manufacturing, sales, or marketing of weapons, artillery, and ammunition to be used in the act of war or military conflict (“Military Products”), or components of the same, if the primary purpose of such component is for it to be included as a component in a Military Product;

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- exploration for oil or gas;

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- the manufacture of tobacco products;

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- the operation of gambling facilities; or

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- the operation of nuclear power plants;

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No investment in:

- a company involved in (i) the production, trade and/or distribution of cluster bombs and/or anti-personnel mines (ii) the production of tobacco products or (iii) any activity of prostitution or procuring of prostitutes;

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- a company that generates more than 20% of its revenues, from coal-based activities, including, but not limited to, (i) coal extraction, (ii) coal power generation, (iii) sale and production of electricity via a coal powered plant and/or (iv) coal mining; or

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- any Portfolio Company which is involved in the illegal manufacture, sale or production of drugs under applicable law.

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*\*as per Capvis Equity V L.P. Limited Partnership Agreement (LPA) and investor side letters*

**Appendix 5: Sustainability maturity model**



Source: MJ Hudson Spring

## Appendix 6: Capvis Code of conduct

	<b>Art 1</b>
Scope	<p>This Code of Conduct defines the fundamental principles applied by Capvis AG, Baar, Switzerland, and its subsidiaries (“Capvis”) in the conduct of their business globally, including in relation to the investment funds advised by Capvis and their respective portfolio companies. The Code of Conduct applies to all employees irrespective of their position within Capvis.</p> <p>The Code of Conduct is supplemented by further policies of Capvis as amended from time to time.</p> <p>We all are responsible for upholding the principles established in this Code of Conduct and all supplemental policies.</p>
	<b>Art 2</b>
Compliance with Laws	<p>We conduct our business in compliance with all applicable laws and regulations.</p>
	<b>Art 3</b>
Ethical Business Practices	<p>We act with honesty and integrity and treat our business partners with respect.</p> <p>We compete fairly and freely and will not do anything that is aimed at hindering, restricting or distorting fair and free competition.</p>
	<b>Art 4</b>
Conflicts of Interest	<p>We make decisions objectively. We ensure that our decision-making process is not influenced by personal interests. If our personal interests are in conflict with the interests of Capvis or any fund or portfolio company advised by Capvis, we will disclose such conflict of interest and ensure that appropriate steps are taken to address the situation. This also applies where the conflict of interest arises through a third party such as a relative or another business in which an employee has an interest.</p>

Bribery and Corruption	<p><b>Art 5</b></p> <p>We do not tolerate any form of bribery or corruption. Nobody within Capvis must directly or indirectly demand, accept, offer or grant any advantages in business transactions or in interactions with public authorities or their representatives with the intention to improperly influence decision making processes.</p> <p>Gifts, entertainment and other gratuities may only be offered or received in line with our Employment Regulations.</p>
Money Laundering	<p><b>Art 6</b></p> <p>We take appropriate measures to prevent any form of money laundering, use of illegal funds or financing of terrorism or other illegal activities within or as a result of our business operations.</p>
Social Responsibility	<p><b>Art 7</b></p> <p>We value diversity and do not tolerate any form of discrimination based on gender, race, religious beliefs, age, nationality, ethnicity, disability or sexual orientation.</p> <p>We protect the integrity of the personal data of our employees and business partners.</p> <p>We respect and support internationally recognised human rights.</p> <p>We are against any form of forced labour, child labour or human trafficking. All work performed within Capvis must be voluntary.</p>
Sustainability	<p><b>Art 8</b></p> <p>We are committed to operate our business in a sustainable manner with the goal to limit and reduce the consumption of resources, waste and emissions. We apply the United Nations' Principles of Responsible Investment ("UNPRI") in Capvis' investments. Furthermore, we are committed to the UN Sustainable Development Goals and aim to contribute to the accomplishment of these goals through our operations as well the operations of our investments.</p>

## **Art 9**

Health and Safety

We observe applicable standards for a safe and healthy work environment and take appropriate measures to ensure the safety and wellbeing of our employees.

## **Art 10**

Integrity of Information

We ensure that confidential information of Capvis and our business partners, such as technical and financial information or trade secrets, are appropriately protected and not disclosed without authorization. Third party information of a confidential nature will only be used for the purpose for which it was provided to us.

## **Art 11**

Consequences of Violations

We take all actual or potential violations of this Code of Conduct and any other company policies very seriously. Violations may lead to disciplinary action adequate to the nature and circumstances of the violation.

## **Art 12**

Contact

In case you have any questions or concerns in connection with this Code of Conduct or want to report any potential violation of the Code of Conduct, please contact your supervisor or the Compliance Officer.

## Disclaimer

This policy has been prepared by Capvis AG (“Capvis”) for the main purpose of translating Capvis’ responsible investment views into the investment life cycle. It has not been prepared with regard to the circumstances or objectives of any particular person, or the suitability of a particular transaction or investment for any person, and no advisory or other relationship is created by this policy or any related communication.

This policy is directed at professional investors with experience in private equity investments only. Any investment or related transaction is only available to such investors and will only be entered into with such investors. No other person should rely on this policy.

Capvis does not provide investment advice or any other investment services to any person unrelated to Capvis, and Capvis’ only clients are the managers of Capvis funds. Capvis is not responsible to any other person for providing protections that would be afforded to clients or for advising any such person on any transaction or investment. Nothing in this policy should be construed as investment, legal or tax advice.

This policy does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any investment and should not form the basis for entering into any transaction.

While Capvis seeks to develop or obtain information contained in this policy (“Information”) in a manner that it believes to be reliable, it makes no representation and accepts no liability or responsibility to any recipient of this policy or any other party in respect of the fairness, completeness, accuracy, quality, reliability or continued availability of any Information. Capvis may update, complete, correct or revise this policy or any of the Information at any time without notice, but is under no obligation to do so. Any and all warranties of any kind, express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, title or non-infringement are excluded. To the maximum extent permitted by law, Capvis will not be liable (including in negligence) for any direct, indirect or consequential losses, damages, costs or expenses arising out of or in connection with the use of or reliance on this policy.