

## Environmental, Social and Governance Policy

Responsible investing is integral to the AnaCap business and culture.

We believe that a robust analysis of, and concrete measures on to implement, ESG matters is fundamental to understanding the long-term sustainability of our portfolio companies, their profitability and overall return on investment.

Our Environmental, Social and Governance Policy (**ESG Policy**) outlines our commitment to being responsible investors. It describes our core belief that a focus on responsible investment and the integration of ESG risks and opportunities into our investment processes will ensure that we operate positively as a business while creating sustainable value for our investors.

We recognize that we cannot impose a single ESG approach across all our portfolio companies. Our philosophy provides a flexible framework that supports a consistent approach to the consideration of ESG risks and opportunities, while permitting a bespoke implementation of ESG factors across different asset classes and investment teams.

This Policy aligns with our fiduciary responsibilities to our investors. It also reflects our commitments as a signatory to the United Nations Principles for Responsible Investment (**UNPRI**), as well as regulatory requirements in the various jurisdictions in which we operate.

In formulating the ESG Policy, AnaCap has considered a range of codes and standards including the British Venture Capital Association (**BVCA**) guide to responsible investment.

Our ESG Policy will continue to evolve as standards of responsible investing improve within the industry and as regulatory obligations continue to expand.

This Policy applies to AnaCap Investment Manager Limited (the investment or portfolio manager of the majority of the AnaCap funds and the AIFM to the Guernsey-based funds) (**Investment Manager**) as well to all funds and other entities within the AnaCap group and under the wider AnaCap umbrella (**AnaCap**).

Annex A lists all of the AnaCap policies that are applied across the business.

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## Our commitment to being responsible investors

Responsible investing refers to the consistent consideration and integration of key ESG factors to inform or define the investment decision making process, and to gain a more comprehensive understanding of both the risks and the long-term opportunities arising from these factors.

ESG factors include environmental, social and governance matters, employee matters, respect for human rights, and anti-corruption and anti-bribery matters (**ESG Factors**). An ESG risk is any ESG event that, if it occurs, could or will have a material negative impact on the value of our investments (**ESG Risks**). ESG Risks and ESG Factors are, together, referenced as ESG issues or ESG considerations in this Policy.

AnaCap continually seeks to invest in a responsible manner, integrating relevant ESG Risks and Factors throughout its investment processes.

AnaCap's investments are focused on the financial services sector. As such, we recognize that our ability to contribute substantially or directly to climate change mitigation or other environmental objectives is currently limited. However, where possible we do require, and seek improvement of, the climate metrics of our investee companies, and report on this annually.

Through its responsible investing processes, AnaCap contributes to the development of the financial services sector by applying standardization and embedding technological improvements; providing essential tools for businesses and their management teams to promote proficiency and high standards of customer service through operational efficiency and data centric best in class IT solutions. We continually seek to improve our processes and will update this policy to reflect KPIs we develop to demonstrate progress.

A strong commitment to responsible investing also requires that our ESG principles are integrated into our own business, not only those of our investee companies. This approach is integral to our business and culture. AnaCap lives by the requirements that it sets on its investments and portfolio companies. For example, the same external ESG assessment conducted by Ecovadis on portfolio companies is also conducted on AnaCap and the house obtained a Gold medal for its assessment in 2022. Please also see "Our People" below.

AnaCap also has a sustainable procurement policy and aims to follow and to promote good sustainability practice, reduce environmental impacts of all activities and assist its portfolio companies to do the same.

We also recognize that our investors' needs in this area are expanding, and their own stakeholders are demanding a formal adoption of responsible investing practices. Our commitment to sound practices is consistent with our responsibility to help our investors achieve their goals.

Our approach to responsible investment and sustainable procurement will continue to evolve and this Policy will be regularly reviewed and updated.

## Our People

AnaCap has a Diversity, Equity and Inclusion Taskforce focused on implementing and improving diversity and inclusion policies and protocols including AnaCap staff engagement, training, recruitment practices, tracking of key metrics and investing in new community partnerships, including running internships at AnaCap's offices. Our recruitment strategy contains diversity and retention initiatives, and staff are provided with training opportunities to develop their unique skillsets. Our diversity, equity and inclusion (DE&I) strategy aims to increase diversity further and challenge ourselves to cultivate a more equitable and inclusive workplace. We believe that diverse groups make better decisions, and better decisions result in better performance.

The three pillars of Diversity, Equity and Inclusion are important to our strategy. AnaCap understands that having staff with varied backgrounds, perspectives and experiences strengthens our team and improves our entire investment lifecycle and perspective when faced with challenges, and fostering a culture of equity and inclusion helps us to retain this talent. A diverse workforce and a diverse bench of advisers and other counterparties is important to ensure that we are as thorough, analytical and creative as possible in our identification, due diligence, negotiation and execution of new opportunities.

AnaCap is committed to cultivating partnerships with organisations who are leading the way in enhancing the access for young people from underrepresented and underserved backgrounds to academic and professional opportunities. As an example of this commitment, AnaCap launched an annual internship programme in 2021 with Sponsors for Educational Opportunity (**SEO**) specifically for first and second year university students to take part in a experience at AnaCap designed to give these students a wide exposure to our business and a potential springboard for their future involvement and employment within the wider corporate / finance industry.

## Our approach to governance and regulation

Strong governance is essential for the success of our responsible investment commitments, together with robust implementation of all relevant ESG regulation.

The AnaCap principals, through the AnaCap governance structures, collectively are responsible for ESG policy, oversight and implementation. The Board of Directors of AnaCap Financial Partners Limited (**Board**) are responsible for the overall setting of the group's ESG strategy.

Responsibility for ESG policy, oversight and implementation is delegated by the Board to the Legal & Compliance function with support from Investor Relations. The Investor Relations team are chiefly responsible for external reporting on ESG. The Board requires regular internal reporting on ESG. This currently consists of quarterly Risk Committee

meetings and compliance reports which each include updates on the implementation of ESG strategy and policy as well as ongoing ESG initiatives.

Investment recommendation decisions taken by a committee of the Board take into account ESG considerations and are set out in the final investment recommendation committee paper prior to signing of a transaction. This means that the committee may refuse to provide approval for a transaction based on ESG considerations following ESG due diligence on investment opportunities (notwithstanding that ESG due diligence is just one element of the overall due diligence which is undertaken on any one transaction).

If the results and findings of the ESG due diligence present challenges, investment recommendations might still be made based on the balance of risk and the value that can be achieved through making the investment and pursuing active engagement with the investee, portfolio company, joint venture partner or servicing / operating partner (as the case may be) over the course of the holding by the relevant AnaCap fund.

We also ensure that, in line with the Sustainable Finance Disclosure Regulation<sup>1</sup>, the application of the principles of our remuneration policies are, where relevant, consistent with the integration of ESG Risks, ensuring that AnaCap only rewards appropriate risk-taking and does not encourage risk-taking which is inconsistent with the risk profiles or investment restrictions of the relevant fund. In applying AnaCap's remuneration guidelines in respect of the relevant entities, consideration is given to this Policy.

Each AnaCap fund's year end accounts include a separate reporting section on ESG matters. This was introduced as part of the 2021 year end reporting.

The Legal and Compliance function is also responsible for the robust implementation of all relevant ESG regulations, in each jurisdiction in which AnaCap operates. Regulations in this area continue to develop, with - in the EU - the full application of SFDR and the Taxonomy Regulation<sup>2</sup> from 1 January 2023, while - in the UK - we anticipate the impacts of the FCA's approach to TCFD aligned climate reporting and their sustainable disclosure requirements to influence our reporting and disclosure during 2023. Our policies, processes and disclosures will be updated on an ongoing basis in line with all relevant regulations.

This Policy is compliant with Article 3 of SFDR.

## **Our funds: the integration of ESG Risks and Factors**

### **1. Overview**

All investments made by AnaCap funds conform to:

<sup>1</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

<sup>2</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation 2019/2088

- a) the terms of the applicable limited partnership agreement and all related fund documentation. Customary warranty protection (which includes but is not limited to matters related to ESG) is sought and obtained in all transaction documentation;
- b) the fund's investment strategy;
- c) applicable legislation, regulations and the standards of the relevant sector/jurisdiction in which the portfolio company operates; and
- d) the current ESG Policy.

Our philosophy towards the integration of ESG Risks and Factors, in line with this Policy, provides a flexible framework that supports implementation across different asset classes and investment teams.

We take a responsible approach to investing at all points in the investment lifecycle, from pre-investment due diligence to exit phase considerations.

## 2. Pre-investment: due diligence process

AnaCap undertakes active engagement through ESG due diligence which is undertaken prior to the signing of transactions. This due diligence process is led by the investment teams. The scope for each transaction will vary as it will be dependent on the investment itself.

ESG issues are evaluated during the pre-investment process, as follows:

- a) Identification of the ESG Risk or Factor
- b) Evaluation of the ESG Risk or Factor - evaluation of the extent of the issue, also in the context of the corresponding investment sector and geography of the specific target company
- c) Targeting improvement - identification of any steps necessary to improve ESG performance post-acquisition.

The due diligence should consider both current and reasonably foreseeable ESG issues and opportunities, so providing maximum visibility to be considered as part of the investment decision process.

Issues which are identified during this due diligence process will then (if they can be fixed) either be resolved by way of contractual protection in transaction documentation or through post-completion remedial action.

ESG factors are then reported to the investment recommendation committee of the Board on every transaction which gives it the opportunity to test the investment teams and challenge them on key ESG issues - this is fundamental to achieve an understanding of the long-term sustainability of any investment, its profitability and return.

Post-closing remedial actions are led by the Business Services teams through inclusion of ESG factors in the post-completion action plan. ESG risk analysis is then considered and managed through ongoing monitoring and implementation of ESG standards in underlying portfolio companies and other subsidiaries.

### 3. Pre-investment: scope of due diligence

The business focus, operating procedures and practices of each potential investment should be considered. In conjunction with the due diligence and analysis performed on each potential investment, the following are considered:

- a) corporate governance documentation, including rules of procedure for management, documents setting out internal financial controls and terms of reference for any board committees
- b) anti-money laundering and anti-bribery and corruption policies and procedures
- c) all regulatory filings, including health and safety and any associated sanctions or fines
- d) any known environmental liabilities and remedial work
- e) recruitment methods and policies
- f) social considerations and staff turnover levels
- g) infractions or complaints by employees or other third parties
- h) any litigation (in particular with regard to any of the above).

### 4. During the investment period: approach to engagement

During the investment lifecycle, AnaCap will use its influence and rights as a shareholder (including commonly through the appointment of a fund representative to the board of directors of a portfolio company) to drive the portfolio companies to uphold high ESG standards including the identification and effective management of key issues, with a focus on regulatory and reputational risks as well as potential ESG opportunities.

This portfolio engagement is led by the Business Services team with support from Legal & Compliance. Portfolio engagement consists of regular interaction between the portfolio company management teams and the Business Services teams to ensure, amongst other things, that ESG issues are identified and, where this is the case, they are prioritized (most often being discussed at the next board meeting) and then either promptly resolved or with the implementation of a plan to improve the ESG Risk over a reasonable timescale. The Legal & Compliance team ensures this process is continually managed in a manner which is consistent with the complexity of the ESG issue identified.

### 5. During the investment period: what we require of our portfolio companies

To promote effective engagement, Business Services will, through a 120-day plan implemented at the outset of an investee relationship, identify an ESG strategy (and a corresponding implementation timetable) for a given portfolio company and any ESG resourcing needs.

If it is concluded that a significant amount of remediation and ongoing work is required, then the relevant portfolio company may consider the hire of an officer or consultant primarily responsible for ESG focus and oversight. When applying this framework, we are mindful that each business will be faced with a unique set of issues and that the framework will have varying levels of relevance across our portfolio.

AnaCap also requires each portfolio company to set ESG targets in collaboration with the Business Services team as part of the 120-day plan and requires the board of each portfolio company to review these policies on an on-going basis, establishing Key Performance Indicators where relevant data is available to help monitor the issues.

We also work on making sure that portfolio companies implement sound corporate governance by establishing clearly defined responsibilities, procedures and controls with appropriate checks and balances in company management structures - at a minimum, this is achieved through making sure that all portfolio companies have a full and appropriate suite of workplace policies (which are reflective of their respective underlying businesses) and that regular training (compliance or otherwise) is provided by management or external providers to all staff periodically.

AnaCap requires companies to report annually in accordance with its established ESG reporting framework with external third-party benchmarking. In the event that ESG targets are not being met, AnaCap will act on a case-by-case basis - while a degree of leniency may be given if the underlying business has had an otherwise extremely busy or tough year, the firm is prepared to take significant action in order to resolve any such issues and ultimately drive improvements.

AnaCap has commissioned Ecovadis (an external ESG consultant) to conduct ESG assessments on each of its portfolio companies and on AnaCap Financial Partners Limited itself on an annual basis. Ecovadis provide a financial services focused ESG assessment questionnaire for each reviewed company to complete and return and then ultimately provide a scorecard to show results (this can range from a "very poor" score through to a "platinum medal"). The vast majority of the portfolio companies that took part in the last review received bronze, silver, or gold medals. Our aim is to ultimately drive year-on-year ESG improvement for the companies being reviewed- for those who score well, they can use the tool and its results to evidence its ESG credentials and for those who don't, they can work with the portal and the Ecovadis customer success team to better understand how they can improve their internal ESG processes and infrastructure with a view to obtaining better scores.

## 6. [Exit Phase considerations](#)

Throughout the life cycle of an investment, as part of ongoing monitoring the investment

team (including the Business Services team) will consider whether a review of any material ESG concerns is necessary, giving sufficient time for action to be taken to correct or mitigate any problems, and to help maximise the value of the asset. Exit (and preparation for it) is part of the consideration of the ESG target setting and reporting throughout the investment hold period. AnaCap expects that, on exit, any buyer will also be looking to conduct their own ESG due diligence and will be looking, for example, for evidence of ESG improvements and policies implemented during our period of ownership of the portfolio company.

## 7. Excluded activities/sectors

AnaCap funds invest exclusively in the financial services sector. The funds' investments primarily operate or originate from the regulated sector and are required to operate to high standards in accordance with applicable regulations. They are inherently subject to industry-wide regulations on social and (mostly) governance issues, amongst other things, the fair treatment of customers, executive compensation, board accountability and reporting and disclosure. As AnaCap Funds are purely financial services focused, the firm considers that environmental impacts are much less of a considered focus area.

As a minimum ESG standard, we seek to invest in businesses that do not provide services or financing to businesses directly involved in:

- a) Manufacturing and trade of all weapons
- b) Fur Production
- c) Tobacco production
- d) Adult Entertainment

## 8. Principal Adverse Impacts

Adverse impacts are the environmental and social implications of economic activity that are considered to have a negative effect on the world. There is an inexhaustive range of factors, for example, climate-related impacts or human rights policies adopted by investee companies to gauge these adverse impacts. AnaCap recognises the importance of these impacts on our products and, where possible, we identify and monitor such adverse impacts as part of the integration of ESG Risks in our decision-making processes as explained above.

SFDR requires extensive reporting on whether, and if so how, the consideration of principal adverse impacts of investment decisions on sustainability factors are taken into account.

Although AnaCap does consider some adverse impacts through its approach to sustainability risk integration, principal adverse impacts are not formally taken into consideration to the extent set out in SFDR.

AnaCap will continue to monitor its obligations in this regard and will update its policies and disclosures as necessary in line with regulatory requirements.



## Our approach to reporting

### a) Internal governance and reporting from investee companies

Structured risk management frameworks have been established for the AnaCap funds, which are designed to facilitate the identification, assessment, mitigation, monitoring and reporting of risks affecting the relevant fund and its investments.

As set out above, the Business Services team has responsibility for ensuring prompt and comprehensive reporting of ESG issues and updates from portfolio companies. These issues and updates are then (as appropriate) reported to the Board and/or to AnaCap's Risk Committee.

AnaCap's Risk and Conflicts Management Committee then reports to the Investment Manager on a quarterly basis, updating on any specific ESG issues identified within the risk framework, allowing the monitoring and managing of any material changes to the risk profile of the funds, and to allow compliance with relevant reporting obligations (including under the AIFMD directive).

We use a third-party reporting tool to monitor and track our sustainability metrics.

### b) Reporting to LPs/other stakeholders

Risk disclosures in relation to our reporting obligations under AIFMD will be communicated to Limited Partners either through the private placement memorandum, or the annual accounts (on an on-going basis). This includes annual ESG reporting by the GP on matters relevant to the particular fund.

AnaCap monitors and prepares for changes to legislation in this area (including SFDR) and, working with external advisers, will ensure that all reporting is provided in compliance with applicable legislation in the relevant jurisdiction.

In addition to the annual reporting, if relevant, GPs / Investment Manager may also, upon request, subject to confidentiality obligations, report to Limited Partners on the performance of the portfolio companies' ESG policies and certain key performance indicators and may actively share their experiences in this field with the Limited Partner and their interested parties.

AnaCap is receptive to individual investor ESG related concerns and restrictions as well as bespoke reporting requirements.

### c) Public reporting to regulatory or voluntary standards

As set out above, AnaCap is a signatory to the UNPRI. AnaCap complies, where relevant, with SFDR.

## Annex A - AnaCap Policies

- Adoption Leave Policy
- AnaCap Business Continuity Plan
- AnaCap Organisational Requirements
- AnaCap Suitability Obligations
- Annual Compliance Declaration and Declaration of Fitness and Propriety
- Anti-Bribery & Corruption Policy
- Anti-Bribery, FCPA, Corruption Case Studies and Corruption Map
- Anti-Money Laundering Policy
- Capital Adequacy and Reporting Requirements
- Code of Conduct
- Code of Conduct
- Code of Ethics Policy
- Complaints Management Policy
- Compliance Program Certification Form
- Computer, E-mail and Internet Policy
- Conflicts of Interest Policy
- Consultancy and Outsourcing Checklist
- Data Incident Response Plan
- Data Protection Policy
- Disciplinary and Dismissal Procedure
- Diversity Inclusion Policy
- Electronic Communications Policy
- Employee Data Privacy Notice
- Environmental, Social and Governance (ESG) Policy
- Fair Processing Notice
- FCA Permitted Business
- Financial Promotions Checklist and Approval Form
- Flexible Working Policy
- Gifts & Hospitality Request and Authorisation Form
- Gifts, Inducements & Hospitality Policy
- Grievance Procedure
- Guidance for Approved Persons
- Health and Safety Policy
- Internal Data Protection Policy
- Introduction
- List of Appropriate U.K. Regulators
- Market Abuse Policy & Personal Account Dealing
- Maternity Policy
- Notification and Reports to the FCA and SEC
- Outsourcing Policy
- Parental Leave Policy

- Paternity Leave (birth and adoption) Policy
- Paternity Leave Policy
- Personal Trading Pre-Clearance Form
- Political Contributions and "Pay-To-Play" Policy
- Political Contributions Certification Form
- Poor Performance Policy
- Press Release Approval Form
- Prevention of Harassment and Bullying Policy
- Principles For Business
- Privacy Policy
- Product Distribution Policy
- Promoting, Advertising and Marketing Policy
- Public Relations Policy
- Regulatory Records Keeping Policy
- Reorg - LTD Operating Manual
- Senior Managers and Certification Regime Handbook
- Shared Parental Leave (birth) Policy
- Staff Training Log
- Sustainable Consumption and Procurement Policy
- Systems Monitoring and Communication
- Time off for Dependants (and other leave) Policy
- Training & Competence for All Employees and Approved Persons
- UK Employee Handbook
- Valuation Policy
- Wall Crossing Policy
- Whistleblowing at Work Form
- Whistleblowing Policy
- Workplace Stress Policy