



## Environmental, Social and Governance Policy

Responsible investing is integral to the AnaCap business and culture.

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 our ESG Policy, AnaCap has also considered a range of codes and standards and taken guidance from the the British Venture Capital Association (**BVCA**) Responsible Investor Toolkit.

AnaCap is also a member of the "Initiative Climat International" ("**icl**"), a collective commitment to reduce carbon emissions of private equity-backed companies and secure sustainable investment performance by recognising and incorporating the materiality of climate risk. As members of the icl we are committed to playing our part in tackling climate change by leveraging industry methodologies to analyse and mitigate carbon emissions and exposure to climate-related financial risks in our firm and portfolio companies, as well as committing to share knowledge, experience and best practice with other private equity firms and investors, to develop resources that will help standardise practices across the industry.

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.

As a dynamic and active investor, we seek to generate value by instilling operational and technological excellence through our supportive value creation model and focus on responsible investment, and the integration of ESG risks and opportunities into our investment processes is a critical component of our value creation model.

A strong commitment to responsible investing also requires that our ESG principles are integrated into our own business, not only those of our portfolio 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 most recent assessment in 2023. 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 we will continually develop new KPIs to demonstrate progress. Accordingly, this Policy is regularly reviewed and updated.

## Environmental responsibility

AnaCap's investments are focused on the financial services ecosystem. As such, we believe that we are best-positioned to drive the most meaningful improvements in the Social and Governance aspects of our commitment to ESG, and 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.

We currently track energy consumption at our London office and emissions metrics from transportation and travel and are working to improve the quality of and quantity of our environmental data. For the first time in 2024 we will be calculating and reporting on our Scope 1, Scope 2 and Scope 3 emissions and have requested that all of our portfolio companies undertake best efforts to do the same.

We are also mindful of implications that the decisions we make can have on the environment and where possible, we seek to identify and monitor any potential adverse impacts as part of the integration of ESG Risks in our decision-making processes. One of our aims is to contribute to the development of a financial services sector that is more responsible and sustainable and we seek to do this by investing in businesses that are disrupting legacy models - we help them to develop, invest in and embed improvements that promote proficiency and high standards of customer service through operational efficiency and data centric best in class IT solutions.

## **Social responsibility**

We also seek to invest in business that are broadening access to financial services products or eliminating legacy barriers. As an engaged shareholder we support and promote employee engagement, training, share ownership and all forms of diversity, equity and inclusion at all levels within our portfolio companies.

## **Our People**

AnaCap has a Diversity, Equity and Inclusion (DE&I) Committee 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 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 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 in partnership

with Sponsors for Educational Opportunity (**SEO**) specifically for first and second year university students from underrepresented and underserved backgrounds to take part in three weeks' work 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. It is an enriching experience for our staff firm and for the interns and we have continued to run it every summer since.

## Our approach to governance and regulation

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

Within our portfolio companies, we seek to embed a strong governance framework, ensuring businesses have robust boards, independent committees, experienced finance and compliance professionals, appropriate policies, external audits and compliance assessments - all designed to help provide a solid foundation for growth. The AnaCap principals, through the shareholder governance structures, collectively are responsible for ensuring portfolio companies have appointed an ESG champion that reports to the company board and is responsible internally for ESG policy, oversight and implementation.

At AnaCap, 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> (SFDR), 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.

The Legal and Compliance function is also responsible for the 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 application of SFDR and the Taxonomy Regulation<sup>2</sup> from 1 January 2023 and consultation papers on the same, while - in the UK - there has been the introduction of the Sustainability Disclosure Requirements coming into force from 2024. Our policies, processes and disclosures will be updated on an ongoing basis in line with all relevant regulations and in line with our strategy.

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:

- 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.

<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

## 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 Risks and /or Factors
- b) Evaluation of the ESG Risks and /or Factors - evaluation of the extent of the issue, also in the context of the corresponding investment sector and geography of the specific target company, utilizing commercially available information
- c) Targeting improvement, where required - identification of any steps necessary to improve ESG performance post-acquisition.

The due diligence aims to 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 issues 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 key areas - this is fundamental to achieve an understanding of the potential long-term sustainability-profile of any investment, its profitability and return.

Post-closing remedial actions are led by the Value Creation team 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. As part of the due diligence and analysis performed on each potential investment, the following are considered, as applicable:

- 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 ESG standards including the identification and effective management of key ESG issues, with a focus on regulatory and reputational risks as well as potential ESG opportunities.

This portfolio engagement is led by the Value Creation team with support from Legal & Compliance. Portfolio engagement consists of regular interaction between the portfolio company management teams and the Value Creation teams to ensure, amongst other things, that ESG issues are identified and, where this is the case, they are prioritized appropriately (most often being discussed at the next board meeting) and then either promptly resolved or with the implementation of a plan mitigated or remedied 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, our Value Creation team will, through a 120-day plan implemented at the outset of an investee relationship, identify an ESG policy and 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 identify an individual responsible for ESG (this does not need to be their only job) who reports to the board of the relevant portfolio company on a regular basis, at least annually. Portfolio Companies are also required to set ESG targets in collaboration with the Value Creation team as part of the 120-day plan and the board of each portfolio company should 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, which is designed to meet the data metrics required by ESG Data Convergence Initiative (EDCI) and to undertake an annual external third-party assessment and benchmarking exercise (as described below).

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”). All portfolio companies that took part in the last review (2003) received bronze, silver, or gold medals and one company achieved a platinum medal. Our aim is to ultimately drive year-on-year ESG improvement – in the rapidly evolving ESG landscape, all companies need to continue to make incremental progress, even to retain already high scores. Those who score well can use the tool and their results to evidence their ESG credentials. Those who don’t score as well can work with the portal and the Ecovadis analysts to better understand how they can improve their internal ESG processes and infrastructure with a view to obtaining better scores in the future.

## 6. Exit Phase considerations

Throughout the life cycle of an investment, as part of ongoing monitoring, the investment team (including the Value Creation 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 conduct their principal activities (i.e. the majority of the business' revenue) in or provide services or financing to other businesses directly involved in:

- a) Manufacturing and trade of all weapons
- b) Fur Production
- c) Tobacco production
- d) Adult Entertainment
- e) Exploration for Oil and/or Gas

## 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. "Sustainability factors" is defined within the SFDR as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

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 Value Creation 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

AnaCap is a signatory to the UNPRI and icl and a member of EDCI. AnaCap complies, where relevant, with SFDR.

## Annex A - AnaCap Policies

- Adoption Leave Policy
- AnaCap Business Continuity Plan
- AnaCap Organisational Requirements
- AnaCap Suitability Obligations
- 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
- 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
- Expert Network Policy
- Flexible Working Policy
- Gifts & Hospitality Request and Authorisation Form
- Gifts, Inducements & Hospitality Policy
- Grievance Procedure
- Health and Safety Policy
- Internal Data Protection Policy
- Market Abuse Policy & Personal Account Dealing
- Maternity Policy
- Outsourcing Policy
- Parental Leave Policy
- Paternity Leave (birth and adoption) Policy
- Paternity Leave Policy
- Political Contributions and "Pay-To-Play" Policy
- 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
- 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 Policy
- Workplace Stress Policy