

EMK Capital

Enterprise · Management · Knowledge

Responsible Investing Policy

Sustainability in Private Equity Using the
Environmental, Social & Governance Framework

EMK's RI Policy is Based on the UN Global Compact and the UN Principles for Responsible Investing

1 The United Nations Global Compact

- The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption
- The definitions in the EMK Responsible Investing Policy are aligned with the definitions stated by the United Nations Global Compact



2 The Principles of Responsible Investment

- EMK is a full signatory and adherent to the UN Principles of Responsible Investment (UN PRI)
- The UN PRI is an independent proponent of responsible investment, and has set out six core principles that signatories aspire to adhere to and report on annually



The UN Global Compact's Ten Principles

The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

- ✔ The Universal Declaration of Human Rights.
- ✔ The International Labour Organization's Declaration on Fundamental Principles and Rights at Work.
- ✔ The Rio Declaration on Environment and Development.
- ✔ The United Nations Convention Against Corruption.

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

Human Rights

Principle 1: businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: businesses should work against corruption in all its forms, including extortion and bribery.

The UN Global Compact's 17 Goals

On 1 January 2016, the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development — adopted by world leaders in September 2015 at an historic UN Summit — officially came into force.

Over the next fifteen years, with these new Goals that universally apply to all, countries will mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind.

At EMK we map each existing investment to each goal and monitor the progress over our ownership period towards achieving the 2030 goals.



The UN PRI's Six Principles of Responsible Investment

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The following represents the signatory's commitment:

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

Principle 1

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

Principle 2

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

Principle 3

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

Principle 4

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

Principle 5

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

Principle 6

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

Introduction to EMK's Responsible Investing Policy

Background

EMK's mission is to generate superior returns for its investors by investing in and building highly regarded companies. This includes ensuring high environmental, social and governance (ESG) standards, which can help capture opportunity and avoid risks that occur at the intersection of sustainability and commerciality. As a commitment to the investors and the communities in which EMK and its portfolio companies operate, EMK has adopted this Responsible Investing policy.

Purpose

The purpose of the policy is to outline EMK's approach to responsible investing, including how EMK works to understand and manage ESG issues in its investment process and ownership role.

This commitment goes beyond compliance with rules and regulations and is intended to ensure that EMK contributes to the creation of companies that promote a sustainable future for business, society and the environment.

Scope

The policy applies both to the screening and investment process as well as the ownership phase. The policy shall be managed by the EMK investment teams as investment managers, including through board representation in EMK's portfolio companies. The approach also goes beyond the portfolio companies; potential buyers and other business partners should, to the extent possible, be considered from an ESG perspective.

Implementation of the Policy

Investment Process

EMK's ambition is to have each investment opportunity assessed and evaluated to ensure that ESG risks and opportunities are identified and managed in the screening as well as the investment process. This work will be done by the EMK deal teams with outside assistance as needed.

Ownership Practices

The EMK team's governance role is an essential component in the portfolio companies' value creation. The board of directors of each portfolio company is responsible for defining and implementing strategies and policies, also in respect of ESG matters. Its role thus includes establishing sound environmental and social standards that correspond with the minimum ESG requirements set by EMK. The EMK team supports the board of directors by providing guidance and tools. While there may be a conflict between short term profitability and compliance with this policy, EMK believes there is a strong correlation between long-term profitability and socially and environmentally responsible business practices.

EMK has established the following guidance, recommendations and restrictions related to ESG matters for portfolio companies:

- ESG should be part of each company's value creation agenda, including projects and targets;
- Each company should have/develop an ESG related policy, serving the company's specific needs and fulfilling at least EMK's minimum requirements. EMK encourages the portfolio companies to promote adherence to the UN Global Compact throughout their supply chain;
- EMK encourages each portfolio company to strive for long-term continuous improvement, aiming beyond compliance, with a vision to reach industry best practice;
- EMK requires the board of every portfolio company to discuss the company's compliance with its ESG related policy. This should be done at least annually, at one of the company's board meetings. EMK and portfolio company teams will work together to insure that EMK's investors are updated on these matters at least annually;
- If (potential) ESG related risks are identified in the investment process or later, the portfolio company will address such risks and thereafter strive for continuous improvement;
- EMK's portfolio companies shall comply with applicable local and international laws and regulations, and, where appropriate, give consideration to relevant international principles; and
- EMK promotes transparency on ESG matters and as ESG management within the portfolio company evolves, EMK encourages external reporting on progress.