

Vespa Capital



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Responsible Investment Policy

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Vespa Capital's Responsible Investment Policy

Vespa Capital's objective is to generate long term value and superior risk-adjusted returns for its investors, whilst acting transparently and responsibly. As an established lower mid-market private equity investor that takes controlling ownership positions in niche market leading companies, Vespa Capital believes it has a responsibility to positively influence those companies. In addition to the commitment Vespa Capital makes to the management teams to release potential and facilitate growth, Vespa Capital believes it also has a broader commitment to society by promoting the consideration of Environmental, Social and Governance ("ESG") factors across its entire investment portfolio.

In developing its Responsible Investment Policy, Vespa Capital has codified its approach to analysing, reviewing and monitoring ESG factors and sets out its obligations and objectives regarding these matters. This Policy will enable Vespa Capital to assess ESG-related risks and opportunities throughout its investment and management activities.

Responsible Investment ("RI") Policy

Vespa Capital seeks to conduct business in a responsible manner, incorporate ESG monitoring across the portfolio and to take an active approach to promoting change where necessary. Vespa Capital executes thorough and professional due diligence, enhances reporting and promotes the highest standards of responsible practices with respect to R&D, education and training within its portfolio companies.

Vespa Capital has taken account of the UN Global Compact and the UN Principles for Responsible Investment's (UNPRI) core principles in determining this RI Policy and will consider these in its application.

Vespa Capital became a signatory to the UNPRI in 2019.

Active Management

Vespa Capital believes that stewardship and the active management of ESG factors have the potential to impact investment risks and returns and that considering these factors alongside traditional factors in investment decision-making is essential to creating long term value for its stakeholders. When firms are aligned to this way of working, it significantly de-risks their business models and they therefore achieve greater cost efficiencies and profitability, attracting higher valuations at realisation. Therefore, Vespa Capital is confident that the best interests of its investors are aligned with its portfolio companies, their customers, employees and communities in which those companies operate.

Vespa Capital maintains effective stewardship of ESG factors within its portfolio companies through active ownership and participation at a board level. In addition, the investment team are responsible for the ongoing monitoring and implementation of ESG improvements, as well as the sharing of ESG best practice amongst portfolio companies. Where Vespa Capital holds a minority investment alongside another institutional investor, the respective teams will seek to collaborate on ESG improvement initiatives.



ESG Factors

Environmental Factors

Vespa Capital seeks to promote an appropriate level of environmental awareness and environmental stewardship in the portfolio companies that it owns or in which it has an interest, including (but not limited to):

- Integration of climate risk assessment into the investment decision making process, as well as ongoing monitoring of climate risks and opportunities
- Compliance with all current environmental law
- Promoting the efficient use of natural resources
- Monitoring material wastage and if applicable follow the waste management hierarchy: 1) prevention 2) reuse 3) recycle then 4) disposal
- Promote the use of digital tools for communication in order to minimise unnecessary travel
- Monitoring specific and material environmental issues on a case-by-case basis

Social Factors

Vespa Capital recognises the importance of providing safe working conditions and constructing inclusive and diverse environments in order to safeguard the health and well-being of its employees and those within the portfolio companies it owns or in which it has an interest, including (but not limited to):

- A commitment to engage with customers and suppliers in an honest and transparent manner
- Conscious assessment of employee working conditions such as wages, working hours and health & safety, ensuring that there is no breach of applicable regulations
- Compliance with international conventions on human rights and supporting the elimination of child labour, modern slavery and human trafficking
- Consideration of flexible working arrangements and incorporating fair policies around, for example maternity, paternity and long term sick leave
- Aiming to promote equality, harmony and respect amongst individuals and to eliminate discrimination, harassment and victimisation of all kinds
- Promotion of mental health awareness and offering of support where applicable
- Consistent formal review processes to provide performance feedback for all permanent employees and identify any sources of employee concern
- Providing relevant training for all employees
- Promoting the involvement in community service initiatives and charities
- Providing an employee handbook to employees outlining key practices and procedures

Governance Factors

A critical component of Vespa Capital's value creation model is the governance and management structure that is put in place for each portfolio company, which it believes is the strongest safeguard to protect against wrongdoing.

Vespa Capital believes in structured governance principles to help provide a solid platform for sustainable growth in the portfolio companies it owns or in which it has an interest, including (but not limited to):

- Establishing regular board meetings between the board of directors
- Establishing an audit committee and a remuneration committee
- Review and upgrade management information and reporting frameworks, including appropriate financial and operational KPIs
- Ensuring that a full suite of compliance policies is in place and reviewed on a regular basis



- Identifying and assessing key risks in each business, including financial, operational, reputational, environmental, industry-related, business continuity and legal risks. Implement risk management into reporting to the wider board
- Compliance with all applicable laws and promote international best practices
- Establishment of processes to identify corruption, money laundering, tax avoidance, unethical business practices etc

ESG Analysis

Whilst Vespa Capital places principal emphasis on the financial and commercial aspects of a business when considering any new investment opportunity, recognition is also given to its duty of care towards wider stakeholders and therefore will also thoroughly review relevant ESG Factors in the investment decision making process (“ESG Analysis”).

Vespa Capital’s ESG Analysis is conducted in three phases and evaluated throughout the investment process as follows:

1. Initial negative screening against the Vespa Capital Investment Restrictions
2. Standardised ESG Checklist included in the Preliminary Investment Committee proposal
3. Comprehensive ESG analysis included in the Final Investment Committee proposal. As well as seeking to identify red flags and risk factors at this stage, Vespa Capital also evaluates opportunities to add value by resolving or improving any ESG Factors. ESG key performance indicators to be monitored post investment are also identified as part of this process.

Portfolio Management

Vespa Capital’s ESG Analysis will identify areas for improvement within portfolio companies at investment. These will be monitored and reported on as part of the regular reporting process. Vespa Capital will encourage portfolio companies to adopt initiatives to improve specific ESG Factors referred to above and to monitor their adherence to such initiatives in their own reporting and at board meetings. Portfolio companies are expected to report regularly throughout the year on pre-agreed ESG KPIs.

Any material exceptions against this RI Policy would be included in quarterly reports to investors.

Policy Governance

Sam Calder is the dedicated RI officer reporting to Megan Lester (Partner) who has executive oversight of compliance to Vespa Capital’s RI Policy. Each investment executive has responsibility to promote adherence of the RI Policy within the portfolio investments.

The board of directors of each portfolio company is responsible for defining its own strategy and policy. Vespa Capital expects that this will include the setting of sound ESG standards and objectives and the Vespa Capital Partners will oversee the incorporation of ESG activities across the portfolio and provide senior sponsorship. Where practical, commitments from portfolio company management teams are agreed as part of the investment documentation.

The RI team produce a monthly ESG summary report to the Vespa Capital LLP Board summarising amongst other things, ESG risks and opportunities, performance monitoring progress and proposed policy changes. The Board is responsible for identifying and reporting any material ESG issues for communication to investors.



Appendix 1 – ESG Investment Restrictions

Vespa Capital shall not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies whose business activity consists of:

- 1) an illegal economic activity (i.e. any production, trade or other activity, which is illegal under the laws or regulations applicable to Vespa Capital or the relevant portfolio company, including, without limitation, human cloning for reproduction purposes);
- 2) the production of, distribution, marketing, sale or trade in tobacco and distilled alcoholic beverages and related products;
- 3) the development, manufacturing, production, maintenance, system integration, testing, research, distribution, sale or trade in weapons, weapons systems (including, without limitation, anti-personnel mines, biological weapons, chemical weapons, cluster weapons, depleted uranium, white phosphorus and nuclear weapons), firearms, munitions and ammunition of any kind;
- 4) the sale or distribution of small fire arms to civilians;
- 5) gambling (in particular, casinos and equivalent enterprises);
- 6) (i) prostitution, (ii) the sex industry, or (iii) the production, distribution or sale of pornography;
- 7) extraction and power generation from thermal coal;
- 8) the production of atomic energy;
- 9) the research, development or technical applications relating to electronic data programs or solutions, which:
 - (a) aim specifically at:
 - (i) supporting any activity referred to under items 1 to 8 above;
 - (ii) internet gambling and online casinos; or
 - (iii) pornography,

or which:

- (b) are intended to enable:
 - (i) the illegal entry into electronic data networks; or
 - (ii) the illegal download of electronic data.

In addition, when providing support to the financing of the research, development or technical applications relating to: (i) human cloning for research or therapeutic purposes; or (ii) genetically modified organisms (GMOs), Vespa Capital shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.

Vespa Capital shall not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies which are domiciled in a country subject to trade embargo(es) imposed by the UN or the European Union.