



RESPONSIBLE INVESTMENT POLICY

Updated: June 2023





Policy Summary

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 provide resources and support 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 including across stewardship, people and talent management and risk management within its portfolio companies.

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

Vespa Capital became a signatory to the UNPRI and has subsequently become members of Initiative Climat International ("iCI") and ESG Data Convergence Initiative ("EDCI").

Active Management and Stewardship

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 can consequentially achieve greater cost efficiencies and profitability, attracting higher valuations at realisation. 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.

Where possible, Vespa Capital also seeks to collaborate with key industry stakeholders such as investors and advisors on the refinement and progression of Vespa Capital's ESG approach. These bilateral engagements aspire to align the firm's ESG policies and protocols with best practices observed across the private equity industry.

As part of Vespa Capital's commitment to promote effective management of ESG risk, the Team are assessed on their contribution towards the attainment of and performance against the firmwide ESG objectives set out in this RI Policy. In addition, Vespa Capital's remuneration policy takes into account compliance with its policies/procedures related to the integration of sustainability risks in its investment decision making process.



Climate Responsibility

Vespa Capital recognises and supports the transition to a low-carbon economy, through both a commitment to understanding and reducing climate related financial risks and seeking opportunities to invest in low-carbon, energy-efficient businesses. In addition, Vespa Capital's membership of the iCI includes a commitment to contribute to the objectives of the Paris Agreement, as well as to engage with portfolio companies to reduce their greenhouse gas emissions and improve overall sustainability performance.

Climate-related physical and transitional risks are considered as part of our pre-investment process and post investment ESG assessment, reviewed on an annual basis. In addition, The Vespa Capital Investment Team consider shifts in customer behaviours or reputational risk presented by the transition to a lower carbon economy. The climate-related risks in our business are currently considered to be relatively low due to the service-oriented nature of Vespa Capital's investment strategy.

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
- Appointment of a board representative at each portfolio company with responsibility for ESG matters, as well as identifying individuals within the business to drive forward the practical aspects of the ESG agenda
- 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 that form the basis of bespoke ESG strategy plans for each portfolio company developed in collaboration with portfolio company management teams. Further stakeholder consultation and comprehensive materiality assessments are conducted to ensure that these strategy plans remain relevant and proportionate. 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.

Oversight and governance of ESG matters within portfolio companies is maintained at a board level, with an executive member of the board assuming responsibility for the ESG agenda. Portfolio companies are expected to report regularly throughout the year on pre-



agreed ESG KPIs, as well as appoint an ESG Champion to take responsibility for the implementation of ESG initiatives and support the ongoing reporting processes.

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

Industry Collaboration

The private equity industry is a powerful vector of change when it comes to driving progress on the ESG agenda. Therefore, Vespa Capital has sought to align with and participate in a number of ESG initiatives such as the UNPRI, iCI and EDCI. These initiatives facilitate greater collaboration amongst private equity industry peers, specifically promoting greater stewardship of the climate in the case of the iCI as well as increasing transparency and accountability of ESG reporting with regards to the EDCI and UNPRI.

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 for each portfolio company. The Vespa Capital Partners oversee the ongoing stewardship and 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 firearms 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.



Appendix II - Schedule of RI Policy Revisions

Date	Summary of Amendments	Author(s)	Reviewed
Mar-17	RI Policy inception	Khidhr Shafiq	Nigel Hammond / Megan Lester
Feb-20	Updated to reflect Fund III commitments and investment restrictions	Sam Calder / Megan Lester	Vespa Capital Board
Aug-20	Scope of RI Policy expanded and inclusion of dedicated ESG oversight and responsibilities	Sam Calder / Megan Lester	Vespa Capital Board
Apr-21	Updated to include statement on stewardship and active management of ESG Factors, following UNPRI recommendations	Sam Calder / Megan Lester	Vespa Capital Board
Jun-23	Scope of RI Policy expanded to cover to climate responsibility and industry collaboration on ESG agenda	Sam Calder / Megan Lester	Vespa Capital Board