AnaCap Environmental, Social and Governance Policy

1. Objective

This Environmental, Social and Governance Policy (**ESG Policy**) provides an overview of AnaCap's approach to sustainable investing.

It outlines our commitment to sustainable investing and describes our core beliefs about sustainability as a house and a business. This Policy also describes how sustainability opportunities, risks and factors are integrated into our investment recommendation and decision-making processes. Our philosophy provides a flexible framework that supports implementation 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**) and a voluntary adherent to the Task Force on Climate-related Financial Disclosure (**TCFD**), as well as regulatory requirements, such as the EU Sustainable Finance Disclosure Regulation[1] (**SFDR**) where applicable.

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

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**).

2. Our commitment to sustainable investing

Sustainable investing refers to the consistent consideration of key environmental, social and governance (**ESG**) factors to inform or define the investment process and to gain a more comprehensive understanding of both the risks and the long-term opportunities arising from these factors.

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

AnaCap continually seeks to invest responsibly, taking relevant Sustainability Risks and Factors into account throughout the investment process.

[1] 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

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 have not yet developed targeted ESG focused KPIs in relation to the financial services sector but we intend to do so within the next six to twelve months.

Sustainable investing is integral to our business and culture. AnaCap, as a house and as a business, 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 Silver medal for its assessment in 2020. AnaCap as a house has also set up a Diversity 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. More details are set out in AnaCap's Diversity and Inclusion Policy which is available upon request. AnaCap's greatest asset is its people and the firm has a full suite of workplace policies designed to support its staff in this respect.

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

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

3. Governance

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 SFDR, the application of the principles of our remuneration policies are, where relevant, consistent with the integration of Sustainability 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.

4. Integration of Sustainability Risks and Factors

a) Overview

All investments made by AnaCap funds conform to:

(i) 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;

(ii) the fund's investment strategy;

(iii) applicable legislation, regulations and the standards of the relevant sector/jurisdiction in which the portfolio company operates; and

(iv) the current ESG Policy.

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

b) Private Equity

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.

Portfolio engagement for the Private Equity funds is delegated by the Board and the Legal & Compliance team to the Business Services team to lead with support from Legal & Compliance. Portfolio engagement consists of regular interaction between the portfolio company management teams and the Business Services teams to ensure that where ESG issues are identified, they are being prioritised (most often as an agenda item to be discussed at the next board meeting) and then promptly resolved. The Legal & Compliance team will then ensure this process is being continually managed in a suitably appropriate manner.

Business Services will, through a 120-day plan, identify an ESG strategy (and a corresponding implementation timetable) for a given portfolio company and any ESG resourcing needs. On the latter point, 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 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.

Annual ESG questionnaires and assessments (both through external providers as well as through AnaCap's own proprietary materials) are conducted in respect of each of these portfolio companies with follow-ups then conducted in order to reinforce the importance of taking ESG seriously at a local level. As mentioned above, ESG is also covered within the Risk Committee meetings held on a quarterly basis.

c) Credit

On the Credit side, responsibility is delegated by the Board and the Legal & Compliance team to the Asset Management team to engage with related party and third party servicers and operating partners. In particular, these servicers and operating partners are responsible, respectively, for the proper and ethical collection of debts from underlying consumers and borrowers with respect to credit portfolios and for the proper and ethical collection of rent-related income from underlying tenants and sustainable, responsible construction and development activities (where relevant) with respect to real estate portfolios, particularly those in each case who might be considered to be "vulnerable". AnaCap, through its Asset Management team, commissions regular audits of its servicers and operating partners which include questions and appropriate responses in relation to ESG issues. This is with the aim of ensuring that AnaCap has sufficient oversight of its servicers with respect to ESG issues.

5. Pre-investment ESG considerations

a) Approach to due diligence

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. AnaCap has a separate ESG due diligence scope for PE and Credit deals as detailed below. 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:

1. Identification of the Sustainability Risk or Factor

2. Evaluation of the Sustainability 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

3. 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 in the course of 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 and Asset Management teams (for the Private Equity and Credit teams respectively) 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.

b) Private equity funds – Due diligence scope

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:

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

c) Credit funds – Due diligence scope

Careful due diligence should be carried out on operating partners of real estate portfolios (as well as the portfolios themselves), servicers of debt portfolios and suppliers. In addition to commercial enquiries, due diligence should include:

(i) anti-bribery & corruption and anti-money laundering compliance
(ii) “TCF” and complaints-handling

(iii) ethical lending and credit risk assessment policies
(iv) infractions or complaints by customers, debtors or other third parties
(v) procedures for the treatment of vulnerable customers and/or customers in financial hardship
(vi) data protection considerations (including collation of data on reported customary privacy breaches).
(vii) environmental considerations (e.g. energy management by tenants) related to the acquisition of real estate portfolios.

6. Private equity: ESG considerations during the investment period

Following the acquisition AnaCap will require the portfolio company to set ESG targets in collaboration with AnaCap's Business Services team as part of the 120-day plan and require 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.

These teams 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"). 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.

On the credit side, AnaCap will commission Ecovadis to conduct ESG assessments (in a very similar vein to the process described above) on its servicers and key operating partners – this will be integrated into the ongoing annual servicer audit review cycle.

7. Private Equity: Exit Phase ESG 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.

8. Excluded activities/sectors

AnaCap funds invest exclusively in the financial services sector as well as credit related investments. 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:

- Manufacturing and trade of all weapons
- Fur Production
- Tobacco production
- Adult Entertainment

9. 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 Sustainability 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. As at the date of this Policy, however, these requirements are not yet in final form and will not be fully in force until 2022.

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 that will be required by 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.

10. 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 and Asset Management teams have responsibility for ensuring prompt and comprehensive reporting of ESG issues and updates from portfolio companies and related and third party servicers and operating partners respectively. 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).

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).

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.

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 and is a voluntary adherent to the TCFD. AnaCap complies, where relevant, with SFDR.