

SGT CAPITAL FUND II SCSP

ESG Policy

DECEMBER 2022

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1. PURPOSE

- 1.1 SGT Capital Fund II SCSp (the “Fund”) is strongly committed to carefully managing environmental, social, and governance (“ESG”), regulatory, geopolitical, reputational issues, and stakeholder risk and opportunities now, as this will better position us in the future as diminishing resources, changing consumer demands, evolving norms, and increased regulation are expected to pose greater challenges and opportunities for business around the world. The Fund seeks to reduce risk and enhance value by building a proactive focus on these issues across the investment life cycle, wherever possible. We aim to deliver strong returns and positive social and environmental outcomes through effective ESG integration.
- 1.2 The purpose of this policy is to articulate the Fund’s approach to integrating the consideration of ESG risks and value creation opportunities into investment processes across our investments.

2. SCOPE AND LIMITATIONS

- 2.1 This policy is intended to provide a broad framework for the Fund’s approach to ESG integration throughout the investment life cycle its investment. This policy articulates the approaches and social characteristics promoted by the Fund. The Fund seeks to work with the company to appropriately integrate and monitor progress on material ESG issues into the business processes of its portfolio company.
- 2.2 For the purposes of this policy, as primary input to assessing what is “critical” or “material” ESG factors for each investment, the Fund utilises the industry-specific issue topics identified by the Sustainability Accounting Standards Board.
- 2.3 This policy supersedes any policies or commitments made public prior to its effective date. As required, the Fund will seek to update the policy periodically.

3. COMMITMENT

- 3.1 The Sustainable Finance Disclosure Regulation (“SFDR”) is an EU regulation that came into force on 10 March 2021. The SFDR lays down harmonised disclosure rules for investment managers and investment advisors for financial products as defined under SFDR.
- 3.2 The Fund is an “Article 8 Fund” under SFDR, which considers principle adverse impacts and expressly promotes the following characteristics: social and employee, respect for human rights, anti-corruption and anti-bribery matters, and ensures that the that the companies in which in invests promote these characteristics and follow good governance practices.
- 3.3 The Fund believes that strong ESG management leads to better investment outcomes and positive impacts for our stakeholders. We strive to integrate ESG considerations into how we operate as a firm, our investment processes and portfolio management approach.
- 3.4 The Fund seeks to incorporate ESG risks and upside throughout our investment and ownership processes, and tailor our ESG approach to each investment strategy and critical ESG factors that shape long-term growth and performance.
- 3.5 The Fund is committed to investing responsibly by:
 - (a) Incorporating material ESG, regulatory, geopolitical, and reputational considerations into our investment decision-making and management practices, where relevant. This

- includes considering key risks and opportunities during the diligence process and, where applicable, then engaging on these issues with the companies in which the Fund invests.
- (b) Communicating the Fund's responsible investment approach, progress, and goals transparently to the public, our investors, and other stakeholders.
 - (c) Advancing consistent and thoughtful responsible investment processes in the financial industry by collaborating with industry peers, standard-setting organizations, and other stakeholders.
 - (d) Maintaining internal governance and culture to ensure that the Fund acts as a good citizen in the communities in which we operate.
- 3.6 The Fund has a limited environmental footprint and given the nature of its operations, climate risk is not envisaged to be significant. However, the Fund always takes sustainability into active consideration when choosing portfolio company investments, and rigorously measure the resulting impact over time.
- 3.7 The Fund takes an active approach to considering ESG-related factors and internally has prioritised its efforts in areas where it believes it can have meaningful, measurable impact over the long-term. In 2022, the Fund codified this approach by establishing its core ESG commitments as a fund, as well as in terms of its portfolio investment.
- 3.8 Internally, the Fund has prioritised social and employee, respect for human rights, anti-corruption and anti-bribery matters, and in particular the following commitments:
- 3.8.1 **Active governance and stewardship.** To promote active and engaged governance, holding ourselves accountable for driving value with high integrity in partnership with our investments and portfolio companies.
 - 3.8.2 **Fair employment, engagement, and well-being.** To treat employees with fairness and respect, building an environment and culture that at its core promotes employee wellbeing and engagement. We actively promote good labour relations and treatment, human rights practices, employee health, wellness, and safety.
 - 3.8.3 **Diversity, equity, and inclusion.** To be champions of DEI and to drive meaningful progress by cultivating a high-performance culture that advances diversity, equity, and inclusion. To assess human resource policies, practices, staffing and organizational culture.
- 3.9 The Fund's commitment as an investor is to drive, support and assist management teams in achieving the following ESG goals:
- 3.9.1 **Fair employment, engagement and well-being.** the Fund seeks to assess organisational health, labour relations and treatment, and employee health, wellness, and safety. It further evaluates factors such as employment practices, worker safety and accident prevention, pay practices and human rights. the Fund investment team aims to enhance our assessment of ESG considerations. We also motivate our partners, whether they be management teams, loan servicers or joint venture partners, to align with our ESG approach and other industry leading practices.
 - 3.9.2 **Diversity, equity and inclusion.** The topics we tackle include governance and methods for accountability, recruiting and development of our team, and a culture of inclusion. Our investment team is also focused on diversity, equity and inclusion, and conduct

diligence across a broad range of factors to identify risks and value creation opportunities, including assessment of human resource policies, practices, staffing and organisational culture. We continue to enhance our diligence practices to include an assessment of DEI in our investment review processes as well. We extend these concepts to our investments, including enhanced diversity at board, management team and company levels, as well as in our community engagement and support for racial equity and social justice.

3.9.3 Promoting DEI and accountability. Across our investments, we promote diversity at both the executive and board levels. This begins by taking stock of where companies sit today, and then tracking those metrics over time, holding ourselves and our teams accountable for ongoing improvement. We believe we have the ability to drive real change by adding diverse board members and ensuring that C-level searches include diverse candidates.

4. ROLES AND RESPONSIBILITIES

- 4.1 The Fund's senior leadership provides ultimate oversight of its responsible investment efforts. Accountability for this work extends throughout the organization with global and regional team members, supported by subject matter experts, collaborating to achieve strong outcomes. Overall, several individuals across the Fund have a role in managing ESG issues, including, but not limited to, investment team members and the Fund's Legal and compliance team.
- 4.2 Where applicable, Investment Committees oversee ESG issues that are material to an investment when deciding to invest. Our portfolio companies' management team and investment professionals have monitoring and management roles with respect to material ESG issues that have been identified in the investment process.

5. TRANSPARENCY AND STAKEHOLDER ENGAGEMENT

- 5.1 The Fund will be transparent in its approach to incorporating ESG considerations in its investment decisions by reporting at least annually on its progress and outcomes to its investors. The format of this reporting may include written public reports, informal verbal updates, or confidential fund level reports to the Fund investors.
- 5.2 The Fund endorses relevant industry guidelines for responsible investment.

6. ESG INTEGRATION

- 6.1 ESG and sustainability matters and considerations are embedded throughout the Fund's investment process and are a key part of the governance of the the Fund's portfolio company. Where relevant and appropriate, the Fund will engage with management teams to provide guidance and support on key cross-portfolio ESG risks and opportunities.
- 6.2 In the pre-screening stage, the investment team will review any "gating issues" to determine whether there are any critical ESG or reputational concerns in relation to target companies, operators, issuers, and, where relevant, sponsors.
- 6.3 During the commercial and legal/compliance due diligence process, the investment team will evaluate material ESG risks and opportunities applicable to the relevant industry, with regards to the issuer or target company, including environmental and climate change risks and other portfolio-wide considerations and opportunities where relevant, in addition to our core social characteristics. The key risks and opportunities will be included in the Investment Committee

discussions and memorandums as they relate to the issuer or target company. The relevant findings by the Investment Committee will be documented and tracked, even when no additional actions are needed.

- 6.4 Post-investment ESG risks and opportunities will be monitored and managed. Key ESG risks and opportunities will be included in the portfolio companies' management team discussions and memorandums, where applicable. The management and monitoring team will incorporate ESG consideration in the value creation plan. Efforts on relevant issues or incidents will be documented for ongoing tracking as relevant.

7. ESG PROCESSES AND FRAMEWORK

- 7.1 **ESG in practice.** ESG is another lens applied when considering the risks and value creation opportunities for a potential investment, and the process is applied to each potential investment as follows.

7.1.1 Asset selection & origination

- (a) ESG screening and analysis of portfolio investments and teams:
 - (i) Review of material ESG risks and upsides.
 - (ii) Exclusion of companies with broad-based ESG risks.

7.1.2 Due diligence and deal execution

- (a) ESG forms part of due diligence carried out by investment teams including compliance, liabilities, reputational issues, risk and opportunities. Our due diligence goals include the following:

Active Governance and Stewardship

- (i) to assess the strength of governance structures and routines, including board and management team composition and diversity, board oversight and track record;
- (ii) to assess business ethics, responsible conduct and compliance with applicable laws or regulations in each region of operation;

Fair Employment, Engagement, and Well-Being

- (iii) to assess labor relations and treatment, human rights practices, employee health, wellness and safety;
- (iv) to review management and leadership team's DEI, employee engagement and pay practices;

Diversity, Equity, and Inclusion

- (v) to assess human resource policies, practices, staffing and organizational culture

- (vi) to assess diversity, equity and inclusion in our investment review and decision processes;

Community Engagement

- (vii) where relevant, to assess community relations and impact on immediate and extended communities;

Sustainable Growth and Reducing Climate Impact

Where relevant,

- (viii) to assess transition and physical climate-related risks, environmental risks, as well as sustainability efforts and potential value-creation opportunities;
 - (ix) to assess carbon emissions, supply chain management, energy consumption, waste and water usage, environmental liabilities and additional impacts;
- (b) Potential issues and mitigation measures are explored with support from ESG specialists.
 - (c) External advisers engaged where required.
 - (d) Material ESG matters are integrated into value creation plans for monitoring over lifetime of investment.

7.1.3 Value creation and monitoring business transformation

- (a) Post investment, we are committed to driving meaningful progress across our core ESG commitments and improving performance on material ESG factors specific to each business.
- (b) Embed ESG into portfolio company strategy and value creation plans.
- (c) Material issues are raised in the due diligence process are addressed by portfolio company management teams.
- (d) Engagement with portfolio companies, including through ESG reviews and site visits to identify opportunities for improvement.
- (e) Financial and non-financial data gathered, monitored and addressed where appropriate.

7.1.4 Monetisation

- (a) Detailed consideration is given to progress made by portfolio companies on ESG during the life of the investment.
- (b) Careful deliberation is given to information for an exit process and sensitivities of likely acquirers.

7.2 ESG evaluation framework illustration

