

EMK Capital

Responsible  
Investment Policy

## I. Our approach to responsible investment

EMK Capital aims to achieve transformational growth and build world-class businesses that are leaders in their markets. We believe that to build market-leading businesses, we must strike a balance between driving short-term financial gain and establishing the fundamental components of long-term success. Our value creation strategy is to build companies that will not only stand the test of time, but that are stalwarts of a more sustainable future economy.

We accomplish this by integrating environmental, social and governance (ESG) considerations into our investment practices at every stage of an investment's lifecycle. Three core principles serve as the foundation for our decision-making in the integration of ESG:

1. **Value creation** by identifying ESG-related operational efficiencies and strategic opportunities
2. **Value protection** through rigorous risk management protocols to reduce our exposure to ESG-related risks and hazards
3. **A net positive impact** on the environment and society by amplifying the positive impacts of our activities and minimising negative externalities

This approach aligns with our fiduciary duty and our obligations as responsible investors. We believe that by embedding these principles into our investment practices and stewarding our investee companies to be leaders of a sustainable future, we enhance financial value creation by building businesses that are more resilient, competitive and purpose-driven.

## II. Purpose and scope

This document guides our behaviour to investing responsibly by setting out an approach and roles and responsibilities. It outlines the firm's commitments with regards to the integration of environmental, social, and governance (ESG) factors into the investment process, and should be read in conjunction with our ESG Policy, which provides more details on EMK's ESG-related commitments. This includes consideration of negative and positive impacts of EMK's investment decisions on sustainability factors.

This Policy applies to all entities under the EMK Capital umbrella, including the Funds it advises, and all EMK employees, who are expected to be aware of the contents of this Policy and the expectations and procedures it contains.

## III. Adherence to international standards and conduct codes

EMK is committed to aligning with industry initiatives that promote high standards of responsible behaviour among the international investment and business communities. The firm became a signatory of the UN Principles for Responsible Investing (UN PRI) in 2017. We commit to adopting and implementing the six principles as a cornerstone of our fiduciary duties. This Policy also reinforces EMK's commitment to Article 3 of the SFDR (integration of sustainability risks) and Article 4 of the SFDR (consideration of principal adverse impacts).

In addition, the firm leverages, and is influenced by, several additional initiatives and frameworks that promote responsible investment in private markets. These include but are not limited to:

- a. UN Global Compact

- b. UK Sustainable Investment and Finance Association (UKSIF)
- c. Universal Declaration of Human Rights
- d. The International Labour Organization (ILO)
- e. UN Guiding Principles on Business and Human Rights
- f. initiative Climat International (iCI)
- g. The Taskforce for Climate-related Financial Disclosures (TCFD)
- h. The Taskforce for Nature-related financial Disclosures (TNFD)
- i. ESG Data Convergence Initiative (EDCI)

#### IV. Integrating ESG considerations across the investment lifecycle

##### a) *Pre-investment*

ESG screening and due diligence is carried out on each platform investment at the appropriate stages ahead of acquisition to ensure alignment with Fund requirements, eliminate any deals which fall into our portfolio or fund level exclusions, and to evaluate any ESG-related risks or opportunities associated with the deal. For those deals that are proposed to the Investment Committee a summary of the findings is included in Investment Committee Memoranda in a dedicated ESG section and must be signed off by the Head of Responsible Investment.

##### b) *Ownership*

Any critical ESG-related issues and mitigating actions uncovered during pre-investment stage are incorporated into the 100-day plan. We aim to onboard all companies to EMK's Sustainable Business Transformation Programme (SBTP), which aims to put in place the enabling foundations for sustainability leadership, within the first 12 months of ownership. The SBTP is underpinned by a toolkit of proprietary and third-party resources and platforms that the Responsible Investment team leverages to support and monitor companies.

##### c) *Exit*

When the management and deal teams start to consider exit timing, a report in the form of vendor due diligence documentation is compiled to demonstrate ESG development, milestones achieved and the value that has been protected and created during the ownership period.

##### d) *Exclusions*

EMK will not invest in any companies which draw more than 10% of their revenue from any of the following industries:

- 1) the manufacturing, distribution or sale of weapons or armaments;
- 2) pornography or the sex industry;
- 3) the manufacture or sale of tobacco; or
- 4) the establishment or operation of casinos or any form of gambling.

In addition, EMK Capital avoids investing in activities contravening the UK, EU, USA and/or UN Trade Sanction Lists and companies that contravene the UN PRI and UNGC principles as well as the OECD Guidelines for Multinational Enterprises. This implies that, unless a clear resolution for

these issues is identified and executed as part of the investment strategy, we do not invest in companies that:

- 5) do not respect human rights;
- 6) do not directly or indirectly through their supply chain respect standard labour conditions; apply discriminatory policies; and/or use child labour;
- 7) do not comply with anti-corruption standards and best practice;
- 8) do not comply with their industry standards and best practice; or
- 9) do not comply with current environmental, health and safety, ethics and social legislation.

## **V. Reporting on our approach to responsible investment**

EMK commits to reporting on its performance as a responsible investor to its key stakeholders in the form of an annual Responsible Investment Report. This will be made publicly available on our website.

In addition, EMK also commits to disclosing material ESG incidents to LPs<sup>1</sup>. An incident is deemed material if it has a materially negative impact on EMK's value creation such as:

- A fatality or serious injury
- Potential to cause significant reputational damage
- Product safety incidents which could harm customers or result in product recalls or boycotts
- Major cyber security breaches and data loss
- Events such as fraud, bribery, corruption, trade union action, environmental pollution/leak which could pose a threat to the operation of a company and its licence to operate

## **VI. Oversight of our approach to responsible investment**

EMK's Managing Partners are accountable for the integration of ESG into the investment process, in addition to the review of EMK's responsible investment policy, strategy, reporting and performance.

The Head of Responsible Investment provides guidance and expertise to the Managing Partners and Investment Team. The Responsible Investment team supports the Head of Responsible Investment.

The Investment Team is responsible for assessing ESG factors during pre-investment procedures, with supervision from the Responsible Investment team. During the ownership period, the lead partner on the deal is responsible for defining key ESG objectives together with the Head of Responsible Investment, monitoring progress against these objectives and acting as an ESG champion in communications with the company's executive management team.

EMK expects that the Board and executive management team of each portfolio company oversee the ESG strategy and performance of the organisation. Each company is also required to identify an ESG lead with whom EMK's Investment Team and Responsible Investment team can collaborate.

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<sup>1</sup> The timing of disclosure of material ESG incidents may need to reflect legal discovery and proceedings and their impact on the company's commercial interests.

*Policy approved by:* Edmund Lazarus, Managing Partner and Mark Joseph, Managing Partner

*Policy owner:* Eva Vogt, Partner and Head of Responsible Investment

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This Policy will be reviewed and updated annually.