



WATERLAND

PRIVATE EQUITY INVESTMENTS

RESPONSIBLE INVESTMENT POLICY

This version of the policy was adopted in September 2022.

Introduction

Waterland Private Equity Investments (in the remainder of this document referred to as “Waterland” or “we”) is a European private equity investment group that supports entrepreneurs in realizing their growth ambitions with a unique pro-active deal sourcing and buy-and-build strategy. As an active shareholder in portfolio companies, Waterland plays a key role in their strategic and operational development, growth, and performance.

Waterland seeks to make a positive contribution to society by taking a responsible attitude towards environmental, social and governance (“ESG”) aspects across all its activities. Waterland believes this is not just beneficial to society, but also to our performance.

This Responsible Investment Policy (the “Policy”) outlines how Waterland has integrated sustainability factors throughout the investment cycle. We structurally identify, monitor, and manage sustainability risks and opportunities that may affect the value of our investment. We strive to minimize the adverse impacts and maximize the positive impacts that our investments may have on ESG aspects. By doing so, we foster a positive development trajectory for our investee companies, across our entire portfolio and within our own organisation.

Scope

This Policy applies to all funds and portfolio companies managed by Waterland, as well as to how we operate as an organization ourselves. For portfolio companies where a fund managed by Waterland has majority control, we will apply this Policy to its fullest extent, meaning that we will manage ESG performance and monitor ESG indicators. In transactions where a fund managed by Waterland does not hold a controlling position, Waterland will also apply the Policy and undertake best efforts over the life of the investments to manage ESG performance and monitor ESG indicators.

Guiding principles

As a signatory to the UN-supported Principles of Responsible investment (“UNPRI”) since November 2015, Waterland has an ongoing commitment to being a responsible investor. We continuously assess and align our responsible investment and ownership approach with international standards, principles, and guidelines. These include, but are not limited to, the six UNPRI principles, the Ten Principles of the UN Global Compact, and the Task Force on Climate-related Financial Disclosures (“TCFD”).

Furthermore, when investing in portfolio companies we:

- Comply with local and national laws and regulations in the regions where funds managed by Waterland invest, such as the EU Sustainable Finance Disclosure Regulation (“EU SFDR”) and EU Taxonomy;
- Avoid investments in companies that do not respect our ESG guidelines or uphold similar standards to Waterland;
- Request and encourage the management teams of portfolio companies to operate in accordance with Waterland’s ESG principles and guidelines, and advance these throughout their operations and value chain.

1. Our core investment belief and ESG

Waterland is convinced that ESG factors impact the environment in which we invest and thereby affect our core business. We understand that our business deals with double-sided materiality - ESG factors can have potential material impacts on the value of our investments and our investment decisions can impact ESG factors.

For us this means that responsible investment is not only the right thing to do, but we also see effective management of ESG risks and opportunities as an opportunity to create value and ensure business resiliency. Besides that, policy makers, regulators, and consumers are demanding high standards of responsible business conduct from companies and investors, and they expect ESG issues such as climate change, diversity and inclusion, business ethics and transparency to be integrated in business operations.

We recognize our responsibility as an investor to contribute to a more sustainable financial system by taking a long-term, responsible approach across the funds we manage and the companies in which we invest. Waterland is a steward performing a fiduciary duty towards its institutional clients, who in turn are entrusted with managing capital on behalf of their investors. As an active investor, we play an important role in ensuring that our investments uphold environmental, social, and good governance standards in a way that will enhance and underpin the financial returns that our investors expect over the long-term.

Finally, Waterland believes that successful responsible investments ultimately depend on the knowledge, convictions, and beliefs of the people running the investment process, and is therefore committed to corresponding recruitment, talent development, organizational learning, training, and alignment in relation to ESG.

Themes

In addition to investment-specific risks and opportunities, Waterland seeks to stay abreast of global developments and systemic risks that could impact investment return over the long-term.

In that light, we have selected three portfolio-wide focus themes which are in line with applicable regulation and stakeholder expectations, and that are universally relevant to the industries we invest in:

- **Climate & Carbon**
We encourage portfolio companies to be environmentally conscious and contribute to the sustainability transition, and we are committed to improving our own operational environmental performance as well.
- **Employee engagement, and Diversity, Equity & Inclusion**
We aim to establish and maintain a culture of fairness, personal growth, good health, and the highest levels of safety. We are fully committed to equal opportunities, inclusion and diversity across our organization and portfolio companies to foster a pleasant culture.
- **Good governance**
We are committed to showing honesty, integrity and respect in business activities as well as to adhering to relevant local and international legislation and agreements. These commitments are formalized by the implementation of good governance structures and practices, supported by a set of relevant policies.

2. ESG governance

Internal governance structures are overseen by multiple partner-led committees that consist of diversely sourced members from both the investment teams and central services.

One of these committees is the cross-functional ESG Committee, which is responsible for overseeing the implementation of our Policy, advising the Partner Board and Executive Committee on ESG matters, and advancing Waterland's ESG performance.

A dedicated in-house ESG team is responsible for the implementation of the ESG approach across the portfolio, as well as across our own operations.

The main decision-making body concerning investments and divestments is Waterland's Investment Committee, consisting of statutory board members.

3. Integration of ESG into our investment process

In making and managing investments, Waterland takes ESG factors into account. This ranges from conducting initial scans and reviews throughout the target screening and due diligence process to monitoring and reporting on ESG during the holding period until exit. We consider material ESG aspects, transparency, and responsible principles and practices as an integral part of each phase of the investment and value-creation process.

In line with relevant principles, Waterland has integrated ESG considerations throughout the investment process.

Screening

Waterland performs a pre-due diligence screening in which potential investments are assessed against the Waterland Responsible Investment guidelines¹ and in which a high-level ESG scan is conducted.

We ensure that potential investments are not in conflict with our guidelines and exclusion items. The Responsible Investment guidelines list certain sectors and we refrain to invest if a company's revenue is principally derived from these sectors. In case certain sectors or regions are not on our exclusion lists but are considered to have a (principal) adverse impact on environmental and/or social indicators or stakeholder groups, the Waterland Investment and ESG team will jointly determine the viability of the opportunity.

Due diligence

Waterland undertakes detailed due diligence of potential investments, its management and supply chain, before making an investment decision. The ESG assessment is an important component of Waterland's due diligence process for any potential investment and helps determine the sustainability proposition of the target.

During the due diligence stage and the negotiating phase of the contracts, ESG risks and opportunities are further explored, and where relevant, quantified.

¹ Waterland's Responsible Investment guidelines compile a set of guiding principles as well as sectors we refrain to invest in.

In case the target has EU Taxonomy eligible activities, as identified during the screening phase, a full EU Taxonomy assessment is undertaken, and data collected on the relevant identified indicators.

The outcome of the above analysis will be outlined in the investment documents and forms part of the consideration for the Partner Board and Investment Committee to pursue or decline the prospective investment. The ESG due diligence is performed concurrent with the commercial, financial, legal and tax due diligence.

Principal Adverse Impact ('PAI') Analysis

For all new platform investments, the PAI analysis is performed by completing the SFDR annex I form. The relevant criteria used for each portfolio investment depend on the market and business involved.

Signing & closing

During the finalization of the pre-investment period, Waterland introduces and explains their ESG commitment and ambition as well as the process to follow to the company. Moreover, an ESG clause laying out Waterland's expectations from companies in terms of data gathering, reporting, dedicated ESG responsibility and budget allocation on improvement plans, shall be incorporated in the Shareholders Agreement.

Post-transaction

We believe that the holding phase offers a substantial opportunity in effecting change and positive impact at our portfolio companies. Engagement with companies is part of Waterland's fundamental approach as an active and engaged investor.

Shortly after closing, the ESG process is continued. The company is asked to appoint a dedicated ESG officer in company management to ensure ESG requirements are met, and the topic is prioritized. Simultaneously, an ESG review (by a specialist service provider) will be conducted in which relevant ESG market trends and the company's material themes are determined. Based on the company's performance on those themes, a practical ESG action roadmap is developed in which improvement projects are defined. This roadmap aims at value creation for all stakeholders and progress is discussed in the board meetings between Waterland and the portfolio company.

Monitoring & reporting

Portfolio companies' as well as Waterland's own ESG performance is reported annually in a consolidated manner as part of Waterland's ESG Report and will be shared with relevant stakeholders.

Furthermore, Waterland requires quarterly management information from its portfolio companies, by clearly defined and structured templates so that it is fully informed on progress.

The Responsible Investment Policy, annual UNPRI Transparency reports, annual ESG Report (including the relevant periodic SFDR reporting) and other relevant sustainability information will be publicly disclosed on the Waterland website² to the extent required or appropriate.

ESG KPI selection

Based on an assessment of the applicable regulation (such as the EU SFDR), investor reporting requirements and selected relevant standards, a comprehensive set of ESG indicators is to be collected at the portfolio level for management and reporting purposes. The set of indicators is reviewed at least annually and may be subject to changes related to relevant developments (e.g. regulation).

² Either in the Investor Portal section, or in the general section on the Waterland website.

Exit

We understand that potential buyers increasingly value ESG risks and opportunities in their (value) assessment. As we monitor ESG metrics and integrate and execute improvement plans on material ESG topics during the holding period, we can show our commitment and performance progress. During the exit stage, we are transparent about the portfolio company's ESG performance and future ambitions towards interested buyers and all other relevant stakeholders.

4. Alignment with the EU Sustainable Finance Disclosure Regulation (EU SFDR)

Waterland closely follows current and upcoming regulations and industry initiatives to align its ESG practices. That entails the EU SFDR and EU Taxonomy, the upcoming CSRD and TCFD, and alignment with the ESG Data Convergence Initiative with respect to the metrics that are tracked at portfolio level.

The EU SFDR requires financial market participants to provide information to investors and public transparency through website disclosure on the integration of sustainability risks, the consideration of PAI, and the remuneration in relation to sustainability risks. Waterland complies with these requirements:

Entity-level³

The entity-level disclosures pursuant to Article 3, Article 4 and Article 5 of the EU SFDR have been made available on the Waterland website.

Our remuneration policies are consistent with the integration of sustainability risks, as per Article 5 of the EU SFDR. Waterland promotes sound and effective risk management and ensures that the remuneration structure does not encourage excessive risk taking that is inconsistent with its risk appetite or the risk profile of the portfolios that we manage, also with regards to sustainability risks. The appraisal procedures assess how Waterland staff incorporate ESG risks and ESG standards, as highlighted in this Policy. This includes compliance with all Waterland's policies and procedures as well as the firm's internal risk management framework and risk limits, including those relating to the integration of sustainability risks.

Product-level⁴

On a fund-level, the EU SFDR is initiated to create transparency in relation to sustainability risks, the consideration of adverse sustainability impacts in investment processes and the provision of sustainability-related information of financial products.

In line with the EU SFDR, Waterland decides on the investment strategies of their funds and appropriately communicates on product documentation. Under the EU SFDR, funds are either Article 6, 8 or 9. The classifications differ in the level of sustainability strategy and objective.

For each new fund, in line with Article 6 of the EU SFDR, Waterland will include descriptions in the pre-contractual disclosures on the manner in which sustainability risks are integrated into the investment decision process and what the likely impacts of these identified risks are

³ The fund manager obligations.

⁴ This relates to the Waterland Funds marketed to Investors.

on the investment returns. Furthermore, for each new fund Waterland shall include in the pre-contractual disclosures if the PAI's will be considered and related indicators monitored accordingly. This will be decided on a case-by-case basis, with the PAI's being considered for at least all Article 8 and 9 classified funds.

For each Article 8 fund, the promoted environmental and/or social characteristics, and for each Article 9 fund, the sustainable investment objective and designated benchmark, including the sustainability indicators used to measure its attainment, will be decided on and tailored to the fund. In case a fund is an Article 8 fund, Annex II of the EU SFDR shall be used for the pre-contractual disclosures. In case a fund is an Article 9 fund, Annex III of the EU SFDR shall be used for the pre-contractual disclosures. In addition, for each Article 9 fund the portfolio will be assessed against the principle of "do no significant harm" by considering the PAIs and incorporating considerations of the minimum social safeguard when specified in the EU Taxonomy. For sustainable investments, the definition in line with the EU Taxonomy as well as the definition under the EU SFDR art. 2(17) will be taken into account.

Information regarding the environmental or social characteristics, or sustainable investment objective, of relevant funds including required information on the methodologies used will be made publicly available on the website⁵ and in periodic reports.

Sustainable investments

One of the pre-contractual disclosure requirements refers to if and to what extent sustainable investments are made. If it is thought that a potential investment makes a substantial contribution, an EU Taxonomy assessment is carried out to assess if the investment operates according to the criteria specified in the EU Taxonomy regulation. If that is the case, Waterland will subsequently monitor and report in line with the applicable requirements.

Good governance

As part of the EU SFDR disclosures, good governance practices of portfolio companies should be assessed. For each potential platform investment, an ESG assessment takes place including a review of the available good governance practices. The Waterland Legal and Compliance team will verify the governance structure in place, ensure no significant compliance or ethical controversies exist, and review the available (ESG-related) policies. The outcome of this assessment is used as a basis for further discussions and plans for improvement. This could include adoption of additional ESG-related policy documents and appointment of a responsible ESG person in the management team of the portfolio company. Moreover, during the holding period Waterland makes use of an active ownership approach. During this time, it is expected that relevant ESG issues are included on the Board Meeting agenda and portfolio companies are required to give periodic updates on (ESG) governance factors.

⁵ Either in the Investor Portal section or the general section of the Waterland website.

5. Waterland's operational sustainability approach

Our people

Waterland is dedicated to ensuring that its employees are aware of their professional obligations relating to ESG, by providing them with training on responsible investment and monitoring progress. The training is aimed at raising awareness on relevant ESG topics and provides employees the tools and information required to act in line with ESG standards and meet Waterland's ESG objectives.

We stimulate an inclusive culture, diversity, and equal opportunities within our firm. We are working on improving the diversity figures at Waterland and have included diversity and inclusion considerations in our recruitment process, such as targeted job postings. Moreover, we support the Level20 initiative, a non-for-profit organization that aims at increasing the number of women working in private equity through mentoring, research, HR modules and events.

Our operations

While Waterland is a firm with a relatively low environmental footprint in its direct activities, we recognize that emissions related to our energy use, commuting and business travel should be included in our key ESG considerations. We are taking efforts to further improve the corporate practices and activities in a way that is consistent with our Policy, such as encouraging the use of electric vehicles, avoiding air travel as much as reasonably possible and installing high quality carbon offsetting programs.

Waterland also promotes good corporate governance in the way that it does business, including for example, adherence to a code of ethics, fair and equitable treatment of personnel, encouraging diversity and parity, adhering to regulations and legislative requirements regarding taxation, anti-money laundering and others as relevant across different jurisdictions.