



ESG and SRI Policy

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Introduction

Our business is to invest in successful companies and partner with strong management teams to make them even better. In that context, we believe that ESG should be more than just a box-ticking exercise. It is both a moral imperative and an opportunity for us to make a positive contribution to society. As such, ESG considerations play a central role in our investment and operational decisions. In addition, Freshstream has committed to:

- Be carbon neutral for both Freshstream's own operations as well as all our portfolio companies by the end of 2021, through a combination of actively reducing emissions and mitigating the residual footprint of carbon emissions that cannot be eliminated
- Be a signatory to the United Nations Principles for Responsible Investing



SRI exclusions list

As a socially responsible investor, Freshstream will not invest in businesses which are engaged in or meet any of the following activities or criteria:

- a) manufacture and distribution of weapons and ammunition, arms, explosive and all military equipment in general;
- b) sectors and activities specifically with a strong negative ethical dimension considered to carry significant reputation risk (notably related to armaments, the sex industry and drugs);
- c) manufacture and distribution of tobacco and/or alcohol products;
- d) gambling, betting and related equipment;
- e) live animals for scientific and experimental purposes;
- f) hazardous waste incineration (including refuse derived fuel) and processing of toxic waste;
- g) detention facilities, for example, prisons, police stations and schools with custodial functions;
- h) oil and gas resource extraction, production rights and mining rights;
- i) real estate projects (which for the avoidance of doubt shall be deemed to exclude any real property acquired for purposes of renewable energy projects);
- j) mere purchase of agricultural or forest land (which for the avoidance of doubt shall be deemed to exclude any real property acquired for purposes of renewable energy projects or otherwise per the Investment Policy); or
- k) any specific activities prohibited by applicable national legislation.

Freshstream will also not invest in businesses where more than 15% of their current or planned revenues are derived from the supply of products or services to companies whose principal business is excluded under the Exclusion List.



Integration of ESG into our Investment Process

Freshstream applies a consistent methodology to assess ESG exposures, identify opportunities for improvement and develop concrete action plans with portfolio company management teams. This approach leads to a detailed and transparent ESG assessment of the portfolio, with measurable improvement initiatives.

Pre-investment phase

Prior to making an investment, the deal team screens the target against the firm's exclusion list and identifies any significant ESG-related risks or opportunities, based on our comprehensive ESG framework. Following this initial review, Freshstream often hires external specialists for support in the assessment of specific ESG risks, depending on the nature of the company, for example health & safety, environmental impact or non-local labour issues, or bribery & corruption risk. In addition, we determine the carbon emissions for any investment we consider, as well as an initial plan to mitigate and offset this footprint.

If our pre-investment due diligence identifies material ESG risks, the target company's management team must demonstrate that they have the commitment, capacity and track record to effectively manage those risks and a willingness to make improvements and reach standards acceptable to Freshstream in this area over time. If we are not satisfied that these conditions can be met, we will walk away from the deal.

Deal teams ensure that all material ESG issues are described in the investment memoranda relating to any potential transaction. These memoranda form the basis of the investment committee's consideration of each investment opportunity. The investment committee takes these ESG considerations into account when considering whether to approve any investment.

Post-acquisition phase

Freshstream takes a structured approach to ensure all portfolio companies actively pursue improvement on relevant ESG topics, rather than simply mitigating risks. An ESG action plan and related set of KPIs becomes part of the broader Value Creation Plan ("VCP") for each company and is therefore subjected to the same level of governance and oversight. Freshstream seeks to ensure that the management teams of its portfolio companies take responsibility for the execution of this plan. Through its board representation, Freshstream regularly measures progress vis-à-vis the mutually agreed actions and targets and holds management accountable for its results.

At least once a year, each portfolio company's board reviews the company's ESG strategy and sets new actions and targets. Freshstream also measures each company's carbon footprint annually and monitors reductions versus prior years.

Freshstream also screens all portfolio companies for a comprehensive list of corporate governance policies and supports management where necessary with the implementation of improvements.

The ESG improvements our portfolio companies implement during our ownership are intended to be structural changes to the business that will extend beyond our ownership.

