

Sustainable Investment and Ownership Policy

MAY 2022



Purpose

As an independent private equity firm focused on investing in and scaling up branded consumer companies, we are committed to contributing to the transformational change needed to move towards a sustainable economy. We recognise the importance of integrating sustainability into how we work on a day-to-day basis. We think about what value we are creating and for who.

We seek to create value in a holistic way, going beyond delivering financial returns for our investors. As such, we consider it one of our key objectives to bring value to the broader stakeholder community (employees, suppliers, customers, the society as a whole) while having regard for the impact on the local and global environment.

We recognise that economic activity in general often has a mixed impact on sustainability. The consumer sector provides useful or joyful goods and services to consumers and is often a strong engine for job creation. However, the sector's activities may also have harmful effects, both at the level of the company's operations (e.g., commercial activities exhausting environmental resources) as within the supply chain (e.g., poor labour conditions of suppliers). We want to make sure that the companies we invest in become substantially more sustainable under our stewardship. Our approach is not primarily driven by risk, we simply believe it is the right thing to do. Our conviction is that this has a lasting effect beyond our ownership, as it changes the mentality of the company. Everyone has a role to play towards realising a sustainable economy and we will do what is in our power to contribute towards meaningful change. Based on this belief, within our sustainable investment strategy, we focus on the following sustainability goals:

- Environmental sustainability: GHG emission reduction; stimulating resource efficiency; and promoting sustainable procurement in (international) supply chains.
- Social sustainability: talent development; diversity & inclusion; and community investment – within our own company, and where possible in our portfolio companies.

Doing business in a (more) sustainable way also brings additional benefits. First, we hope to inspire others to do the same to enlarge the effects of our actions. Secondly, we believe it helps us to be a more attractive and valuable partner for our investors, our portfolio companies, our own staff, and anyone else we engage with. Last but not least, we believe it will also have a positive impact on the valuations of our portfolio companies, and thereby also bring an attractive financial benefit to these efforts.

Our responsible investment journey began with our inception in 2009 when ESG considerations were already applied to our first investments. Subsequently, we formalised our first ESG policy in 2016 and started with our annual ESG portfolio assessment in 2017. In 2018 we became a signatory to the Principles for Responsible Investment (PRI).

In 2020 and onwards, we upgraded our ESG policy and intensified the implementation of sustainability measures for our internal operations and at our portfolio companies.

To develop our ESG strategy, formulate goals and ambitions and design sustainable investment principles, we have conducted a materiality assessment using research, stakeholder engagement mechanisms, including discussions with our portfolio companies and our own employees on ESG.

Going forward we will continue to learn from and contribute to industry best practice and strive to have as much positive impact as possible.

Our Sustainable Investment and Ownership (SIO) policy is applicable to all potential and existing investments throughout the phases of the investment cycle, as well as our commitment to how we operate as a business ourselves.



Scope

As a responsible investor, we incorporate sustainability factors - environment, society, and governance (ESG) - into the entire investment cycle. We identify, monitor and address, insofar relevant, sustainability risks that may affect the value of our investment, as well as adverse impacts of our investments on sustainability factors (if any). In addition, we actively seek for opportunities to improve the sustainability performance of our portfolio companies. This allows us to improve the ESG performance and value of our investments and to decrease their potential adverse sustainability impacts.

Sustainability factors

We refer to (but are not limited to) the following sustainability factors as a basis for our selection and ownership approach:





Maximum consideration of material reuse and recycling in product design



Talent development



Communication with, and reporting to all stakeholders in a transparent way

Responsibilities and implementation

This SIO policy is overseen by the entire Partner group, and it is Michiel Deturck (Partner), who has overall accountability for its implementation.

The ESG team, headed by Michiel and consisting of multiple other people from both the investment and the support team is responsible for the following activities:

- ESG policy development;
- liaising with ESG consultants and expert network;
- internal ESG expertise, including oversight of evolving legal requirements;
- sharing ESG knowledge with the Vendis team and portfolio companies; and
- measuring ESG progress and preparing our annual ESG report;
- reporting all ESG activities back to the entire Partner group.

It is every investment team member's task to implement the aspects of this policy.

Review

Vendis' ESG performance – both in our portfolio and at the level of our own operations – is assessed during our annual ESG review. As part of this process, this policy is reviewed and updated insofar necessary on an annual basis. Through this review, we strive to achieve continuous improvement in our sustainable investment and ownership approach as well as the sustainability performance of both our own operations and our portfolio companies.

1. Sustainability at Vendis itself

We are committed to improving our own operational sustainability performance, and it is the responsibility of the whole Vendis team to realise this. While the short-term impact may seem small, we believe it is important to do so to set the example, and to create a mindset for improving sustainability across everything we do.

Our Environmental, Social and Governance goals are translated into a yearly action plan with impactful priority projects and concrete targets where appropriate.



ENVIRONMENTAL

Material topics: GHG Emission Reduction; Resource Efficiency; Sustainable Procurement

We recognise that greenhouse emissions associated with energy use, commuting and business travel are one of our key ESG considerations. Although, as a service-driven organisation, our carbon footprint is considerably low, we want to work towards carbon neutrality as an example for our portfolio companies (for whom carbon neutrality is much more material). It is our aim to reduce emissions through encouraging use of public transport, avoiding air travel where practically possible and offsetting the air travel that does take place through purchasing carbon credits.

Our environmental goals:

- Carbon Neutrality
- Sustainable Mobility
- Sustainable Business Operations



SOCIAL

Material topics: Talent Development, Diversity & Inclusion, Community Investment

We prioritise Vendis' key asset – our people – to ensure we maintain our culture of fairness and openness at every level within the organisation. We establish a working environment where all team members have the right to respectful dissent, ensuring all perspectives are considered. Personal development of all our staff is a key focus as we want to foster an environment where talent can grow.

While we recognise the value that diversity brings to an organisation, we still are lagging in this respect. It is our resolution to look for solutions that can improve the diversity of our team. While we do not wish to implement a positive discrimination policy, we do take diversity and inclusion into account in our selection process. In addition, we remain committed to identifying potential barriers in the recruitment process and will consider how these can be overcome to ensure equal access to opportunities at Vendis.

Our social goals:

- More diversity in the organization: awareness, training and integration into hiring & recruitment policies
- Vendis corporate citizenship program



GOVERNANCE

Material topics: Transparency & Accountability

The governance of Vendis is crucial to our success and acts as the core for instilling the culture we value so highly. Our partnership structure ensures that decision making is widely supported and based on sound checks and balances. New partners can enter the partnership on a regular basis, ensuring continuity and promoting new backgrounds and ideas in the leadership team. The interests of all Vendis stakeholders are continuously taken into account via the decision making in the partnership.

Our governmental goals:

- A set of formal ethical, good governance & organizational standards and policies.
- Open management culture & sound feedback mechanisms

2. Sustainability at our portfolio companies

Our sustainable investment and ownership practices are applied throughout all phases of the investment cycle. Our approach allows us to tailor the process to each investment or opportunity to ensure appropriateness and effectiveness.

I. PRE-INVESTMENT

1. Fundraising:

Beyond performing legally required background checks on our investors, we want to understand their investment purpose, whom they benefit and their approach in providing long term value to their beneficiaries. Our efforts include liaising with potential investors to ensure alignment of interests, values and our stakeholder-based view of value creation.

2. Screening of investment opportunities:

All investment opportunities are screened against our exclusion list (Annex A). Further exclusions may be considered for our investors on an individual basis.

In case sectors are not on the exclusion list but are considered to have potential adverse impacts on stakeholder groups, the investment team, including members of the ESG team, will determine the viability of the opportunity. This evaluation will include an assessment of management's willingness to address the identified topic(s), as well as the potential costs and any other conditions that may be needed to improve its sustainability performance.

The evaluation of an investment opportunity will also consider:

- the extent of adverse ESG impact on the investment;
- the basic condition that, during Vendis ownership, additional harm must be avoided; and
- the potential to generate a positive ESG impact during Vendis ownership.

3. Due diligence

In the due diligence phase material sustainability risks as well as areas and potential for improvement are identified. To do so we first check the level of materiality with a standard list of questions which we fill in for all investment opportunities before starting the due diligence. If the level of materiality is high, we also include sustainability as a separate topic in our due diligence. Investigation of the ESG performance of an investment opportunity is based on desktop research and/or a third party ESG analysis, which can be combined with occasional on-site visits. Output of these investigations is included in the Investment Memorandum and serves as a starting point for our engagement with the company with regards to sustainability.

II. OWNERSHIP

1. Agreement

As part of the Shareholders' Agreement, each portfolio company commits to preparing an ESG policy, developing a yearly ESG action plan, adhering to a Code of Conduct and complying with Vendis' ESG reporting requirements.

In addition to this, every company we invest in is required to meet all relevant national and international environmental and labor standards.

2. Engagement and value creation

We believe that during the ownership phase we can play the biggest role in influencing change in our portfolio companies. We work closely with management to recognise where reducing harmful activities must be prioritised and to identify where improvements on sustainability can be implemented.

A dialogue with regards to sustainability is started while or shortly after making the investment as we share the outcome of our due diligence with the company and agree on a way forward (usually contained within a 100-day plan or roadmap).

Actions are considered and agreed based on materiality of ESG issues and are set with the aim of coinciding sustainability performance and value creation for all stakeholders.

We take an objective-focused approach to our engagement with portfolio companies, ensuring that ESG targets are set as integral part of their business plans and strategy. Via our annual ESG review we help them in measuring their progress as well as setting new targets for the year ahead. During the year we regularly review progress during Board meetings. In case objectives are not met this will be raised directly with the company and if needed also with the partner group. Should a conflict of interest arise the partner group will decide on the way forward. Deviations from this policy can only be made by the partner group.

Through our engagement and monitoring, best-practice sharing between portfolio companies is also encouraged.

III. EXIT

At exit, we are transparent about a company's ESG performance towards potential buyers.

In addition, we assess the suitability of a potential next owner for all relevant stakeholders (including personnel, co-shareholders, management, suppliers, and customers) and take it into account in our decision making.



Reporting

Following the annual ESG review of our portfolio, a summary report is developed highlighting the ESG performance and achievements made by our portfolio companies. In addition to this report, our annual PRI Transparency report is shared with our investors.

During our Annual General Assembly, we discuss both the financial results as well as progress on sustainability of our portfolio companies. In addition, we use this meeting also to share best practices with our LP's, who are part of the PE community.

Going forward, we also plan to publicly communicate some of the successes made by our portfolio companies with respect to sustainability. We recognise the importance to showcase the improvements that are made by our portfolio companies to encourage best practice sharing and wider change across the industry.





Annex A

All investment opportunities are screened against our exclusion list, which is made up of the following conditions:

- location or domicile in a **country named on any sanction list** or subject to applicable embargoes imposed by the United Nations, the European Union and the United States of America;
- production, trade or financing of **weapons and ammunition of any kind**¹, including cluster munitions, mines, chemical weapons or biological weapons;
- research, development or technical applications relevant to **Genetically Modified Organisms (GMO) or human cloning** for reproduction purposes;
- production of and trade in **tobacco** and related products;
- research, development or technical applications relevant to internet gambling, pornography or illegal access to electronic data networks; and
- revenue generation of more than 30 percent of total revenue from **coal mining or transportation**, or revenue generation of over 30 percent of **energy output from coal**.

¹ This restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies.

VENDIS CAPITAL

BUILDING BRANDS TOGETHER

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