



ESG Policy



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Vision

Advantage Partners' ESG ambition

Since our foundation, Advantage Partners Pte. Ltd. and its affiliates (“AP” or “Advantage Partners”) have successfully and consistently delivered on our overarching objective: to support both the investment processes and company management processes such that all stakeholders – our clients, our employees and our portfolio companies' employees, and our shared wider community – are elevated through our work.

Advantage Partners aims to be best in class in integrating ESG into our investment processes to create tangible value and sustainable outcomes through proactive portfolio management. As we move forward, we commit to continuing to add value:

- To the current and future portfolio companies by tapping into Advantage Partner's expertise and network.
- By transforming mid-market companies and enabling them to be more competitive through our effective strategic and operational support model.
- By embedding ESG in all that we do.

To affirm our values, Advantage Partners became a signatory of the UN Principles for Responsible Investment in 2016, and we have implemented its six Principles.

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

As we deepen our knowledge, further integrate ESG issues and initiatives into our investment process, and robustly monitor and measure outcomes, Advantage Partners will grow in a sustainable way with our investors, our companies and society.

Policy Overview

Purpose

ESG issues can have significant impact on both AP's own operations and those of the portfolio companies. Effective management of ESG issues are thus integral to our investment process and our business.

With that in mind, this Policy describes the approach of Advantage Partners in terms of integrating environmental, social, and governance (ESG) risks and value creation opportunities into investments made through the investment funds that AP manages (“Funds”).

Within the Policy, we provide information on how Governance, Commitment to Standards, Investment Process, Reporting & Transparency and Responsiveness to High-Impact and Emerging Issues holistically support Advantage Partners' implementation of its vision and values.

This Policy applies to our Funds and does not supersede local laws and regulations.

This Policy will be reviewed in line with latest ESG developments.

Key Implementations

This section summarizes key implementations that are further elaborated on in the Policy. Advantage Partners works collaboratively with internal and external parties to implement the following:

Internal Governance & Investment Process

- We use governance structures that provide appropriate levels of oversight in the areas of audit, risk management, and potential conflicts of interest, and to implement compensation and other policies that align the interests of shareholders and management.
- We incorporate environmental, social, and governance considerations within investments during the due diligence (pre-investment) phase, as well as during the ownership period through stewardship (post-investment).

Our Investors and Community

- For our investors, we provide timely information to the Funds' limited partners on ESG issues, and work to foster transparency about ESG-related activities of AP and the Funds.
- For our community, we are accessible to, and engage with, relevant stakeholders either directly or through representatives of portfolio companies, as appropriate.

Portfolio Companies

- We grow and improve the companies in which the Funds invest, not only to create financial value but with long-term sustainability considerations, improving ESG performance and minimizing adverse impacts. To that end, AP works with portfolio companies through various channels which are appropriate and can effect meaningful change in processes and/or technologies, e.g. through portfolio company governance structures such as the board of directors, through direct support of company executive management, or through appointment of external expert advisors.
- We encourage portfolio companies to advance our common principles in a way that is consistent with their fiduciary duties.

In all our dealings, we respect the international agreements and domestic laws that apply.

Governance

Advantage Partners has defined ESG accountability in our organizational structure.

Board and management oversight

The board of directors of AP has ultimate oversight and accountability for the implementation of this Policy and is responsible for overall decision-making. Its roles include but are not limited to oversight of the progress against ESG-related goals and update on ESG issues, review of the overall framework for the assessment of ESG issues, and approval of action plans for ESG initiatives based on the recommendation by the ESG Committee at least once a year about the status and progress of efforts towards firmwide ESG implementation.

ESG Committee

The ESG Committee reports to the board of directors of AP on ESG performance across the Funds. Its primary responsibilities include facilitating the implementation of this Policy in private equity investments, maintaining and updating this Policy to ensure its continued relevance, arranging periodic internal audit of AP's responsible investment processes, and assessing the responsible investment capabilities and training needs among AP investment professionals once a year.

Investment Teams

AP's investment professionals report to the ESG Committee on portfolio level ESG performance and escalate potential ESG issues. They are primarily responsible for ensuring the incorporation of ESG policies and stewardship activities into investment processes and portfolio company management in collaboration with the ESG Committee. Where additional subject matter expertise is needed, ESG Committee recommends utilizing external resources when relevant and necessary.

Training

Our relevant professionals receive annual training and refreshers on ESG issues and trends and conducts internal sharing to proliferate best practices. This covers AP ESG policies, processes, and tools, including the recognition of ESG-related risks and opportunities specific to sectors.

AP also provides information to and conducts training for portfolio companies as needed to ensure implementation.

Commitment to Standards

Advantage Partners became a signatory of the UN Principles for Responsible Investing (PRI) in 2016 and remains committed to its 6 Principles. We align and assess our ESG achievements against the Sustainable Development Goals (SDGs).

The use of standards and metrics permeates through our assessments from strategic to custom company level (see diagram).



Investment Process

Materiality-based Assessments

To assess relevant material factors affecting the Funds, Advantage Partners employs a multi-level approach with both quantitative and qualitative aspects. This is embedded in the Investment Process described below.

- Fund-level assessment – we identify material themes which may resonate across multiple companies and offer opportunities for capacity-building and value creation.
- Sectoral assessment – we look at best practice standards setters (such as the Sustainability Accounting Standards Board) which have identified key issues across industries.
- Deal/Company-level assessment – we examine our portfolio companies to understand whether their exposure to risks and opportunities may be greater or less than general industry due to company-specific or geographic circumstances.

Advantage Partners integrates ESG across the investment lifecycle, including pre-acquisition ESG screening, ESG due diligence, post-investment management, and exit.

Pre-Investment Due Diligence

AP follows a robust evaluation process using the AP standard assessment format.

- As an initial screening step, AP ensures that the Funds do not invest in companies which are principally engaged in businesses in any Excluded Sectors or Excluded Activities (as listed in the Appendix).
- Material ESG issues are considered at a sectoral level to highlight areas for further investigation and due diligence.
- AP then involves both internal and external subject matter experts to conduct deep-dive assessments of ESG value creation opportunities and risks taking materiality-based assessment to the deal level.
- Prioritization of important ESG factors is set.
- AP discusses and plans stewardship activities and escalation strategies relevant to the investment.
- Prior to the closing of each new investment, the findings of the ESG due diligence process are reviewed by ESG Committees and incorporated into the final Investment Committee documentation.

Post Investment Monitoring & Engagement

AP's post-investment approach involves continual monitoring of material issues and targeted engagement.

Monitoring and measuring:

- For material issues identified during the due diligence process, investment professionals work with the relevant company's management team to develop an improvement plan to address findings post-investment either in the 100-day plan post-close or other structured plans and timelines, as appropriate.
- To monitor and manage portfolio company ESG performance following an investment, AP collects ESG Key Performance Indicator ("KPI") data from portfolio companies where AP has the ability to control and influence the integration of ESG considerations.
- Where AP considers the management of, or performance on, a material issue that needs improvement, AP supports the company management to develop a corrective action plan and provides incentives for timely improvement by incorporating ESG outcomes as part of management KPI.
- Investment professionals are to report the progress and outcome of the stewardship activities to ESG Committee on a regular basis for on-going monitoring and discussion.

Engagement:

- AP engages the management teams of portfolio companies to identify and raise emerging material ESG issues to relevant decision-makers, including board-level individuals where required.
- AP assists relevant portfolio companies in the development of action plans by sharing best practices of their respective industries to adequately address the identified ESG-related risks and opportunities.
- In addition, AP invites relevant portfolio companies to participate in our proactive ESG programs. These programs focus on managing ESG risks and opportunities that span across sectors.
- AP supports portfolio companies to report externally and internally on their ESG approach and performance as related to material ESG issues.
- AP endeavours to have at least one investment professional sitting on the board of portfolio companies to be responsible for monitoring and implementing ESG programs in portfolio companies where appropriate for the strategy of each fund. These investment professionals work with management of the portfolio companies and make updates to the ESG Committee annually on key ESG developments during the relevant period.

Exit and After Sale

- To ensure that ESG considerations are included in preparations for the exit, AP reviews the portfolio company's final ESG status, summarizes its ESG improvements and improves the Fund's own ESG policies and procedures where appropriate.

Reporting & Transparency

Communicating our ESG achievements and work-in-progress

Advantage Partners communicates proactively to our stakeholders in the following ways:

- This Policy, as a statement of our intent, strategies and implementation
- An annual ESG report conveying key achievements, challenges, value creation opportunities and proliferate best practice.
- Quarterly investor reports, where ESG issues are salient.

Measurement, Monitoring and Reporting

Robust data collection and monitoring has always been a core ethos of Advantage Partners and we are ramping up our ability to do this for ESG-relevant issues. This supports our Commitments to Standards, our Investment Process, our assessment of materiality, our communications to stakeholders and – ultimately – our strategic objectives.

We have made targeted Measurement, Monitoring and Reporting campaigns for salient factors, linking them so far to contributions to the Sustainable Development Goals (SDGs). We are deepening our insights by tracking metrics for material issues.

We have also made significant progress in measurement and monitoring of GHG emissions, to strengthen our responsiveness and resilience to climate change. Systems are being implemented across portfolio companies to capture Scope 1 and 2 emissions where possible. We are furthering our climate change impact by soon adopting and measuring Scope 3 emissions in line with the strategy for each fund.

As the landscape of frameworks and tools is evolving, we are keeping abreast of convergent and/or emerging standards and new insight-generating metrics.

Responsiveness to High-Impact and Emerging Issues

Overall approach to ESG Risks & Opportunities

Advantage Partners takes a balanced approach to all ESG risks and we focus on addressing risks that have a material impact on our portfolio companies. Risk management is embedded in every stage of the investment process, during due diligence, post-investment and at exit.

Supporting the risk management process are:

- Use of relevant and granular metrics,
- Materiality-based assessments, and
- Equipping our teams with ESG training and awareness.

For transparency, our approach on Climate Risks & Opportunities and Diversity, Equity & Inclusion is elaborated upon below.

Climate Risks & Opportunities

Advantage Partners recognises the far-ranging effects of climate change and the direct and indirect impacts that may manifest in our business. Taking reference from the recommendations of the Task Force on Climate-related Financial Disclosures, we have implemented the following:

- Governance:
 - Leadership and oversight: The ESG Committee governs the overall monitoring and assessment of climate issues. This ensures firm-wide ownership of climate initiatives.
 - Capacity-building: We are ramping up capabilities in GHG emissions management, data collection and disclosure across our portfolio companies. Training is being conducted by external experts in GHG accounting.
- Strategy: Consistent with the Investment Process described in a preceding Section, we conduct both fund-level and deal-level scrutiny and strategic management.
- Risk Management: Risk oversight for climate change is integrated into AP's overall ESG risk management process. This includes an assessment of GHG emissions intensity and absolute emissions, which factor into transition risk, as well as exposure to climate physical risk.
- Metrics & Targets: AP has made significant progress in measurement and monitoring of GHG emissions. Systems are being implemented across portfolio companies to capture Scope 1 and 2 emissions in line with the strategy for each fund.

Advantage Partners will continue to strengthen our resilience to climate change and improve disclosures and target-setting in line with leading standards as well as regulatory guidance such as MAS Guidelines on Environmental Risk Management (Asset Managers).

Diversity, Equity & Inclusion

- We recognise that diversity, equity and inclusion are multi-dimensional issues.
- Advantage Partners has been a long-standing champion of the “FAIRNESS Advantage”, where we have long disregarded race, gender, age, sexual orientation or educational/occupational background as criteria for performance evaluation, promotion, compensation or providing increased responsibilities and opportunities.

The landscape of ESG risks and opportunities is continually evolving. Advantage Partners is committed to keeping current with ESG issues and anticipating future emergent issues.

Appendix

Excluded Sectors

Any of the following sectors:

1. Production of pornography or provision of prostitution
2. Manufacturing or trade of arms and munitions
3. Gambling, casinos and their equivalents
4. Operations violating public order and good morals
5. Manufacturing or trade of tobacco products
6. Racist and/or antidemocratic media

Excluded Activities

Any of the following activities:

1. Manufacturing or trade of radioactive substances (with the exception of medical, measuring equipment etc.)
2. Manufacturing or trade of asbestos fibre
3. Manufacturing, trade, storage or transport of large quantities of hazardous chemicals not compliant with regulations.
4. International trade of waste not compliant with regulations such as the Basel Convention
5. Use of explosive substances and large-scale driftnets in fishing operations
6. Activities damaging endangered habitats and high conservation value areas
7. Commercial logging operations using primary tropical rainforest
8. Manufacture or trade of wooden goods using timber from forests other than those sustainably managed
9. Relationship with Anti-social forces (extortionists, criminal groups and their members or companies that were found to be associated with them or their equivalents)
10. Production or activities utilizing forced or child labour
11. Production or activities on lands belonging to indigenous peoples with no documented consent to use, and lands subject to dispute