Welkin 滙勤

Responsible Investment Policy

Policy name	Responsible Investment Policy
Scope	All investments made by Welkin
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Summary
This Responsible Investment Policy ("Policy") sets forth Welkin's approach to responsible investment and integrating environmental, social and governance ("ESG") considerations into its investment activities.

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1. Purpose

This Policy sets forth Welkin's approach to responsible investment.

This Policy recognizes the constraints of firm's resources in relation to the size of the funds advised by it, the size of its funds' portfolio companies, and the level of control Welkin has with respect to its funds' portfolio companies. This Policy is designed to implement a practical approach toward the firm's ESG principles and responsible investment goals in this context.

In 2017, Welkin became a signatory to the globally recognized voluntary framework of the Principles for Responsible Investment ("PRI"). Welkin intends to use the PRI as a resource and guide in developing its responsible investment approach alongside the growth of its business.

The firm will review this Policy at least annually and update it when appropriate.

2. Our Commitment

Our values and investment approach

Welkin's core values of partnership, responsibility, diligence, and excellence demand that we are a responsible investor. We take an active approach to private equity, working with entrepreneurs and management teams to build sustainable businesses over the long-term, and we believe responsible investment is a core element of this approach.

Our approach to responsible investment

We take a holistic approach to responsible investment, through integrating consideration of material ESG factors into our investment process, including (but not limited to): climate-related risks and opportunities, the portfolio company's impact on society and stakeholders in its value chain, and the policies of relevant governmental authorities.

Our fiduciary duty to investors

We believe integrating ESG factors into our investment process to take a holistic view of an investment is consistent with our duty to maximize returns for our investors. Welkin believes that ESG factors are important drivers of long-term investment performance and recognizes that investing can be financially profitable while creating positive social impact.

Our approach to stewardship

As an active investor, we use our influence and engage with our portfolio companies to maximise their overall long-term value, including investment returns and the value of common economic, social and environmental assets. We believe maximizing overall long-term value is consistent with our duty to maximize investment returns.

Our approach to climate-related risks and opportunities

We support the Paris Agreement. We recognize that climate change poses significant investment risks but also presents investment opportunities to support the transition to a carbon neutral economy. While climate change is a highly complex issue and it is inherently difficult to project the financial impact of climate risks-related risks and opportunities, we will:

- Encourage our portfolio companies to understand their climate-related risks and take actions to mitigate their exposure;
- Consider investment opportunities that support the shift to a carbon neutral economy;
- Encourage our portfolio companies to measure and report greenhouse gas (GHG) emissions;
- Support our portfolio companies to identify and implement operational efficiency initiatives to reduce their carbon footprint and achieve carbon neutrality; and
- Conduct an annual carbon footprint assessment at the firm level and identify and implement initiatives to reduce the firm's carbon footprint.

3. Scope

This Policy governs all investments made by Welkin's private equity funds and applies at all stages of the investment process.

Welkin is a private equity investor, and investments in portfolio companies made by Welkin's private equity funds are often in situations where they are minority shareholders. As such, Welkin's ability to assess, set or monitor ESG-related goals and objectives at the portfolio company level is often limited; however, reasonable efforts will be made to encourage portfolio companies to consider relevant ESG-related principles and conform to the firm's ESG Investment Guidelines.

Welkin will consider material ESG issues for each portfolio company and its sector, using the Sustainability Accounting Standards Board ("SASB") Materiality Map[1] as a guide.

4. Roles and Responsibilities

Welkin's Executive Committee is responsible for implementation of this Policy and oversees ESG and responsible investment efforts across the firm. Welkin's Executive Committee is responsible for ensuring that the Company's responsible investment and ESG policies are reviewed and updated annually or when required. Policy changes will be communicated to all relevant staff members.

Welkin's Global Investment Committee, with the assistance of the Portfolio Operations team, is responsible for ensuring that the consideration of ESG issues is integrated into investment activities by our investment team in accordance with the firm's ESG Approach in Private Equity (Appendix B).

Investment staff are responsible for considering if ESG risks are relevant to each investment and for keeping ESG issues front of mind in their investment and portfolio

[1] https://materiality.sasb.org/

management activities throughout the life of each investment. Risk management staff (including staff of the Legal and Finance departments) will also include ESG related risks in their evaluation of decisions and positions taken by the investment team, whilst Compliance staff will ensure that measures taken are in line with regulatory expectations.

Where additional expertise is needed, the firm will utilize external resources and engage dedicated ESG experts.

5. Principles and Goals

Principles
Welkin has adopted the PRI's six principles of responsible investment, as follows:

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

Goals
In connection with its investment activities, Welkin seeks to:

1.	Consider environmental, public health, safety and social issues when evaluating a potential investment into a target company, as well as during portfolio management and value creation activities.
2.	Be accessible to, and engage with, relevant stakeholders either directly or through representatives of portfolio companies, as appropriate.
3.	Grow and improve the companies in which Welkin invests for long-term sustainability, and work through appropriate governance structures (e.g. board of directors) with portfolio companies with respect to environmental, public health, safety, and social issues, with the goal of improving performance and minimizing adverse impacts in these areas.
4.	Use governance structures that provide appropriate oversight in areas of risk management, conflicts of interest, compliance and audit, and to implement policies that encourage alignment of interests of owners and management.
5.	Remain committed to compliance with applicable national, provincial, and local labor laws, support the payment of competitive wages to employees, and support provision of safe and healthy workplaces in conformance to applicable laws and regulations.

6.	Encourage strict policies that prohibit bribery and other improper payments to public officials consistent with local laws, the U.S. Foreign Corrupt Practices Act and the OECD Anti-Bribery Convention.
7.	Respect the human rights of those affected by Welkin's investment activities and avoid investing into companies that utilize child or forced labor or maintain discriminatory policies.
8.	Provide timely information to Welkin fund investors on the matters addressed herein, and work to foster transparency about Welkin's activities.
9.	Encourage portfolio companies to advance these goals in a way that this consistent with their fiduciary duties.

6. Implementation approach

Appendix B explains how the firm will implement its ESG commitment across the investment lifecycle, both pre- and post-investment.

7. Reporting

As a PRI signatory, Welkin reports on its responsible investment activities annually in compliance with the PRI reporting framework.

Welkin will respond to individual investor queries on responsible investment and ESG and make reasonable efforts to support investors' own responsible investment and ESG objectives, subject to availability of information from portfolio companies.

As part of its evolving commitment to responsible investing, Welkin will evaluate ESG data collection frameworks, such as the ILPA ESG Data Convergence Project, and will consider the feasibility of annual public reporting on its ESG progress.

Appendix A: Exclusion List

The Exclusion List defines the types of companies in which Welkin does not invest, which is comparable to the International Finance Corporation's Exclusion List. This does not apply to companies that are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to the primary operations of the target company.

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production of pornographic materials or media.
- Power generation companies where a significant portion of revenue (greater than 10%) is derived from coal-fired thermal power.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source to be trivial and/or adequately shielded.
- Production or trade in un-bonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

Appendix B: Integration of the Policy into the Investment Process

Welkin integrates the consideration of ESG issues in its investment process, as follows:

Screening

- Check target company operations against the Exclusion List.
- Conduct preliminary, high-level ESG assessment to evaluate materiality, risk level and determine the need for additional assessment in due diligence.
- Document any material or potentially material ESG issues in the Heads-Up Memo and/or Screening Memo, using the SASB Materiality Map as a starting point.

Due Diligence

- Material ESG issues will be considered throughout the ongoing Investment Committee process, and external advisors may be engaged to carry out additional ESG-related due diligence as needed.
- Verify compliance to all applicable laws and regulations, including but not limited to labor and environmental laws.
- Conduct background checks on controlling shareholders and senior management to ensure no history of behavior that is inconsistent with this Policy or questionable behavior with respect to ESG issues.
- Site visits and management interviews regarding on ESG issues.
- Assess climate physical transaction risks and opportunities.
- Assess Scope 1 and Scope 2 GHG emissions and renewable energy consumption.
- If any material ESG issues are identified, they will be discussed by the Investment Committee and documented in the Investment Memo.
- Assess if the proposed investment is consistent with the ESG Investment Guidelines (see Appendix C), which are intended to provide more specific guidance on integrating Welkin's ESG goals with its private equity investments.
- If there are areas of material non-compliance with the ESG Investment Guidelines, the feasibility and commitment of the target company to take of remedial measures must be assessed.

Investment Decision

- The Investment Committee will guide deal teams to assess ESG issues and value creation opportunities throughout the investment process.
- Final assessment of ESG issues will be presented to the Investment Committee as part of the Investment Memo and underwriting package.
- To the extent feasible, ESG issues should be addressed in investment documentation (in the form of representations and warranties, covenants, closing precedent and/or subsequent conditions, and information/audit rights).
- Where applicable and necessary, develop an ESG plan as part of the Post-Closing Plan, with a clear timetable for implementation by management.

Portfolio Management

- Ongoing monitoring of outstanding ESG issues and progress against the Post-Closing Plan at the Quarterly Portfolio Review Meeting.
- Record all ESG-related findings, metrics, KPIs and data and any serious incidents or accidents involving the portfolio company for purposes of tracking and reporting.
- Engage with the portfolio company to adopt similar ESG principles and objectives.

Exit

- Assess potential ESG and reputational risks associated with potential buyers.

Appendix C: ESG Investment Guidelines

Environmental

- Companies should protect the environment and minimize negative environmental impacts from their operations, in compliance with local laws and regulations.
- Where company operations could lead to material negative impacts on the environment, they should complete a formal environmental assessment and take steps to mitigate risks and minimize impacts.
- Material climate-related risks (including physical and transition risks) and opportunities should be considered, and where there are material risks, companies should define an action plan to strengthen climate resilience.
- The carbon footprint of company operations (Scope 1 and Scope 2 GHG emissions) should be considered, and if they are material, the cost and effectiveness of mitigation measures should be considered.

Social

- Companies should provide safe and healthy working conditions for employees, in compliance with local health and safety laws.
- When the nature of company operations requires employees to perform hazardous work, portfolio companies should introduce measures to minimize risks.
- Companies should pay competitive wages to employees, treat their employees fairly, and respect their dignity and well-being, while complying with local labor law and local custom.
- Companies must not employ child labor or forced labor of any kind, either directly or through their primary supply chain.
- Companies should not employ business strategies that create value primarily through exploitation of labor, under a holistic assessment.
- The holistic impact on stakeholders in a company's value chain should be considered, and any unsustainable business practices should not be undertaken.
- Companies should operate in alignment with the broader policy objectives of relevant governmental authorities.

Governance

- Companies should uphold high standards of business integrity and operate in accordance with local and international laws and good practice, including those intended to prevent extortion, bribery and financial crime.
- Management teams should be encouraged identify and raise materials ESG issues to the company's board of directors and, where appropriate, investors.
- Transactions with related parties should not be made without prior independent shareholder approval (with the exception of those that could reasonably be deemed insignificant).
- Pre-emption rights and anti-dilution provisions are key investor protection measures which should be included in all investment agreements.
- Shareholders and board directors should be given sufficient information about any voting proposal or resolution to allow them to make informed judgements when exercising their rights.
- The annual report and accounts of companies should be properly prepared, in accordance with relevant local laws and accounting standards.
- Audits provide a valuable protection to investors, and in order to provide objectivity and a robust assessment of the accounts, the company's auditors must be independent.
- The company's board of directors (as an entity and each of its members as individuals) should be accountable to shareholders.

- Board members should be competent and have relevant expertise.
- With respect to remuneration of management:
    - Significant elements of total remuneration should be linked to genuine performance and in particular focused on the achievement of above average performance;
    - Significant share ownership amongst the senior management team should be encouraged and wider share ownership throughout the company should be supported;
    - There should be an appropriate balance between long- and short-term elements of pay, with an emphasis on reward for sustainable longer-term performance;
    - Where practical, remuneration committees consisting of independent non-executive directors should be appointed.