

JADE INVEST

Jade Invest Responsible Investment Policy

At the core of Jade Invest's ("Jade") investment philosophy is the firm conviction that sustainability and best practice are accretive to long-term investment returns, both through downside risk reduction and increased return potential.

An increasing number of consumers across the globe are making purchasing decisions taking ESG into account and in certain consumer segments the willingness to pay a premium to goods and services that are sourced sustainably and ethically, is significant.

The 17 goals as defined by the United Nations General Assembly in 2015 comprise a key component to our ESG strategy, in particular with regards to environment, health, sanitation and innovation. We incorporate these goals into our investment screening process as well as our post-investment portfolio management. In addition to the UN's development goals, we look carefully at tax and regulatory compliance, areas which we believe to be of particular importance in our market.

1. Responsible Investment Screening Criteria

Our investment screening is subject to several restrictions, i.e. certain criteria that need to be fulfilled prior to initial commercial due diligence. As a result, Jade Invest will refrain from investing in the following areas:

- Companies that have been found to be in serious and systematic breach of environmental regulation, e.g. illegal disposal of hazardous waste or highly polluting manufacturing and/or sourcing
- Products or substances harmful to human health, including tobacco and alcohol
- Products or services in breach of fundamental Socially Responsible Investing (SRI) standards, including gambling and adult entertainment
- Weapons and munitions
- Companies involved in serious and systematic corruption, fraud or violation of local and international regulation
- Companies associated with activities that are violating human rights
- Companies engaged in business activities deemed to be in violation of international sanctions

2. Post-Investment Portfolio Management and Monitoring

As part of our overall risk assessment process, we identify areas of concern with respect to ESG, tax and regulatory compliance in any given portfolio company. These often vary considerably depending on the industry and the specific company.

The most serious issues are addressed in our 100-day action plans, whereas longer term and issues deemed less serious and/or urgent are dealt with as part of our continuous portfolio management and monitoring work. In addition to the areas listed under section 1. above, we actively monitor the following areas:

- Tax compliance
- Social security / labour rights
- Corporate governance / conflicts of interests
- Environmental - activities which are not in breach of rules and regulation but where there is room for improvement, including but not limited to carbon footprint
- Corruption and unethical business practices

Our single most important safety hatch to control ESG and compliance risks is majority control, a non-negotiable criteria of Jade Invest upon entering a new investment. Due to our careful screening and due diligence process, there is already alignment on ESG and compliance with the management team from the outset and our majority control is primarily considered as a last-resort backstop.

As a control investor in small to medium sized private companies (“SMEs”), with concentrated and actively managed portfolios, we are in frequent and close dialogue with management teams, in addition to quarterly board meetings. We also promote close interaction between our team members and portfolio company back office and mid-management staff to maximize oversight and transparency.

Our ESG monitoring and portfolio management process is divided into “Detection” and “Implementation”. The former is the responsibility of every member of our investment and portfolio management teams, who should report any confirmed, suspected or potential issues to the team member in charge of overall monitoring for any given portfolio company (the “Project Manager”). The Project Manager carries the full responsibility for the implementation of measures agreed with management, regardless of whether a certain task is delegated internally.

All ESG, tax and regulatory issues are filed in our portfolio management “Issues Log”, with a clear description of the issue in question, the team member responsible, proposed action and a due date for resolving the issue. The Issues Log is shared across the team to ensure maximal internal transparency and oversight, and is being reviewed on a weekly basis across the portfolio.

Updated: 2018-11-19