Adelis Equity

Adelis Responsible Investment Policy

1. Introduction

Adelis Equity Partners (hereinafter "Adelis") promotes a sustainable future for business, society, and the environment, and recognizes that our institutional investors have a duty to act in the best long-term interest of their beneficiaries. This policy outlines our commitment to generating superior risk-adjusted returns for investors through the integration of Environmental, Social and Governance (ESG) aspects into the acquisition, development, and subsequent divestment of companies that fit our investment criteria. Our mission is to build sustainable, successful, and resilient companies, and we believe that responsible investing is an integral part of achieving this. Thus, responsible investment at Adelis is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long-term returns.

2. Foundation

This policy is based on the UN Principles of Responsible Investment (PRI) of which Adelis is a signatory, as well as the principles of the UN Global Compact and its underlying declarations and conventions, set forth in "Adelis Code of Conduct". The elements of this policy are furthermore established by considering and supporting the Paris Agreement on climate change mitigation and adaptation, the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, as well as the UN Sustainable Development Goals (SDGs).

3. Division of responsibility

The formal oversight and accountability for the elements covered in this policy ultimately lie with the Adelis Investment Committee, constituting of partners at the firm. The Investment Committee delegates the overall operational responsibility to implement the responsible investment policy to the Head of ESG. At the portfolio level, the board of directors of the respective companies are responsible for defining and implementing ESG-related strategies and policies, subject to formal requirements set by Adelis, including appointing a person with dedicated responsibility for ESG and to coordinate the company's activities accordingly. When Adelis is not a majority shareholder in a company, the deal team shall seek to collaborate with like-minded shareholders towards ensuring compliance.

4. Responsible investment strategy

Adelis' responsible investment strategy is based on a materiality analysis and covers four ESG focus areas aligned with the SDGs; climate action (SDG 13), responsible consumption and production (SDG 12), decent work (SDG 8) as well as gender equality (SDG 5), topics that are material both within our industry as well as shared value drivers within our portfolio. The strategy is implemented through our ESG framework which consists of documented processes and tools that guide us during pre-investment, and during our ownership until exit.

4.1 Sourcing and acquisition

Adelis applies exclusion criteria for companies in sectors with adverse negative impacts. As such we do not source or invest in companies whose activities directly or indirectly involve pornography and the sex industry, gambling, controversial weapons as well as fossil fuel[1] extraction, refining, and power generation.

As part of Adelis' investment analysis process, conducting an ESG due diligence covering risks, improvement areas, and value creation opportunities is a mandatory component of any final investment recommendation brought to the Investment Committee for decision. The significance of potential sustainability risks to the investment proposition is assessed in the context of the relevant underlying asset,

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[1] Oil, coal, natural gas, and tar sand.

including its overall risk and return profile. Other relevant considerations may include the level of intended or actual control or influence exercised by Adelis over an investee company.

The due diligence shall put particular emphasis on the direct operational impact of a company's activities, including the sustainability of its products and services as well as the potential indirect impacts within the company's value chain, including but not limited to sector- and country risks. The ESG due diligence is executed in four steps:

1. Norm-based screening: the potential investment shall be screened for controversies and breaches of minimum standards of business practices based on international norms and frameworks, e.g., UN treaties, UN Global Compact, UN Human Rights Declaration, OECD guidelines, and dealings with countries under Security Council sanctions.

2. Desktop analysis: the potential investment shall be reviewed against sector and country risks and opportunities in general covering:

   - Natural resource (material, energy, water) dependencies
   - Air, water, and land pollution
   - Physical and transitional climate risks and opportunities
   - Basic requirements for good working conditions
   - Contribution to human rights violations
   - Corruption, bribery, and irregularities
   - Presence of controversial products and services
   - Business partners, suppliers, and customers in high-risk regions

   The sector and country risk assessment shall be supplemented with a high-level materiality review to address company-specific topics relevant to their specific business model as well as the double materiality perspectives. The materiality review should be based on the Global Reporting Initiative (GRI) Standards[2], the EU Sustainability Reporting Standards (ESRS)[3], or the IFRS Sustainability Accounting Standards Board (SASB) materiality matrix standards[4].

   Finally, the desktop analysis should cover EU taxonomy eligibility by conducting a high-level screening of economic activities listed in the delegated acts of the Taxonomy Regulation.

3. ESG maturity analysis and management interviews: the potential investment's ESG maturity is assessed based on Adelis stewardship requirements as defined by the "ESG roadmap" (described under section 4.2) through a management interview with the purpose of understanding how ESG risk and opportunities are managed.

4. Final IC documentation: ESG findings and conclusions are included in the final IC documentation. Where relevant, ESG-related improvements are incorporated into the value creation plan included in the final investment recommendation.

4.2 Active ownership

All acquisitions are subject to ESG requirements as defined in the Adelis ESG roadmap which includes two levels of ESG requirements to increase the ESG maturity within our portfolio over time, as well as one non-mandatory level for industry leadership. Each level builds on the principal structure consisting of three overall stewardship categories: governance, strategy, and reporting, and ten sub-categories:

[2] https://www.globalreporting.org
[3] https://www.efrag.org/lab6
[4] https://sasb.org/standards/download

Governance	Roles and responsibility
	Steering documents
	Training
	Risk management
	Process
Strategy	Sustainability aspects
	Materiality analysis
	Goals, metrics and action plan
Reporting	Sustainability information
	Sustainability report

To facilitate compliance with the requirements, Adelis provides the portfolio companies with an implementation handbook with detailed guidance and tools for each requirement in the ESG roadmap.

Adelis' engagement with the management of investee companies varies depending on the level of control or influence exercised. Where Adelis has full ownership of an investee undertaking or a substantial asset, we will, with respect to ESG-related risks and opportunities, seek to identify, influence, and promote actions designed to potentially resolve or mitigate issues capable of causing a material negative impact on investment as part of its overall risk management process. Where Adelis has limited influence (as a minority or non-controlling holder), it will seek, where appropriate and to the extent possible, to escalate sustainability risks to the management and/or majority owners to promote actions to resolve or mitigate applicable sustainability risks.

5. Follow-up and reporting

The portfolio companies shall report the progress of actions against the applicable roadmap requirements on a quarterly basis and performance on standardised key performance indicators on an annual basis, Adelis provides an online platform to facilitate and streamline reporting. ESG performance and progress regarding the individual portfolio companies are subsequently subject to bi-annual portfolio reviews at Adelis.

Adelis shall further report ESG progresses for each portfolio company to its investors in connection with the quarterly and annual reporting, in connection with the publication of Adelis' ESG report. Material ESG-related incidents in portfolio companies are reported without undue delay to the respective Fund's Advisory Committee.

Adelis' Sustainable Finance Disclosure Regulation (SFDR) disclosure statement is available here.