



# Responsible Investment Policy

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- Introduction*.....2
- Objective and Scope*.....2
- Responsible Investment Strategy*.....3
- Approach to Responsible Investment and Active Ownership*.....4
- ESG Fundamentals*.....5
- Reporting and Transparency*.....8
- Governance and Accountability*.....8
- Conflicts of Interest*.....9
- Other Stewardship Activities*.....9
- Contact Details*.....10
- Applicable Standards*.....10

**Enabling Sustainability Transitions**

## *Introduction*

Gyrus Capital SA and funds advised by Gyrus Capital SA (“Gyrus”) are committed to maintaining an investment approach that incorporates the consideration of environmental, social, and corporate governance (“ESG”) risks and opportunities. We invest in companies within the Healthcare and Sustainability industries that are going through transitions – typically family/founder owned companies and corporate carve-outs. Our ability to transform these assets unlocks financial value and drives growth and delivers positive impact. This benefits our limited partners, our portfolio company stakeholders, the environment, and society in general.

We are firmly committed to investing responsibly and to integrating ESG factors at every stage of the investment lifecycle. It is our conviction that this allows us to reduce risks, to make better investment decisions and to build strong companies.

### PURPOSE

To invest in businesses that address our three sustainability transition objectives and structural needs.

### TARGETS

Transformational and responsible investments into structural growth markets at attractive valuations.

### MISSION

To produce consistent, exceptional risk asymmetric performance.

## *Objective and Scope*

The motivation for developing this Policy is to formalise our structured approach to responsible investment and associated roles and responsibilities and to provide transparency to our stakeholders. The objective of this Policy is to ensure material ESG issues are identified and considered when evaluating investment opportunities.

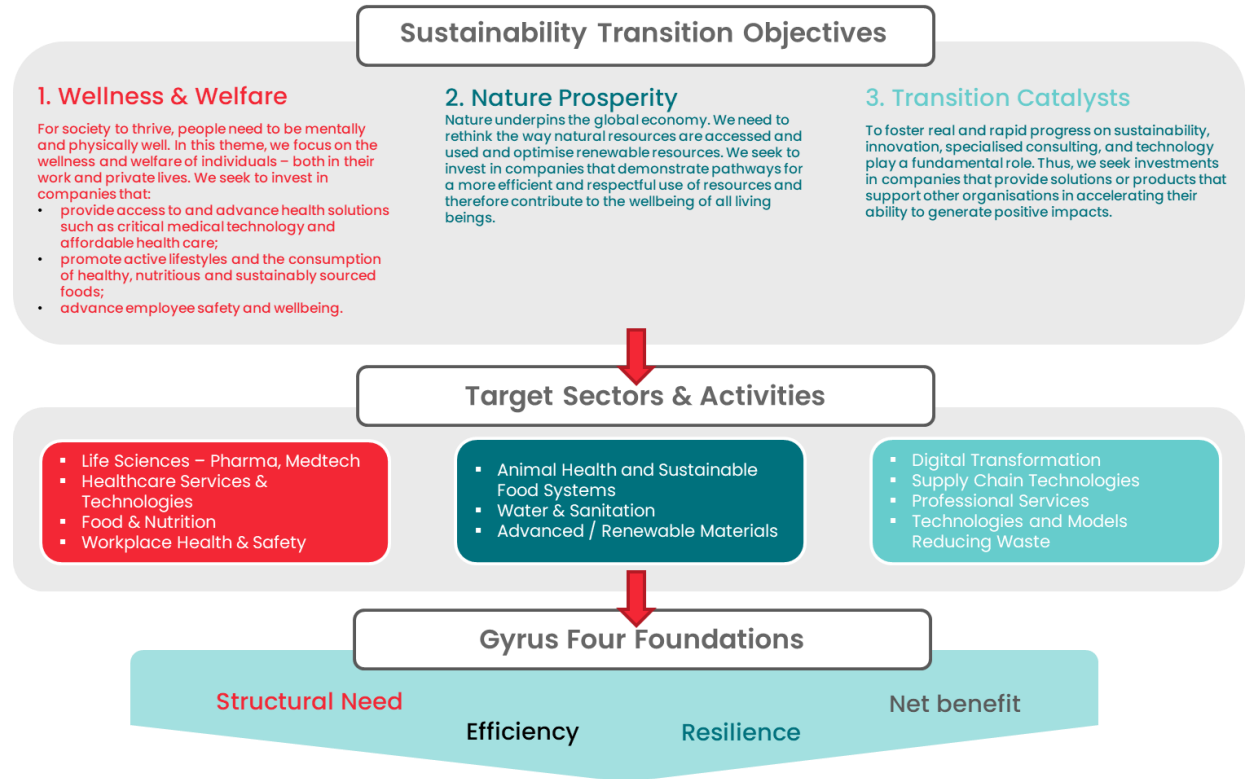
The Policy applies to all our assets under management. It is reviewed on a regular basis, at least annually, by the RI Committee and is updated when necessary to reflect changes in circumstances and actual practice.

# Responsible Investment Strategy

Our strategy pursues investments that align with at least one of Gyrus' **Sustainability Transition Objectives**. These objectives feed into sectors and business activities of our distinct expertise and experience but are not limited to the ones below.

The investments are also required to align with our **Gyrus Four Foundations**:

1. **Structural Need:** Products and services that provide solutions for problems driven by the major demographic trends of the coming decades such as aging populations, rising chronic diseases, decreasing birth rates.
2. **Efficiency:** Recognising that our resources are limited, we invest in businesses that provide solutions to enable them to do more than their competitors, with less.
3. **Resilience:** Businesses that are not driven by or exposed to market cycles, discretionary spending or regulatory loopholes, but are positioned for long-term, secular growth.
4. **Net Benefit:** There is a cost for these solutions – but our overall aim is a net reduction of the impact of industry on the environment, and to generate a net health- and socio-economic benefit for the community.



# Approach to Responsible Investment and Active Ownership

Our Responsible Investment Strategy is integrated throughout the investment lifecycle.

## 1. Opportunity Screening

Gyrus applies **positive screening** by actively looking for companies that contribute to our Sustainability Transition Objectives and require support with complex situations or transformation.

Companies must also pass a negative screening. This includes exclusion criteria\* with regards to business activities that Gyrus believes detrimental to society and companies that are in breach of UNGC and OECD Guidelines for MNEs.

\*Details are included in separate document available on request.

## 5. Exit Preparation

When preparing for exit, the Gyrus deal team will assess the investment's progress on ESG performance gaps and objectives, using the initial ESG assessment as a benchmark. This information will be included in exit documentation.

## 2. Due Diligence

The investment team performs a materiality-focussed analysis of prospective investments during the due diligence phase. In addition to financial and risk analysis, the target's alignment with our **ESG fundamentals** is assessed. The findings are included in our investment memos.

As part of due diligence, the team will perform an assessment on the company's contribution to **SDGs** via products and/or services.

External, specialist consultants might be involved to support the investment team.

\*Details on ESG Fundamentals are included in the following pages.

## 3. Final Investment Decision

The Investment Committee is informed of sustainability-related risk and opportunity considerations and incorporates these into decision-making, alongside the analyses of the investment's financial and risk performance.

Gyrus will only consider investments in sectors, companies, and business models:

- (1) which have an adequate ESG standing (based on the findings from the ESG due diligence) at the time of the investment decision; or
- (2) where Gyrus has conviction that it can improve the fundamental ESG practices from the identified gaps into 100-day plans.

The ultimate investment decision is made by the Investment Committee.

## 4. Monitoring & Engagement

A **value creation plan** will be developed for each of the focus areas, establishing short-term actions and long-term goals. The short-term actions will address gaps from the due diligence whereas the long-term actions will seek to align with the Sustainability Transition Objectives.

The identified ESG focus areas will be continuously monitored and assessed as appropriate during conversations with management. The ESG review is part of regular board meetings and Gyrus will actively work with management to support the development of corrective action plans if needed.

Portfolio companies are expected to provide material ESG performance data at least annually.

## *ESG Fundamentals*

We do not anticipate that all of our portfolio companies will necessarily meet all of our ESG minimum standards immediately following Gyrus' investment. However, we are committed to proactively working with the management teams of all of our portfolio companies to improve their performance on **material** ESG issues within a reasonable period. This will assist in ensuring value creation while simultaneously contributing to sustainable development – both of which are fundamental objectives of our engagement activities.

### **Environmental Fundamentals**

Gyrus will consider the following:

1. **GHG Emissions Footprint:** Portfolio companies should monitor, report, and aim to reduce their carbon emissions. The goal should be alignment with global efforts like the Paris Agreement.
2. **Climate Risk Management:** Portfolio companies should conduct regular assessments of direct and indirect climate-related risks and develop adaptation and mitigation strategies based on identified risks.
3. **Resource Management:** Portfolio companies should focus on the efficient use of natural resources, minimising waste, and recycling.
4. **Environmental Policies and Compliance:** Portfolio companies should ensure adherence to local, national, and international environmental regulations and standards.
5. **Biodiversity:** Portfolio companies should address biodiversity dependency, ensuring that they understand and manage their reliance on ecosystems, services, and species, and mitigate potential harm to these dependencies.
6. **Sustainable Supply Chains:** Companies should incorporate sustainable procurement practices, ensuring suppliers uphold environmental standards.

## **Social Fundamentals**

Social due diligence will be conducted to understand how the company is respecting and ensuring human rights, fair labour practices, robust health & safety management and other social issues.

Gyrus will consider:

1. **Human Rights and Employee Welfare:** Portfolio companies should adhere to international human rights standards across operations, supply chains, and business relationships. They should also protect against child labour, forced labour, discrimination and any form of harassment and implement policies to protect the well-being of all employees.
2. **Health & Safety:** Especially relevant given our focus on healthcare, portfolio companies should prioritise employee health and safety.
3. **Diversity & Inclusion:** Portfolio companies should promote a diverse workforce and provide equal opportunity at all employment levels.
4. **Consumer Protection:** Portfolio companies should ensure the safety, health, and satisfaction of the end users, especially in healthcare products/services.
5. **Community Engagement:** Portfolio companies should foster positive relations with local communities, respect indigenous rights, and contribute positively to local development.

## **Governance Fundamentals**

Governance due diligence will be performed to understand how the company is assessing their compliance with relevant laws, ethics, how the company considers bribery, corruption, transparency, regulations, complaints, remuneration and reporting.

Gyrus will consider:

1. **Ethical Conduct & Integrity:** Portfolio companies should implement policies on anti-corruption, bribery, ethical conduct, and whistleblowing.

2. **Board Composition & Independence:** Portfolio companies should establish boards with diverse expertise and ensure independent oversight. They should ensure that (i) there is an appropriate balance between the executive and non-executive directors with an independent chair, (ii) the role of the CEO/CFO is not combined in one individual, unless there is sufficient reasoning, and (iii) board meetings are held regularly with an agreed agenda and papers circulated sufficiently in advance.
3. **Transparent Reporting:** Portfolio companies should provide clear financial and non-financial reporting and address (i) if there have been any alleged instances of miscommunication related to non-financial disclosures (e.g., greenwashing claims), (ii) if the company has any known or unsettled controversies on reporting, taxation, accounting and subsidies, and (iii) what the process is to appoint and reappoint independent external auditors.
4. **Remuneration:** Portfolio companies should showcase (i) if the company pays their employees at least minimum wages, based on relevant regulations, (ii) if the company has any known controversies on executive pay e.g. excessive CEO pay ratio; and (iii) if there are any policies involving ESG-linked remuneration.
5. **Management of the Legal and Regulatory Environment:** Portfolio companies should demonstrate (i) if there have been any credible charges of non-compliance with laws, regulations and international standards, (ii) if there are any outstanding, pending or threatened litigations involving the company; (iii) if there have been any cases of tax non-compliance, and (iv) if risk management practices and compliance functions and structures are operated at all times.
6. **Stakeholder Engagement:** Portfolio companies should ensure regular communication with all stakeholders, including employees, shareholders, and the broader community.
7. **Risk Management:** Portfolio companies should demonstrate a robust approach for identifying, assessing, and managing ESG and other business risks that could impact long-term value.

## Reporting and Transparency

Gyrus is committed to providing timely and transparent reporting to investors. This includes:

- Annual ESG reporting which summarises the portfolio’s ESG performance; and
- Quarterly reporting on identified controversies or high-risk incidents (if any).

## Governance and Accountability

To ensure that our responsible investment principles are integrated throughout the entire investment process, from inception to exit, every member of our team has some level of formal responsibility, as depicted to the right.

The entire Gyrus team receives regular (at least annual) training on ESG-related matters. ESG training also forms part of the onboarding process for new employees.





## ***Conflicts of Interest***

Gyrus seeks to operate in accordance with the highest standards of compliance and ethical conduct. Accordingly, Gyrus' Code of Conduct and Ethics includes guidelines on how conflicts of interest are to be dealt with. Questions with respect to whether a conflict of interest exists, together with any actual or potential conflict of interest, should be directed to the Gyrus Partners.

## ***Other Stewardship Activities***

### **Guidelines on voting**

In making any given investment, we actively negotiate terms, conditions, rights and responsibilities to not only ensure the investments are attractive for our investors, but also to ensure that Gyrus is able to exercise appropriate levels of rights and responsibilities where necessary.

For some investments, we may be granted a Board seat and are able to vote. Where our consent as equity investor is sought, there is a formal internal approval process that must be followed. In all instances, the deal team's recommendation for voting on an ESG-related matter is presented to the Investment Committee. "We are committed to ensuring that our votes reflect the principles of this Policy".

### **Engagement with co-investors**

In some instances, we may invest in a portfolio company alongside other equity providers and lenders. We have put in place internal guidelines to work with our co-investors to not only agree on an optimal investment solution, but to also agree on an engagement plan to improve a portfolio company's ESG profile. It is important to understand where our ESG strategies align and focus our engagement efforts to improve co-investor buy in and the success of engagement efforts. As a first step, we will undertake an assessment of our co-investors to evaluate their ESG efforts and priorities.

## **Engagement with wider stakeholders**

Where applicable, we will become involved in industry memberships and initiatives, which serve a variety of purposes. Such participation may help to inform and develop our own internal practices, contribute to the creation of PE specific industry best practices, and serve to bring about positive environmental, social, and economic change.

## **Political engagement**

Gyrus does currently not engage with any political parties.

## ***Contact Details***

To ensure we continue to meet our key stakeholder needs and interests, you may contact us with questions about the Policy.

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## ***Applicable Standards***

ESG principles laid out by The Principles for Responsible Investment (“PRI”), an investor initiative in partnership with the UNEP Finance Initiative and the UN Global Compact, the Institutional Limited Partners Association (“ILPA”) and the Private Equity Growth Capital Council (“PEGCC”; now: American Investment Council) have been considered in developing this Policy. This Policy does not, however, strictly adopt any external Policy or set of standards beyond the processes defined.