



## **NexPhase Capital Environmental, Social, and Governance (ESG) Policy**

### **Introduction**

NexPhase Capital, LP (“NexPhase” or “we”) recognizes that many of its investors seek assurance that their capital will be invested responsibly and with sensitivity to the environmental and social concerns of its communities. They also wish to invest in businesses that are operated with due attention to these concerns and are governed in a way that helps achieve this result. As such, NexPhase is committed to the spirit of responsible investment and upholding business ethics standards to better serve its investors and various stakeholders. NexPhase recognizes that effective management of environmental, social, and governance (“ESG”) issues can create better risk-adjusted returns across its investment portfolio.

As an investor focused on the healthcare, consumer goods, and software & services sectors, NexPhase considers ESG issues that are particular to the unique operations of each of its partner companies, such as business ethics, data privacy and security, diversity and equal employment opportunity, amongst others.

NexPhase seeks to align its actions with the key principles of the United Nations Principles for Responsible Investment, including to incorporate material ESG issues into investment analysis and decision-making processes, be active owners and integrate ESG issues into ownership policies and practices, and to seek appropriate disclosure on ESG issues by the entities in which we invest.

This policy codifies our approach to incorporating ESG themes into the investment lifecycle at NexPhase. That said, we recognize that industry guidelines and standards for ESG will evolve over time and will update this policy as needed to reflect upgrades made to our program.

### **Responsibility & Oversight**

NexPhase commits to enhancing ESG management capacity and awareness amongst its investment professionals. As part of that effort, NexPhase will make its ESG Policy available to all investment professionals and will conduct periodic training on ESG issues, including how to effectively manage them throughout the investment process and hold period. From time to time, NexPhase may engage additional external expertise to assist in such training.

NexPhase’s ESG program is managed by our ESG Manager, who is overseen by NexPhase’s Sustainability Committee. The Sustainability Committee is comprised of NexPhase representatives across our firm, as well as the Firm’s ESG Manager. Together, these parties evaluate the adequacy and effectiveness of our ESG program. This oversight includes approval and implementation of upgrades to the ESG Policy, including communication, implementation, and training programs.

### **Pre-Investment Due Diligence**

NexPhase commits to evaluate established and emerging ESG risks through pre-investment due diligence on all partner companies. In practice, this will be achieved by:

- Conducting an ESG assessment to determine operational areas where there is the greatest likelihood, vulnerability, and potential for significant ESG impact on a per company basis. Focus topics of the ESG assessment include, but are not limited to, the following:

- Anti-Bribery & Corruption
- Climate Change
- Data Privacy & Security
- Diversity, Inclusion & Equal Employment Opportunities
- Environmental Management
- Ethics & Compliance
- Product & Food Safety
- Product Stewardship
- Social & Labor Conditions
- Supply Chain Compliance
- Sustainable Branding
- Worker Health & Safety
- Engaging external advisors, as necessary, to provide expertise in the assessment of acquisition targets' exposure to material ESG issues and identify relevant ESG opportunities
- Incorporating material ESG findings into Investment Committee materials and decisions on the allocation of investment capital

### **Active Ownership**

As a result of our thematic and operationally-focused investment strategy, we are uniquely positioned to work with entrepreneurs and management teams to mitigate ESG risks and capitalize on ESG opportunities. This process begins during due diligence when we identify specific, actionable ESG improvement areas which are incorporated into the post-close strategic plan. After acquisition, this includes:

- Ensuring that material ESG risks identified in diligence are remediated in a timeframe commensurate to their potential financial, reputational, and social impact by implementing a formal monitoring program
- Connecting partner companies to internal and third-party ESG resources to promote continuous improvement on ESG issues (e.g. business ethics, diversity and inclusion, etc.)
- Implementing governance structures that provide appropriate levels of oversight in the areas of audit, risk management, and potential conflicts of interest
- Ensuring the inclusion of relevant ESG program updates or significant events in regular company communications (e.g. board meetings, annual reports)

At any point during the investment cycle, NexPhase may engage Operating and/or Strategic Advisors with relevant experience to assist with ESG issues for our portfolio companies.

### **Reporting and Investor Transparency**

NexPhase seeks to create accountability within our organization and to be transparent with our limited partners / investors with regard to our ESG management approach. To that end, we will provide updates on our ESG program through periodic reporting and other communication internally and to limited partners, and notify investors of material, negative ESG incidents at a portfolio company as deemed appropriate. NexPhase intends to include an ESG Annual Report as part of our communications to our Limited Partners.